

Notes to the Financial Statements

For the year ended 31 March 2002

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. Its ultimate holding company is Ma's Holdings Limited, a private limited company incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 15.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

A number of new and revised Statements of Standard Accounting Practice "SSAP(s)" issued by the Hong Kong Society of Accountants have become effective for the current financial year. These SSAPs, where applicable, have been adopted by the Company as its accounting policies, as set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which, where applicable, have been adopted in these financial statements.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current and prior years.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment, increasing the shareholders' funds of the Group and of the Company at 31 March 2001 by HK\$143,875,000.

Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's operating lease arrangements as set out in note 31 have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

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 income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Revenue recognition

- (a) Revenue from sales of newspapers and magazines to distributor or customers is recognised when the products are delivered and title has passed.
- (b) Advertising income is recognised when the relevant advertisement is published.
- (c) Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.
- (d) Interest income is accrued on a time basis by reference to the principal outstanding and at the rates applicable.

Property, plant and equipment

Property, plant and equipment, other than land and buildings, are stated at cost less depreciation and accumulated impairment losses.

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

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

<u>Type</u>	<u>Basis</u>
Leasehold land	Over the term of the lease
Buildings	2% – 3%
Plant, machinery and printing equipment	5% – 25%
Furniture, fixtures and equipment	20% – 25%
Motor vehicles	20% – 25%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the hirer, net of interest charges, is included in the balance sheet as a hire purchase obligation. Finance costs, which represent the difference between the total hire purchase commitments and the original outstanding principal at the inception of the hire purchase contracts, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Property under development

Property under development is stated at cost less provision for impairment in value. This property will be reclassified as land and buildings as the case may be upon completion of the development.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received during the year.

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

The consolidated income statement 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these 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 under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are translated into Hong Kong Dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong Dollars are re-translated into Hong Kong Dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

Notes to the Financial Statements

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For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

4. TURNOVER

	2002 HK\$'000	2001 HK\$'000
Publication of newspapers and magazines	2,218,780	2,464,025
Property investment and building management	1,988	1,493
	<u>2,220,768</u>	<u>2,465,518</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is primarily engaged in publication of newspapers and magazines.

All of the Group's activities during the year are carried out in Hong Kong and all of the Group's assets are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

6. OTHER REVENUE

	2002 HK\$'000	2001 HK\$'000
Included in other revenue are:		
Interest earned on bank deposits	28,380	45,949
Sales of scrap materials	9,807	15,563
	<u>38,187</u>	<u>61,512</u>

7. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,461	1,437
Depreciation:		
owned assets	125,838	144,305
assets held under hire purchase contracts	1,410	2,820
Allowance for bad and doubtful debts	1,360	3,843
Net exchange loss	144	3,022
	<u>130,203</u>	<u>155,427</u>

Notes to the Financial Statements

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For the year ended 31 March 2002

8. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank loans and other loans wholly repayable within 5 years	3,605	8,920
Hire purchase contracts	49	2,644
	<u>3,654</u>	<u>11,564</u>
Total borrowing costs	<u><u>3,654</u></u>	<u><u>11,564</u></u>

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors' emoluments are as follows:

	2002	2001
	HK\$'000	HK\$'000
Fees		
Executive directors	150	150
Independent non-executive directors	165	165
	<u>315</u>	<u>315</u>
Salaries and other benefits		
Executive directors	9,971	9,900
	<u>10,286</u>	<u>10,215</u>
	<u><u>10,286</u></u>	<u><u>10,215</u></u>

The emoluments of the directors are within the following bands:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	4	5
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	1

Notes to the Financial Statements

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For the year ended 31 March 2002

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

- (b) The emoluments of the top five individuals disclosed pursuant to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	<u>46,953</u>	<u>47,056</u>

Their emoluments are within the following bands:

	Number of individuals	
	2002	2001
HK\$ 2,500,001 – HK\$ 3,000,000	1	1
HK\$ 3,000,001 – HK\$ 3,500,000	1	–
HK\$ 3,500,001 – HK\$ 4,000,000	–	1
HK\$ 5,500,001 – HK\$ 6,000,000	1	1
HK\$15,500,001 – HK\$16,000,000	1	1
HK\$19,000,001 – HK\$19,500,000	–	1
HK\$19,500,001 – HK\$20,000,000	1	–

Two (2001: two) of the top five individuals with the highest emoluments in the Group are executive directors of the Company.

10. TAXATION

	2002 HK\$'000	2001 HK\$'000
The Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	7,614	1,162
Under(over)provision in prior years	<u>2,817</u>	<u>(618)</u>
	10,431	544
Deferred taxation (<i>note 24</i>)	<u>27,040</u>	<u>36,117</u>
	<u>37,471</u>	<u>36,661</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the year.

Notes to the Financial Statements

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For the year ended 31 March 2002

11. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
		(As restated)
Final dividend paid:		
2001: HK 6 cents (2000: Nil) per share	143,875	–
Interim dividend paid:		
2002: HK 3 cents (2001: HK 5 cents) per share	<u>71,938</u>	<u>119,896</u>
	<u><u>215,813</u></u>	<u><u>119,896</u></u>

The final dividend of HK 7 cents (2001: HK 6 cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$303,328,000 (2001: HK\$268,998,000) and on 2,397,917,898 (2001: 2,397,917,898) ordinary shares in issue during the year.

Notes to the Financial Statements

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For the year ended 31 March 2002

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under long-term leases in Hong Kong	Land and buildings held under medium-term leases in Hong Kong	Plant, machinery and printing equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
AT COST OR VALUATION						
At 1 April 2001	650	405,000	1,005,120	234,429	18,157	1,663,356
Additions	-	-	7,413	5,210	3,190	15,813
Disposals	-	-	(39,435)	(998)	(2,609)	(43,042)
Deficit on revaluation	-	(31,600)	-	-	-	(31,600)
At 31 March 2002	650	373,400	973,098	238,641	18,738	1,604,527
Representing:						
At cost	-	-	973,098	238,641	18,738	1,230,477
At 2002 valuation	650	373,400	-	-	-	374,050
	650	373,400	973,098	238,641	18,738	1,604,527
DEPRECIATION						
At 1 April 2001	-	-	234,519	113,027	13,625	361,171
Provided for the year	13	8,647	70,689	44,576	3,323	127,248
Eliminated on disposals	-	-	(15,859)	(597)	(2,137)	(18,593)
Eliminated on revaluation	(13)	(8,647)	-	-	-	(8,660)
At 31 March 2002	-	-	289,349	157,006	14,811	461,166
NET BOOK VALUES						
At 31 March 2002	650	373,400	683,749	81,635	3,927	1,143,361
At 31 March 2001	650	405,000	770,601	121,402	4,532	1,302,185

Notes to the Financial Statements

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For the year ended 31 March 2002

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	<u>Motor vehicles</u>
	<u>HK\$'000</u>
THE COMPANY	
AT COST	
At 1 April 2001	18,157
Additions	3,190
Disposals	(2,609)
	<hr/>
At 31 March 2002	18,738
	<hr/>
DEPRECIATION	
At 1 April 2001	13,625
Provided for the year	3,323
Eliminated on disposals	(2,137)
	<hr/>
At 31 March 2002	14,811
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NET BOOK VALUES	
At 31 March 2002	3,927
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At 31 March 2001	4,532
	<hr/> <hr/>

The land and buildings of the Group in Hong Kong were revalued at 31 March 2002 by DTZ Debenham Tie Leung Limited, an independent professional valuer, on an open market value basis. If these land and buildings had not been revalued, they would have been included in these financial statements at historical costs less accumulated depreciation of HK\$327,117,000 (2001: HK\$334,914,000).

Included in the land and buildings of the Group are assets carried at a cost of HK\$4,389,000 (2001: HK\$4,389,000) and accumulated depreciation of HK\$505,000 (2001: HK\$472,000) in respect of assets held for rental income.

No property, plant and equipment were held under hire purchase contracts at 31 March 2002. The Group's net book value of plant, machinery and printing equipment at 31 March 2001 include an amount of HK\$53,123,000 in respect of assets held under hire purchase contracts.

Notes to the Financial Statements

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For the year ended 31 March 2002

14. PROPERTY UNDER DEVELOPMENT

	THE GROUP
	HK\$'000
AT COST	
Expenditures made during the year and balance at 31 March 2002	<u>57,655</u>

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	43,747	43,747
Advances to subsidiaries	<u>1,677,506</u>	<u>1,630,389</u>
	1,721,253	1,674,136
Impairment losses recognised	<u>(695)</u>	<u>(695)</u>
	<u>1,720,558</u>	<u>1,673,441</u>

The advances are unsecured, interest free and have no fixed repayment terms. In the opinion of the Directors, the Group will not demand repayment within twelve months of the balance sheet date and the amounts are therefore shown as non-current.

Notes to the Financial Statements

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For the year ended 31 March 2002

15. INTERESTS IN SUBSIDIARIES (Continued)

The below 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.

<u>Name of subsidiary</u>	<u>Place of incorporation/ operation</u>	<u>Nominal value of ordinary shares held by the Company</u> HK\$	<u>Principal activity</u>
Brilliant City Company Limited	Hong Kong	100	Property leasing
Dragon Asia Property Limited	Hong Kong	100	Property holding
Long Joy Investments Limited	Hong Kong	100	Property leasing
Magic Case Limited (Formerly Eastweek Publisher Limited) #	Hong Kong	2	Registered publisher
Magic Light Limited (Formerly Eastweek Limited)	Hong Kong	2	Magazine publication
Moderate Limited (Formerly Oriental Sunday Limited)	Hong Kong	2	Magazine publication
Natural Place Limited (Formerly East Touch Limited)	Hong Kong	2	Magazine publication
Natural View Limited (Formerly East Touch Publisher Limited) #	Hong Kong	2	Registered publisher
New Reform Limited	Hong Kong	100	Property holding
OPG Building Management Limited #	Hong Kong	2	Building management
OPG Finance Limited	Hong Kong	2	Treasury company
OPG Human Resources Limited	Hong Kong	2	Human resources services
OPG Printing Limited	Hong Kong	100	Printing services
Oriental Daily News Limited	Hong Kong	100	Newspaper publication
Oriental Daily Publisher Limited #	Hong Kong	100	Registered publisher
Oriental Press Centre Limited	Hong Kong	2	Property holding
Oriental Publications Limited	Hong Kong	100	Publication services
Orisun.com (HK) Limited #	Hong Kong	2	Website service provider
Orisun.com Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	Investment holding
Orisun.com Operations Limited #	Hong Kong	2	Website service provider
Outstanding Performance Limited (Formerly Oriental Sunday Publisher Limited) #	Hong Kong	2	Registered publisher
Pertown Limited	Hong Kong	100	Property leasing
Queen Glory Company Limited #	Hong Kong	2	Property holding
The Sun News Publisher Limited #	Hong Kong	100	Registered publisher
The Sun Racing Journal Limited	Hong Kong	2	Horse racing journal publication
Topever International Limited	Hong Kong	100	Property leasing
United Master Limited	Hong Kong	100	Property holding

Notes to the Financial Statements

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For the year ended 31 March 2002

15. INTERESTS IN SUBSIDIARIES (Continued)

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

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

Indirectly held

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets of an associate	–	–
Advance to an associate	–	1,437
	<u>–</u>	<u>1,437</u>
	<u>–</u>	<u>1,437</u>

The advance was unsecured, interest free and repaid during the year.

17. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Printing materials	85,805	212,199
Spare parts and supplies	15,154	14,362
Others	1,084	207
	<u>102,043</u>	<u>226,768</u>

Notes to the Financial Statements

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For the year ended 31 March 2002

18. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period of 90 days to its trade customers.

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	135,872	190,829
61 – 90 days	60,037	64,265
> 90 days	47,447	60,714
	<u>243,356</u>	<u>315,808</u>

19. TRADE PAYABLES

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	16,374	15,297
61 – 90 days	3,377	9,210
> 90 days	8,564	21,931
	<u>28,315</u>	<u>46,438</u>

Notes to the Financial Statements

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For the year ended 31 March 2002

20. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under hire purchase contracts				
Within one year	–	607	–	450
In the second to fifth year inclusive	–	616	–	494
After five years	–	1,422	–	1,302
	–	2,645	–	2,246
Less: future finance charges	–	399	–	–
Present value of hire purchase obligations	–	2,246	–	2,246
Less: Amount due for settlement within one year shown under current liabilities			–	(450)
Amount due for settlement after one year			–	1,796

21. BANK BORROWINGS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Secured bank loans	69,059	91,463
Trust receipts loans	55,588	69,874
	124,647	161,337
The maturities of the above bank borrowings are as follows:		
Within one year	77,992	92,278
More than one year, but not exceeding two years	22,404	22,404
More than two years, but not exceeding five years	24,251	46,655
	124,647	161,337
Less: Amounts due within one year shown under current liabilities	(77,992)	(92,278)
Amount due after one year	46,655	69,059

The bank loans are secured by a charge over the printing equipment with an aggregate net book value of approximately HK\$152 million (2001: HK\$169 million) at the balance sheet date.

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For the year ended 31 March 2002

22. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.25 each				
Authorised:				
At beginning and end of the year	<u>5,000,000,000</u>	<u>5,000,000,000</u>	<u>1,250,000</u>	<u>1,250,000</u>
Issued and fully paid:				
At beginning of the year	2,397,917,898	1,998,264,915	599,479	499,566
Bonus issue of shares	<u>–</u>	<u>399,652,983</u>	<u>–</u>	<u>99,913</u>
At end of the year	<u>2,397,917,898</u>	<u>2,397,917,898</u>	<u>599,479</u>	<u>599,479</u>

A bonus issue of shares on the basis of one bonus share for every five shares was issued to the shareholders on 7 August 2000.

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For the year ended 31 March 2002

23. RESERVES

	Share premium	Capital reserve	Exchange reserve	Revaluation reserve			Retained profits	Total
				Investment properties	Other properties	Plant and equipment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
THE GROUP								
At 1 April 2000	914,398	–	(820)	43,772	473,974	59,014	586,402	2,076,740
Exchange adjustments	–	–	2,782	–	–	–	–	2,782
Bonus issue of shares	(99,913)	–	–	–	–	–	–	(99,913)
Released upon disposal of printing equipment	–	–	–	–	–	(59,014)	59,014	–
Realised on dissolution of a subsidiary	–	–	(108)	–	–	–	–	(108)
Deficit on revaluation	–	–	–	(43,772)	(328,772)	–	–	(372,544)
Profit for the year	–	–	–	–	–	–	268,998	268,998
Dividends – as restated	–	–	–	–	–	–	(119,896)	(119,896)
At 31 March 2001	814,485	–	1,854	–	145,202	–	794,518	1,756,059
Deficit on revaluation	–	–	–	–	(10,540)	–	–	(10,540)
Profit for the year	–	–	–	–	–	–	303,328	303,328
Dividends	–	–	–	–	–	–	(215,813)	(215,813)
At 31 March 2002	<u>814,485</u>	<u>–</u>	<u>1,854</u>	<u>–</u>	<u>134,662</u>	<u>–</u>	<u>882,033</u>	<u>1,833,034</u>
THE COMPANY								
At 1 April 2000	914,398	59,014	–	–	–	–	303,837	1,277,249
Bonus issue of shares	(99,913)	–	–	–	–	–	–	(99,913)
Released upon disposal of printing equipment	–	(59,014)	–	–	–	–	59,014	–
Profit for the year	–	–	–	–	–	–	282,421	282,421
Dividends – as restated	–	–	–	–	–	–	(119,896)	(119,896)
At 31 March 2001	814,485	–	–	–	–	–	525,376	1,339,861
Profit for the year	–	–	–	–	–	–	266,964	266,964
Dividends	–	–	–	–	–	–	(215,813)	(215,813)
At 31 March 2002	<u>814,485</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>576,527</u>	<u>1,391,012</u>

Distributable reserves of the Company at 31 March 2002 calculated under Section 79B of the Companies Ordinance amounted to HK\$576,527,000 [2001: HK\$525,376,000 (as restated)].

Notes to the Financial Statements

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For the year ended 31 March 2002

24. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning of the year	71,675	35,558
Charge for the year	27,040	36,117
	<u>98,715</u>	<u>71,675</u>
Comprises tax effect on timing differences arising from:		
Difference between depreciation and accelerated depreciation allowances	107,009	121,032
Unutilised tax losses	(8,294)	(49,357)
	<u>98,715</u>	<u>71,675</u>

No deferred tax was provided for the Company as the amount is considered immaterial.

The potential deferred tax assets (liabilities) which have not been recognised (provided for) in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year	30,305	5,293	2,691	3,143
Current year				
Difference between depreciation and accelerated depreciation allowances	10,815	25,637	101	259
General provision	(787)	(2,644)	–	–
Tax losses (utilised) incurred	(15,781)	2,019	(1,116)	(711)
	<u>24,552</u>	<u>30,305</u>	<u>1,676</u>	<u>2,691</u>
Balance at end of the year	<u>24,552</u>	<u>30,305</u>	<u>1,676</u>	<u>2,691</u>
Comprises tax effect on timing difference arising from:				
Difference between depreciation and accelerated depreciation allowances	11,163	348	(319)	(420)
General provision	1,629	2,416	–	–
Unutilised tax losses	11,760	27,541	1,995	3,111
	<u>24,552</u>	<u>30,305</u>	<u>1,676</u>	<u>2,691</u>
Balance at end of the year	<u>24,552</u>	<u>30,305</u>	<u>1,676</u>	<u>2,691</u>

A deferred tax asset has not been recognised in the financial statements as it is not certain that the tax benefits will crystallise in the foreseeable future.

Notes to the Financial Statements

(Continued)

For the year ended 31 March 2002

24. DEFERRED TAXATION (Continued)

Deferred taxation has not been provided on the surplus arising on the revaluation of land and buildings as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus does not constitute a timing difference for tax purposes.

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	340,799	305,659
Gain on disposal of publishing rights	(57,152)	–
Gain on disposal of an associate	(13,549)	–
Interest income	(28,380)	(45,949)
Interest expense	3,654	11,564
Allowance for bad and doubtful debts	1,360	3,843
Gain on disposal of partial interest in a subsidiary	–	(89,530)
Gain on dissolution of subsidiaries	–	(1,069)
Exchange differences	–	2,782
Depreciation	127,248	147,125
Deficit on revaluation of land and buildings	12,400	32,076
Net loss on disposal of plant and equipment	12,708	68,253
Decrease (increase) in inventories	124,725	(75,536)
Decrease in trade receivables	71,092	112,329
Decrease in other debtors, deposits and prepayments	5,832	2,830
Decrease in trade payables	(18,123)	(70,179)
(Decrease) increase in other creditors, accruals and deposits received	(25,686)	88,076
	<u>556,928</u>	<u>492,274</u>
Net cash inflow from operating activities	<u>556,928</u>	<u>492,274</u>

Notes to the Financial Statements

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For the year ended 31 March 2002

26. DISSOLUTION OF SUBSIDIARIES

	2002	2001
	HK\$'000	HK\$'000
Net assets of subsidiaries at dissolution:		
Deposits	–	828
Bank balances and cash	–	201
Trade payables	–	(1,990)
	–	(961)
Exchange reserve realised on dissolution of a subsidiary	–	(108)
Gain on dissolution of subsidiaries	–	1,069
	–	–
Cash outflow from dissolution of subsidiaries	–	(201)

The subsidiaries which were dissolved during the year ended 31 March 2001 did not have any significant impact on the Group's cash flows and operating results for that year.

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Secured bank loans	Obligations under hire purchase contracts
	HK\$'000	HK\$'000
At 1 April 2000	152,000	54,623
Inception of hire purchase contracts	–	2,557
Net cash outflow from financing	(60,537)	(54,934)
At 31 March 2001	91,463	2,246
Net cash outflow from financing	(22,404)	(2,246)
At 31 March 2002	69,059	–

Notes to the Financial Statements

(Continued)

For the year ended 31 March 2002

28. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002	2001
	HK\$'000	HK\$'000
Time deposits, bank balances and cash	1,274,154	951,053
Trust receipts loans	(55,588)	(69,874)
	<u>1,218,566</u>	<u>881,179</u>

29. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2001, the Group entered into hire purchase arrangements in respect of the acquisition of printing equipment with a total capital value of HK\$2,557,000 at the inception of the contracts.
- (b) During the year ended 31 March 2001, 399,652,983 bonus shares were issued by the capitalisation of HK\$99,913,000 of the share premium account.

30. CONTINGENT LIABILITIES

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

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Guarantees for banking facilities utilised by subsidiaries	<u>67,536</u>	<u>91,463</u>

- (b) At the balance sheet date, 627 (2001: 674) employees have completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. If the termination of all these employees met the circumstances as stipulated in the Ordinance, the Group's liability at the balance sheet date would have been approximately HK\$83.1 million (2001: HK\$83.8 million), of which HK\$8.2 million (2001: HK\$8.2 million) has been provided for in the financial statements. In the opinion of the Directors, the amount provided for is considered to be adequate.

Notes to the Financial Statements

(Continued)

For the year ended 31 March 2002

31. COMMITMENTS

- (a) Operating lease commitments

The Group as lessee

Minimum lease payments of the Group paid under operating leases during the year:

	2002	2001
	HK\$'000	HK\$'000
Premises	<u>11,023</u>	<u>12,661</u>

At the balance sheet date, the Group had operating lease commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2002	2001
	HK\$'000	HK\$'000
Within one year	7,998	4,391
In the second to fifth year inclusive	<u>9,860</u>	<u>858</u>
	<u>17,858</u>	<u>5,249</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and fixed for an average term of two years.

The Group as lessor

Property rental income earned during the year was HK\$1,964,000 (2001: HK\$1,469,000). The Group's properties held for rental purpose are expected to generate yields of 5% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2002	2001
	HK\$'000	HK\$'000
Within one year	2,362	1,505
In the second to fifth year inclusive	<u>1,969</u>	<u>–</u>
	<u>4,331</u>	<u>1,505</u>

Notes to the Financial Statements

(Continued)

For the year ended 31 March 2002

31. COMMITMENTS (Continued)

- (b) Capital commitments

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– authorised but not contracted for	300,000	–
– contracted but not provided for in the financial statements	<u>3,698</u>	<u>–</u>

The Company did not have any commitment at the balance sheet date.

32. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group paid legal fees amounting to approximately HK\$3,545,000 (2001: HK\$3,049,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, an independent non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li. The transaction prices were considered by the Directors as estimated market value.
- (b) The Group had entered into the following transactions with an associate for the year ended 31 March 2001:

	2002	2001
	HK\$'000	HK\$'000
Labour service income	–	678
Advertising income	–	507
Management fee income	–	46
Rental income	<u>–</u>	<u>7</u>

Except for advertising income which was carried out at market price, the above transactions were carried out on actual cost basis.

33. RETIREMENT BENEFIT SCHEME

The employees of the Group were covered under the Mandatory Provident Fund Scheme (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 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 approximately HK\$26,133,000 (2001: HK\$9,714,000).

34. OUTSTANDING LITIGATIONS

At the balance sheet date, there were outstanding unresolved litigations that were brought against the Group. All these cases were related to defamation. The Group intends to strongly contest the claims and while the final outcome of the proceedings is uncertain, the Directors are of the opinion that the ultimate liability, if any, will not have a material adverse impact upon the Group’s financial position.