

Notes to the Financial Statements

for the year ended 31 March 2005

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal subsidiaries and associates are set out in notes 30 and 17, respectively.

2. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Principal accounting policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of properties, and are in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

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for the year ended 31 March 2005

3. Principal accounting policies *(continued)*

Interests in associates

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Revenue recognition

- (i) Sales of magazines and newspapers are recognised on the date of publication, net of allowances for unsold copies.
- (ii) Sales of books and other publications are recognised on the date of delivery to customers.
- (iii) Books, magazines and newspapers advertising income is recognised upon the publication of the edition in which the advertisement is placed.
- (iv) Revenue from the provision of printing and reprographic services is recognised upon the provision of the services.
- (v) Internet advertising income is recognised on a straight line basis over the period during which the advertisement is displayed.
- (vi) Sales of waste materials are recognised on the date of delivery of the waste materials.
- (vii) Interest income is recognised on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Rental income is recognised on a straight line basis over the term of the lease.

Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and amortisation and accumulated impairment losses.

Land and buildings are stated at valuation. Independent valuations are performed on land and buildings every three years. In the intervening years, the Directors review the carrying values of the land and buildings and adjustment is made where, in their opinion, there has been a material change. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first offset against increases from earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to any amount previously debited. Upon disposal of land and buildings, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred from the revaluation reserve to retained profits and is shown as a movement in reserves.

3. Principal accounting policies *(continued)*

Fixed assets *(continued)*

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease, while other tangible fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings	2 – 4%
Leasehold improvements	Over the lease term or the estimated useful lives, whichever is shorter
Plant and machinery	6.67 – 10%
Furniture, fixtures and equipment	20 – 33.33%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Operating leases

Operating leases and the rentals are charged to the profit and loss account on a straight line basis over the relevant lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

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for the year ended 31 March 2005

3. Principal accounting policies *(continued)*

Foreign currencies *(continued)*

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Masthead and publishing rights

Masthead and publishing rights of the Group's newspapers and magazines are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised on a straight line basis over their estimated useful lives.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates three defined contribution retirement schemes and a mandatory provident fund scheme for its eligible employees in Hong Kong, and two defined benefits plans for its eligible employees in Taiwan, the assets of which are held in separate trustee-administered funds.

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are expensed as incurred and, in respect of the non-mandatory provident fund schemes, such contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For defined benefits plans, pension costs are assessed using the projected unit credit method, under which the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans annually. The pension obligation is measured as the present value of the estimated future cash outflows using average market yields for high quality corporate bonds and securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested.

3. Principal accounting policies *(continued)*

Employee benefits *(continued)*

(iv) Equity compensation benefits

Share options are granted to full-time employees and Directors at the Company's discretion. No compensation cost is recognised in the consolidated profit and loss account when the options are granted. The amount of consideration received for the options granted is credited to the consolidated profit and loss account. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Taxation

Profits tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes profit and loss account items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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for the year ended 31 March 2005

4. Turnover and revenues

The Group is engaged in the publication of newspapers, books and magazines, the sales of advertising space in newspapers, books and magazines, the provision of printing and reprographic services, the delivery of internet content and the sale of advertising space on websites. Revenues recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Sales of newspapers	659,598	565,382
Sales of books and magazines	308,025	317,868
Newspapers advertising income	1,197,119	929,004
Books and magazines advertising income	577,222	468,063
Printing and reprographic services income	166,225	135,923
Internet content provision and advertising income	23,983	20,869
	2,932,172	2,437,109
Other revenues		
Sales of waste materials	18,250	17,693
Interest income on bank deposits	4,672	2,343
Rental income	1,741	2,063
Others	3,998	4,469
	28,661	26,568
Total revenues	2,960,833	2,463,677

5. Segmental information

The Group's primary format for reporting segment information is business segments. The Group's major business segments and their corresponding regions of operations are summarised below:

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

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

5. Segmental information *(continued)*

Analysis of business segment results for the year ended 31 March 2005

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
PROFIT AND LOSS ACCOUNT						
TURNOVER						
External sales	1,916,855	885,247	106,087	23,983	–	2,932,172
Inter-segment sales	–	71	173,571	–	(173,642)	–
	1,916,855	885,318	279,658	23,983	(173,642)	2,932,172
Segment results	107,320	(24,056)	45,223	11,249	–	139,736
Other revenues						28,661
Operating profit						168,397
Finance costs						(6,083)
Share of results of associates						830
Profit before taxation						163,144
Taxation						(58,887)
Profit after taxation						104,257
Minority interests						–
Profit for the year						104,257

Notes to the Financial Statements

for the year ended 31 March 2005

5. Segmental information (continued)

Analysis of business segment results for the year ended 31 March 2005 and financial positions as at 31 March 2005

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET						
ASSETS						
Segment assets	3,317,069	673,555	430,462	6,235	–	4,427,321
Unallocated assets						1,058
Total assets						4,428,379
LIABILITIES						
Segment liabilities	(204,511)	(131,244)	(45,043)	(8,358)	–	(389,156)
Unallocated liabilities						(552,391)
Total liabilities						(941,547)
OTHER INFORMATION						
Capital expenditure	(15,993)	(13,302)	(1,586)	(1,713)	–	(32,594)
Depreciation and amortisation of fixed assets	(110,384)	(13,101)	(18,558)	(422)	–	(142,465)
Amortisation of intangible assets	(61,991)	(29,548)	–	–	–	(91,539)
Impairment loss on an intangible asset	–	(136,918)	–	–	–	(136,918)
Revaluation deficit on fixed assets	(3,224)	–	–	–	–	(3,224)
Other non-cash expenses	(10,942)	(2,246)	(1,872)	(228)	–	(15,288)

5. Segmental information *(continued)*

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

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
PROFIT AND LOSS ACCOUNT						
TURNOVER						
External sales	1,531,052	785,929	99,259	20,869	–	2,437,109
Inter-segment sales	–	23	156,709	57	(156,789)	–
	1,531,052	785,952	255,968	20,926	(156,789)	2,437,109
Segment results	(192,629)	103,932	44,163	9,534	–	(35,000)
Other revenues						26,568
Operating loss						(8,432)
Finance costs						(7,439)
Loss before taxation						(15,871)
Taxation						(74,085)
Loss after taxation						(89,956)
Minority interests						36
Loss for the year						(89,920)

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5. Segmental information (continued)

Analysis of business segment results for the year ended 31 March 2004 and financial positions as at 31 March 2004

	Newspapers publication and printing HK\$'000	Books and magazines publication HK\$'000	Books and magazines printing HK\$'000	Internet content provision and advertising HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
BALANCE SHEET						
ASSETS						
Segment assets	3,214,850	794,918	401,088	3,199	–	4,414,055
Interests in associated companies						(830)
Unallocated assets						9,481
Total assets						4,422,706
LIABILITIES						
Segment liabilities	(267,447)	(92,264)	(43,010)	(7,025)	–	(409,746)
Unallocated liabilities						(685,959)
Total liabilities						(1,095,705)
OTHER INFORMATION						
Capital expenditure	(116,457)	(10,276)	(15,066)	(508)	–	(142,307)
Depreciation and amortisation of fixed assets	(105,083)	(13,953)	(18,613)	(207)	–	(137,856)
Amortisation of intangible assets	(61,991)	(29,548)	–	–	–	(91,539)
Revaluation deficit on fixed assets	(3,839)	–	–	–	–	(3,839)
Other non-cash expenses	(5,225)	(1,165)	(1,141)	(179)	–	(7,710)

5. Segmental information (continued)

Secondary reporting format – geographical segments

	2005		2004	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000
Hong Kong	1,969,225	262,971	1,896,885	498,047
Taiwan	881,483	(157,917)	465,500	(563,839)
North America	48,948	18,697	48,176	17,054
Europe	21,549	10,298	20,999	10,808
Australasia	6,921	3,593	5,549	2,930
Others	4,046	2,094	–	–
	2,932,172	139,736	2,437,109	(35,000)
Other revenues		28,661		26,568
Operating profit (loss)		168,397		(8,432)

	2005		2004	
	Total assets HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	2,993,417	21,940	3,222,836	27,572
Taiwan	1,428,407	10,626	1,182,462	114,708
North America	5,497	28	8,757	27
	4,427,321	32,594	4,414,055	142,307
Interests in associated companies	–		(830)	
Unallocated assets	1,058		9,481	
Total assets	4,428,379		4,422,706	

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6. Other expenses

	2005 HK\$'000	2004 HK\$'000
Revaluation deficit on fixed assets	3,224	3,839
Loss on disposal of fixed assets	1,036	237
	4,260	4,076

7. Operating profit (loss)

	2005 HK\$'000	2004 HK\$'000
Operating profit (loss) has been arrived at after charging:		
Allowance for bad and doubtful debts	14,252	7,473
Auditors' remuneration	1,620	1,950
Costs of raw materials consumed in production	1,063,757	891,350
Operating lease expenses on:		
Properties	6,201	6,797
Other assets	12,046	13,117
Legal and professional fees	66,307	14,377
Net foreign exchange loss	–	659
Staff costs (including Directors' emoluments set out in note 9)	911,077	907,136
and after crediting:		
Interest income	4,672	2,343
Net foreign exchange gain	2,923	–

8. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest expenses on bank borrowings:		
wholly repayable within five years	6,083	5,927
not wholly repayable within five years	–	1,512
	6,083	7,439

9. Directors' emoluments

The aggregate amounts of emoluments paid and payable to Directors of the Company for the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive Directors	800	954
Independent non-executive Directors	600	478
Other emoluments paid or payable to executive Directors:		
Salaries and benefits in kind	10,731	13,528
Pension costs – defined contribution plans	321	424
	12,452	15,384

For the year ended 31 March 2004, 50,000 options were granted to a Director of the Company under the share option schemes adopted by certain subsidiaries of the Group (the "Subsidiary Share Option Schemes") and no options were granted to any Directors of the Company under the share option scheme adopted by the Company on 29 December 2000 (the "2000 Option Scheme") (note 25).

50,000 options under the Subsidiary Share Option Schemes and 2,536,000 options under the 2000 Option Scheme granted in prior years were held by a Director newly appointed in 2004.

The emoluments disclosed above include expenses of HK\$2,145,258 (2004: HK\$2,210,000) paid by the Group under two operating leases in respect of residential accommodation provided to an executive Director.

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9. Directors' emoluments (continued)

Emoluments of the Directors were within the following bands:

	Number of Directors	
	2005	2004
Nil to HK\$1,000,000	4	3
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	2	3
HK\$3,500,001 to HK\$4,000,000	1	1

During the years ended 31 March 2005 and 2004, the Group did not pay any amounts to any of the Directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years ended 31 March 2005 and 2004, no Director waived or agreed to waive any emoluments.

10. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2004: four) were Directors of the Company whose emoluments are included in the disclosure in note 9 above. The emoluments of the remaining one (2004: one) individual were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and benefits in kind	3,430	3,396
Pension costs – defined contribution plan	138	138
	3,568	3,534

11. Taxation

	2005 HK\$'000	2004 HK\$'000
The charge (credit) comprises:		
Current tax:		
Current year	96,953	106,406
Overprovision in prior years	(895)	(1,074)
	96,058	105,332
Deferred tax (note 27):		
Current year	(37,171)	(31,247)
Taxation attributable to the Company and its subsidiaries	58,887	74,085

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit (loss) before taxation as follows:

	2005 HK\$'000	2004 HK\$'000
Profit (loss) before taxation	163,144	(15,871)
Tax at Hong Kong Profits Tax rate of 17.5%	28,550	(2,777)
Effect of different taxation rates in other regions	(3,932)	(39,502)
Tax effect of income not taxable for tax purposes	(4,414)	(1,045)
Tax effect of expenses not deductible for tax purposes	9,974	5,822
Overprovision in prior years	(895)	(1,074)
Tax effect of tax losses not recognised	27,275	126,316
Tax effect of deferred tax assets not recognised	18,228	9,586
Recognition of deferred tax assets previously not recognised	(1,196)	(18,254)
Utilisation of tax losses previously not recognised	(14,703)	(4,987)
Tax charge for the year	58,887	74,085

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12. Earnings (loss) per share

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2005 HK\$'000	2004 HK\$'000
Profit (loss) for the year:		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	104,257	(89,920)
	No. of shares 2005	2004
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,480,810,328	1,410,756,130
Share options	5,570,493	
Convertible preference shares	920,000,000	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	2,406,380,821	

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

13. Staff costs

	2005 HK\$'000	2004 HK\$'000
Wages, salaries and benefits in kind	879,973	876,785
Pension costs – defined contribution plans, net of forfeited contributions	21,393	21,592
Pension costs – defined benefits plans (note 23(b))	9,711	8,759
	911,077	907,136

The staff costs for the year ended 31 March 2005 included Directors' emoluments of HK\$12,452,000 (2004: HK\$15,384,000) as set out in note 9.

14. Intangible assets

	THE GROUP HK\$'000
COST	
At 1 April 2004	1,820,930
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2004	246,592
Charge for the year	91,539
Impairment loss recognised for the year	136,918
At 31 March 2005	475,049
CARRYING AMOUNTS	
At 31 March 2005	1,345,881
At 31 March 2004	1,574,338

Intangible assets represent the masthead and publishing rights of the Group and are amortised over a period of 20 years.

During the year, the Directors reviewed the carrying amounts of the Group's masthead and publishing rights and identified that the estimated discounted net future cash flows from one of the Group's masthead and publishing rights ("recoverable amount") is less than the carrying amount. Accordingly, the carrying amount of that intangible asset is reduced to its recoverable amount and an impairment loss of approximately HK\$136,918,000 (2004: Nil) has been recognised in the profit and loss account for the current year.

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15. Fixed assets

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 April 2004	884,326	45,085	1,122,040	188,926	6,061	2,246,438
Currency realignment	16,854	877	19,847	6,398	32	44,008
Additions	170	2,366	1,176	27,770	1,112	32,594
Disposals	–	(8)	(3,263)	(7,096)	(781)	(11,148)
Revaluation	(6,979)	–	–	–	–	(6,979)
At 31 March 2005	894,371	48,320	1,139,800	215,998	6,424	2,304,913
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1 April 2004	–	12,767	287,308	86,403	3,340	389,818
Currency realignment	403	112	3,776	5,391	23	9,705
Provided for the year	16,122	2,429	79,063	43,674	1,177	142,465
Disposals	–	(8)	(1,917)	(6,427)	(572)	(8,924)
Revaluation	(3,755)	–	–	–	–	(3,755)
At 31 March 2005	12,770	15,300	368,230	129,041	3,968	529,309
NET BOOK VALUES						
At 31 March 2005	881,601	33,020	771,570	86,957	2,456	1,775,604
At 31 March 2004	884,326	32,318	834,732	102,523	2,721	1,856,620

15. Fixed assets (continued)

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

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	–	48,320	1,139,800	215,998	6,424	1,410,542
At valuation	894,371	–	–	–	–	894,371
	894,371	48,320	1,139,800	215,998	6,424	2,304,913

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

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	–	45,085	1,122,040	188,926	6,061	1,362,112
At valuation	884,326	–	–	–	–	884,326
	884,326	45,085	1,122,040	188,926	6,061	2,246,438

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
THE COMPANY			
COST OR VALUATION			
At 1 April 2004	179,891	12,216	192,107
Additions	–	35	35
At 31 March 2005	179,891	12,251	192,142
ACCUMULATED DEPRECIATION			
At 1 April 2004	–	1,582	1,582
Provided for the year	4,184	245	4,429
At 31 March 2005	4,184	1,827	6,011
NET BOOK VALUES			
At 31 March 2005	175,707	10,424	186,131
At 31 March 2004	179,891	10,634	190,525

Notes to the Financial Statements

for the year ended 31 March 2005

15. Fixed assets (continued)

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

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At cost	–	12,251	12,251
At valuation	179,891	–	179,891
	179,891	12,251	192,142

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

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

Except for the overseas freehold land and buildings with a total net book value of HK\$377,412,000 (2004: HK\$368,198,000) held by certain subsidiaries of the Company, all remaining land and buildings of the Group are situated in Hong Kong and are held on medium term leases.

As at 31 March 2005, the net book values of the Group's and the Company's land and buildings were as follows:

	THE GROUP HK\$'000	THE COMPANY HK\$'000
Medium term leasehold land and buildings situated in Hong Kong valued on a depreciated replacement cost basis (Note a), less depreciation and amortisation	504,189	175,707
Freehold land and buildings situated outside Hong Kong valued on an open market basis (Note b)	377,412	–
	881,601	175,707

15. Fixed assets (continued)

Notes:

- (a) The leasehold land and buildings situated in Hong Kong are held by the Group under lease agreements dated 25 May 1999 and 22 December 1999 with Hong Kong Science and Technology Parks Corporation ("HKSTP") (formerly known as "The Hong Kong Industrial Estates Corporation") which restrict the usage of the premises to the publishing and printing of magazines, directories and books. The Group's interests in the properties are transferable subject to the right of first refusal to purchase by HKSTP. Accordingly, the properties were valued on a depreciated replacement cost basis which is the aggregate of the land value in its existing use and the estimated depreciated replacement costs of the buildings. The latest valuation performed on those properties was carried out by Chesterton Petty Limited, an independent valuer, at 26 April 2004. At 31 March 2005, the Directors have considered the carrying amounts of those properties and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the profit and loss account for the current year.
- (b) As at 31 March 2005, freehold land and buildings situated outside Hong Kong included land and buildings with an aggregate carrying value of HK\$376,187,000 (2004: HK\$366,997,000) situated in Taiwan which were valued on an open market basis. The latest valuation performed on these properties was carried out by Colliers International Limited, Taiwan Branch, an independent valuer, at 31 March 2005. A revaluation decrease of approximately HK\$3,224,000 (2004: HK\$3,839,000) is recognised in the profit and loss account for the current year.
- (c) The carrying amount of land and buildings held by the Group and the Company would have been HK\$889,153,000 (2004: HK\$908,426,000) and HK\$198,453,000 (2004: HK\$202,863,000) respectively had they been stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.
- (d) At 31 March 2005, certain of the Group's land and buildings with a total net book value of HK\$876,745,000 (2004: HK\$695,784,000) and certain plant and machinery with an aggregate net book value of HK\$411,118,000 (2004: HK\$317,811,000) were pledged as securities for the Group's banking facilities (note 22).

16. Interests in subsidiaries

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost less provision	2,620,000	2,620,000
Amounts due from subsidiaries, net of allowances	2,664,229	2,192,042
	5,284,229	4,812,042
Amounts due to subsidiaries	2,175,961	1,763,555

As at 31 March 2005 and 2004, all balances with subsidiaries are unsecured and interest free. In the opinion of the Directors, the balances will not be receivable and repayable for the next twelve months from the balance sheet date and, accordingly, the balances are classified as non-current.

Particulars of the principal subsidiaries of the Company at 31 March 2005 are set out in note 30.

Notes to the Financial Statements

for the year ended 31 March 2005

17. Interests in associated companies

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost less impairment	-	-	-	-
Share of net liabilities	(4,928)	(5,758)	-	-
Amounts due from associated companies	4,928	4,928	-	11
	-	(830)	-	11

Particulars of the principal associate of the Group at 31 March 2005 are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued ordinary share capital indirectly held by the Company	Principal activity
China Capital Communications Corporation Limited 瑞獅傳播有限公司	Incorporated	Hong Kong	50%	Inactive

18. Inventories

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	180,643	126,634
Work in progress	2,752	2,096
Finished goods	315	247
	183,710	128,977

As at 31 March 2005 and 2004, all inventories were carried at cost.

19. Accounts receivable, deposits and prepayments

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Accounts receivable, net	447,493	409,809	–	–
Prepayments	41,415	55,738	–	–
Deposits for the acquisition of fixed assets	3,407	3,626	–	–
Rental and other deposits	15,930	2,791	–	–
Others	15,109	8,533	793	1,617
	523,354	480,497	793	1,617

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

An analysis of the accounts receivable of the Group by age was as follows:

	2005 HK\$'000	2004 HK\$'000
0 – 1 month	193,642	159,145
1 – 3 month	174,708	170,838
Over 3 months	120,309	112,470
	488,659	442,453
Less: Allowance for bad and doubtful debts	(41,166)	(32,644)
	447,493	409,809

20. Bank balances and cash

THE GROUP AND THE COMPANY

As at 31 March 2005, included in bank balances and cash was an amount of approximately HK\$5,411,000 (2004: HK\$6,420,000) which was restricted for the use of settling certain debts and claims as stipulated as part of a share capital reduction exercise carried out in the year ended 31 March 2003.

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for the year ended 31 March 2005

21. Accounts payable and accrued charges

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Accounts payable	114,932	97,405	–	–
Accrued charges	257,781	301,026	6,345	6,960
	372,713	398,431	6,345	6,960

An analysis of the accounts payable of the Group by age was as follows:

	2005 HK\$'000	2004 HK\$'000
0 – 1 month	80,946	58,825
1 – 3 month	23,036	26,754
Over 3 months	10,950	11,826
	114,932	97,405

22. Long term liabilities

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Secured bank loans (Note)	217,234	296,394
Current portion of secured bank loans	(53,793)	(60,636)
	163,441	235,758

22. Long term liabilities (continued)

An analysis of the above is as follows:

	2005 HK\$'000	2004 HK\$'000
Secured bank loans repayable		
– within one year	53,793	60,636
– in the second year	54,347	61,095
– in the third to fifth years, inclusive	109,094	166,444
– after the fifth year	–	8,219
	217,234	296,394
Less: Current portion	(53,793)	(60,636)
Amounts due after one year	163,441	235,758

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

- (a) Certain of the Group's land and buildings with an aggregate net book value of approximately HK\$876.7 million (2004: HK\$695.8 million); and
- (b) Certain of the Group's plant and machinery with an aggregate net book value of approximately HK\$411.1 million (2004: HK\$317.8 million).

23. Retirement benefit costs

	2005 HK\$'000	2004 HK\$'000
Obligations on:		
Pensions – defined contribution plans (Note (a))	115	945
Pensions – defined benefit plans (Note (b))	19,061	13,935
	19,176	14,880

Notes to the Financial Statements

for the year ended 31 March 2005

23. Retirement benefit costs (continued)

Notes:

- (a) The Group operates three defined contribution retirement schemes (the "HK Schemes") and a mandatory provident fund scheme (the "MPF Scheme") for eligible employees in Hong Kong.

The Group's and the employees' contributions to the MPF Scheme are each set at 5% of the employees' salaries up to a maximum of HK\$1,000 per employee per month. The Group's contributions to the MPF Scheme are fully and immediately vested in the employees once they are paid.

The Group's and the employees' contributions to the HK Schemes are each set at 5%, after deducting the MPF contributions, of the employees' salaries including basic salaries, commission and certain bonuses.

The HK Schemes and the MPF Scheme were established under trust with the assets of the funds held separately from those of the Group by independent trustees.

Forfeited contributions totalling HK\$1,833,000 (2004: HK\$1,293,000) were utilised during the year. At 31 March 2005, HK\$9,000 (2004: HK\$22,000) was available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2005, the Group had contributions payable under the HK Schemes and the MPF Scheme totalling HK\$115,000 (2004: HK\$945,000) which is included in accounts payable and accrued charges under current liabilities in the consolidated balance sheet.

- (b) The Group also operates two defined benefit retirement schemes for its eligible employees in Taiwan (the "Taiwan Schemes"). According to the Labor Standards Law of Taiwan, the Group's contributions to the Taiwan Schemes should not be less than 2% of the employees' salaries. The assets of the Taiwan Schemes are held under a government-run trust separate from those of the Group. As at 31 March 2005, the Taiwan Schemes were valued by a qualified actuary, ClientView Management Consulting Co., Ltd., using the projected unit credit method.

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

	2005 HK\$'000	2004 HK\$'000
Present value of funded obligations	23,474	16,690
Fair value of plan assets	(8,969)	(3,118)
	14,505	13,572
Unrecognised actuarial gains	4,556	363
Liability in the balance sheet	19,061	13,935

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

	2005 HK\$'000	2004 HK\$'000
Current service cost	9,330	8,512
Expected return on plan assets	(203)	(22)
Interest cost	584	269
Total, included in staff costs (note 13)	9,711	8,759

The actual return on plan assets recognised as an asset was approximately HK\$51,000 (2004: HK\$15,000).

23. Retirement benefit costs *(continued)*

Movement in the liability recognised in the consolidated balance sheet:

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	13,935	6,747
Exchange difference	1,071	689
Total expenses – as shown above	9,711	8,759
Contributions paid	(5,656)	(2,260)
At end of the year	19,061	13,935

The principal actuarial assumptions used were as follows:

	2005 %	2004 %
Discount rate	3.50	3.50
Expected rate of return on plan assets	2.50	3.50
Expected rate of future salary increases	3.00	3.00

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24. Share capital

	2% convertible non-voting, non-cumulative, preference shares ("Preference shares")		Authorised	
	No. of shares	HK\$'000	No. of shares	Ordinary shares HK\$'000
Preferences shares of HK\$1.75 each and ordinary shares of HK\$1.00 each				
At 1 April 2003, 1 April 2004 and at 31 March 2005	1,160,000,000	2,030,000	2,570,000,000	2,570,000
	Preference shares		Issued and fully paid Ordinary shares	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1 April 2003	1,160,000,000	2,030,000	1,233,661,176	1,233,661
Exercise of share options	–	–	4,973,400	4,974
Conversion of preference shares	(240,000,000)	(420,000)	240,000,000	240,000
At 31 March 2004 and at 1 April 2004	920,000,000	1,610,000	1,478,634,576	1,478,635
Exercise of share options	–	–	4,138,905	4,139
At 31 March 2005	920,000,000	1,610,000	1,482,773,481	1,482,774
			2005 HK\$'000	2004 HK\$'000
Total issued and fully paid share capital				
Ordinary shares of HK\$1.00 each			1,482,774	1,478,635
Preference shares of HK\$1.75 each			1,610,000	1,610,000
			3,092,774	3,088,635

Preference shares of HK\$1.75 each were allotted to a shareholder of the Company in October 2001. The holder of the Preference shares shall have the right exercisable during the period of five years from the date of the issue of the Preference shares into fully paid ordinary shares of HK\$1.00 each. On the day following the last day on which the conversion rights may be exercised any Preference shares then outstanding shall automatically be redesignated as Preference shares of HK\$1.75 each without any requirement to alter or substitute the existing certificates in respect of the Preference shares.

25. Share option schemes

(a) Share Option Schemes adopted by the Company

(i) 1993 Option Scheme

Pursuant to a share option scheme adopted by the Company on 20 September 1993 (the “1993 Option Scheme”), the following options have been granted to an employee of the Group to subscribe for ordinary shares in the Company in accordance with the terms thereof. The options are exercisable within ten years from the respective dates of grant. Details of the terms and movements of the share options under the 1993 Option Scheme are as follows:

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2004	Number of options Exercised during the year	Balance as at 31.3.2005
An employee	10.06.1999	HK\$1.00	15.01.2000 – 15.06.2009	81,505	(81,505)	–

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2003	Number of options Lapsed during the year	Balance as at 31.3.2004
An employee	11.01.1994	HK\$4.21	21.01.1995 – 21.01.2004	71,136	(71,136)	–
	10.06.1999	HK\$1.00	15.01.2000 – 15.06.2009	81,505	–	81,505
				152,641	(71,136)	81,505

Share options were exercised on 25 May 2004. The closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$2.80. The 1993 Option Scheme expired on 20 September 2003 and therefore no further options were granted under this scheme. The exercise of any outstanding options granted under the 1993 Option Scheme shall continue to be governed by the terms of the 1993 Option Scheme and other specific terms and conditions in relation to the grant. As at 31 March 2005, all the outstanding share options under the 1993 Option Scheme were exercised.

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for the year ended 31 March 2005

25. Share option schemes (continued)

(a) Share Option Schemes adopted by the Company (continued)

(ii) 2000 Option Scheme

Another share option scheme was adopted by the Company on 29 December 2000 (the "2000 Option Scheme") under which the Company may grant options to any of the Company's full time employees and Directors or employees and Directors of any of its subsidiaries. A nominal consideration of HK\$10 is paid by the grantees for each lot of share options granted. Details of the terms and movements of the share options granted pursuant to the 2000 Option Scheme are as follows:

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2004	Number of options		Balance as at 31.3.2005
					Exercised during the year	Lapsed during the year	
Directors	18.03.2002	HK\$1.67	19.03.2003 – 28.12.2010	4,154,000	–	–	4,154,000
Employees	18.03.2002	HK\$1.67	19.03.2003 – 28.12.2010	13,562,800	(4,057,400)	(1,198,000)	8,307,400
				17,716,800	(4,057,400)	(1,198,000)	12,461,400

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Balance as at 1.4.2003	Number of options			Balance as at 31.3.2004
					Held by a newly appointed Director	Exercised during the year	Lapsed during the year	
Directors	18.03.2002	HK\$1.67	19.03.2003 – 28.12.2010	1,618,000	2,536,000	–	–	4,154,000
Employees	18.03.2002	HK\$1.67	19.03.2003 – 28.12.2010	22,092,000	(2,536,000)	(4,973,400)	(1,019,800)	13,562,800
				23,710,000	–	(4,973,400)	(1,019,800)	17,716,800

Share options were exercised on various dates from 7 April 2004 to 31 March 2005. The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised during such period ranged from HK\$2.80 to HK\$3.77. The options granted under the 2000 Option Scheme vest as follows:

On 1st anniversary of the date of grant	30% vested
On 2nd anniversary of the date of grant	Further 30% vested
On 3rd anniversary of the date of grant	Remaining 40% vested

The vested share options are exercisable within 10 years after the adoption date of the 2000 Option Scheme.

25. Share option schemes *(continued)*

(b) Share option schemes adopted by certain subsidiaries

Each of Apple Daily Publication Development Limited (“ADPDL”) and Next Media Publishing Limited (“NMPL”) (collectively the “Subsidiaries”), wholly-owned subsidiaries of the Company, adopted share option schemes (the “Subsidiary Share Option Schemes”) on 31 July 2002. Under the Subsidiary Share Option Schemes, the Subsidiaries may grant to any of their full-time employees and Directors or employees and Directors of any of their subsidiaries options to subscribe for the respective ordinary shares of ADPDL and NMPL. The number of shares which may be issued upon exercise of all outstanding options granted under the Subsidiary Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the Subsidiaries’ shares in issue from time to time. Movements in the number of share options granted pursuant to the Subsidiary Share Option Schemes during the year are as follows:

	Number of options	
	ADPDL	NMPL
At 1 April 2003	805,000	275,000
Granted	125,000	150,000
Lapsed	(105,000)	–
At 31 March 2004 and at 1 April 2004	825,000	425,000
Granted	50,000	200,000
Lapsed	(125,000)	–
Cancelled	(70,000)	(100,000)
At 31 March 2005	680,000	525,000

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

Notes to the Financial Statements

for the year ended 31 March 2005

26. Reserves

	Share premium HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1 April 2003	36,146	764	2,892	39,802
Exercise of share options	3,332	–	–	3,332
Conversion of preference shares	180,000	–	–	180,000
Loss for the year	–	–	(684)	(684)
At 31 March 2004	219,478	764	2,208	222,450
Exercise of share options	2,719	–	–	2,719
Profit for the year	–	–	105,267	105,267
At 31 March 2005	222,197	764	107,475	330,436

27. Deferred taxation

The movement on the deferred tax assets and liabilities is as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	353,066	384,302	2,132	503
Exchange differences	8	11	–	–
(Credit) charge to profit and loss account for the year	(37,171)	(31,247)	268	–
Effect of change in tax rate charged to the profit and loss account	–	–	–	1,629
At end of the year	315,903	353,066	2,400	2,132

27. Deferred taxation (continued)

At the balance sheet date, the Group had estimated unused tax losses of approximately HK\$1,271,070,000 (2004: HK\$1,297,853,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$89,086,000 (2004: HK\$145,497,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$1,181,984,000 (HK\$1,152,356,000) due to the unpredictability of future profits streams. The expiry dates of these tax losses are as follows:

	2005 HK\$'000	2004 HK\$'000
With no expiry date	469,975	575,698
With expiry in:		
2007	31,103	96,809
2008	46,644	100,041
2009	598,799	525,305
2010	124,549	–
	1,271,070	1,297,853

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

THE GROUP

Deferred tax liabilities	Accelerated tax depreciation		Intangible assets		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	96,284	89,972	286,253	303,397	382,537	393,369
Exchange differences	8	11	–	–	8	11
(Credit) charge to profit and loss account for the year	(5,078)	6,301	(41,105)	(17,144)	(46,183)	(10,843)
At end of the year	91,214	96,284	245,148	286,253	336,362	382,537
Deferred tax assets	Tax losses		Others		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	(25,462)	(8,593)	(4,009)	(474)	(29,471)	(9,067)
Charge (credit) to profit and loss account for the year	9,872	(16,869)	(860)	(3,535)	9,012	(20,404)
At end of the year	(15,590)	(25,462)	(4,869)	(4,009)	(20,459)	(29,471)

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for the year ended 31 March 2005

27. Deferred taxation (continued)

THE COMPANY

Deferred tax liabilities	Accelerated tax depreciation	
	2005 HK\$'000	2004 HK\$'000
At beginning of the year	10,535	8,287
Charge to profit and loss account for the year	609	2,248
At end of the year	11,144	10,535

Deferred tax assets	Tax losses		Others		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At beginning of the year	(8,369)	(7,750)	(34)	(34)	(8,403)	(7,784)
Credit to profit and loss account for the year	(341)	(619)	-	-	(341)	(619)
At end of the year	(8,710)	(8,369)	(34)	(34)	(8,744)	(8,403)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Deferred tax liabilities	316,961	362,547	2,400	2,132
Deferred tax assets	(1,058)	(9,481)	-	-
	315,903	353,066	2,400	2,132

28. Contingent liabilities

(a) Pending litigation

As at 31 March 2005, the Group had contingent liabilities in respect of a number of legal proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business. In addition, the Group had a dispute with UDL Contracting Limited (“UDL”) as contractor for the construction of a printing facility of a subsidiary of the Company, Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration. The final outcome of these proceedings is uncertain.

In connection with the acquisition of Database Gateway Limited (“DGL”) and its subsidiaries on 26 October 2001, Mr. Lai Chee Ying, Jimmy (“Mr. Lai”), chairman and a major shareholder of the Company, has undertaken to provide unlimited personal indemnities to the Company and DGL and its subsidiaries (the “Acquired Group”) against all payments, claims, suits, damages and settlement payments and any associated costs and expenses arising, made or incurred after 26 October 2001 arising out of or connected with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspapers and magazines published by the Acquired Group on and at any time before 26 October 2001 and (3) the dispute with UDL (the “Indemnity”). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK\$60,000,000 for a term of three years from 26 October 2001 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity. The bank guarantee expired on 25 October 2004 and has been renewed for another three years.

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

(b) Guarantees

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	151,040	224,918

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for the year ended 31 March 2005

29. Commitments

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

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Authorised but not contracted for	–	6,367	–	–
Contracted but not provided for	5,556	7,990	–	6
	5,556	14,357	–	6

(b) Commitments under operating leases

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

	2005			2004		
	Properties HK\$'000	Other assets HK\$'000	Total HK\$'000	Properties HK\$'000	Other assets HK\$'000	Total HK\$'000
Not later than one year	3,323	7,707	11,030	5,029	8,498	13,527
Later than one year but not later than five years	893	4,581	5,474	1,433	5,615	7,048
	4,216	12,288	16,504	6,462	14,113	20,575

Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

30. Particulars of principal subsidiaries

Particulars of the principal subsidiaries of the Company at 31 March 2005 are as follows:

Name	Place of incorporation/ operations	Paid up issued capital	Proportion of nominal value of issued capital held by the Company %	Principal activities
Apple Daily I. P. Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100	Holding of masthead and publishing rights of newspaper
Apple Daily Limited	Hong Kong	200,000,000 ordinary shares of HK\$0.01 each	100	Publication and selling of newspaper and selling of newspaper advertising space
Apple Daily Printing Limited	Hong Kong	100,000,000 ordinary shares of HK\$1 each	100	Printing of newspaper
Apple Daily Publication Development Limited	Hong Kong/ Taiwan	10,000,000 ordinary shares of HK\$0.01 each	100	Publication and selling of newspaper and selling of newspaper advertising space
Book Art Inc.	Canada	100 common shares of C\$1 each	100	Printing agency
Cameron Printing Company Limited	Hong Kong	5,000,000 ordinary shares of HK\$1 each	100	Hire of plant and machinery
Database Gateway Limited	British Virgin Islands	739,001,531 ordinary shares of HK\$1 each	100 (Note)	Investment holding
Easy Finder Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	Publication and selling of magazines
Easy Finder Marketing Limited	Hong Kong	20,000,000 ordinary shares of HK\$1 each and 855,000,000 ordinary shares of HK\$0.01 each	99.67	Selling of magazine advertising space

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for the year ended 31 March 2005

30. Particulars of principal subsidiaries (continued)

Name	Place of incorporation/ operations	Paid up issued capital	Proportion of nominal value of issued capital held by the Company %	Principal activities
Easy Media Limited	British Virgin Islands/ Hong Kong	11,000 ordinary shares of US\$1 each	100	Holding of masthead and publishing rights of magazines
Eat and Travel Weekly Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Publication and selling of magazines and selling of magazines advertising space
Job Finder Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	Selling of magazines advertising space
Next Magazine Advertising Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100	Selling of magazines advertising space
Next Magazine Publishing Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	100	Publication and selling of magazines
Next Media I. P. Limited	British Virgin Islands/ Hong Kong	1,000 ordinary shares of HK\$1 each	100	Holding of masthead and publishing rights of magazines
Next Media Interactive Limited	British Virgin Islands/ Hong Kong	10,001 ordinary shares of US\$1 each	100	Provision of internet contents and selling of advertising space
Next Media Management Services Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Provision of management services
Next Media Publishing Limited	Hong Kong/ Taiwan	10,000,000 ordinary shares of HK\$0.01 each	100	Publication and selling of magazines and selling of magazines advertising space

30. Particulars of principal subsidiaries *(continued)*

Name	Place of incorporation/ operations	Paid up issued capital	Proportion of nominal value of issued capital held by the Company %	Principal activities
Paramount Printing Company Limited	Hong Kong	15,000 ordinary shares of HK\$100 each	100	Provision of printing services
Rainbow Digicolor Inc.	Canada	100 common shares of C\$0.1 each	100	Provision of reprographic services
Rainbow Graphic & Printing Company Limited	Hong Kong	600,000 ordinary shares of HK\$1 each	100	Provision of printing and reprographic services
Sudden Weekly Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Publication and selling of magazines and selling of magazines advertising space

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group.

Note: The subsidiary was directly held by the Company.