

Corporate Information

EXECUTIVE DIRECTORS

Tan Sri Datuk TIONG Hiew King (*Chairman*)
Mr TIONG Kiu King
Dr TIONG Ik King
Mr TIONG Kiew Chiong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr TANG Ying Yu
Mr David YU Hon To

COMPANY SECRETARY

Ms LAW Yuk Kuen

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITORS

PricewaterhouseCoopers

SOLICITORS

Johnson Stokes & Master
Or, Ng & Chan

STOCK CODE

685

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

15th Floor, Block A
Ming Pao Industrial Centre
18 Ka Yip Street, Chai Wan
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Group's Principal Activities





Tan Sri Datuk
TIONG Hiew King
Chairman

CHAIRMAN'S REPORT

On behalf of the Board, I have the pleasure to present the Annual Report of Ming Pao Enterprise Corporation Limited and its subsidiaries ("the Group") for the year ended 31st March 2004. This financial year was a mixture of crisis and opportunity. It was also a year of growth and development.

CRISIS

In the beginning of the financial year, Mainland China and Hong Kong were hard hit by Severe Acute Respiratory Syndrome ("SARS"). Hundreds of innocent lives were taken away. The economy suffered a severe blow. The situation improved when Chinese authorities took decisive measures to control the spread of the disease. The controversy of political reform in Hong Kong also casts a shadow of uncertainty on Hong Kong's democratic future, affecting business confidence. Business results of most companies, including the Group, for the first half of the financial year were inevitably affected.

OPPORTUNITIES

During the second half of the financial year, economic recovery in Mainland China was stronger than most people had expected. It led to a shift of government policy. The Chinese Government announced a set of austerity measures targeted against several over-heated sectors such as the steel industries and real estate. Notwithstanding that, China's economy kept growing at a pace of over 8%. By the end of 2003, average GDP per capita in China has exceeded US\$1,000, which was a remarkable achievement for a country with

Publishing • Travel • Internet

1.3 billion population. Chinese people residing in every part of the world rejoiced. As a Chinese who had grown up in a rural village, I fervently wish that the prosperity now enjoyed by 500 million Chinese urban residents will soon be enjoyed by the other 800 million people who live in the rural areas.

Looking ahead, the rapid growth of the Chinese economy, coupled with an open door policy guaranteed by WTO entry agreements, has generated huge opportunities for Hong Kong and overseas investors. It also posed unprecedented challenges to all Chinese media operators. Our publications will continue to report on all aspects of the rise of China with objectivity and professionalism.

GROWTH

As one of the leading media organizations in the Chinese language publishing world, the Group is committed to serving the Chinese communities and to promoting Chinese culture around the world. Ming Pao Daily News, a renowned Chinese newspaper, has recently celebrated its 45th anniversary in Hong Kong. In April 2004, we launched the Daily's West United States edition in San Francisco. Together with the other three overseas editions based in Vancouver, Toronto and New York, we provide quality Chinese newspaper to all Chinese readers in North America, keeping them informed of the most updated developments in Mainland China and Hong Kong.

As always, Ming Pao Daily News upholds its principle of maintaining high journalistic standards in its address of social, political and business issues in both local and international arenas and continues to provide our readers with authoritative news and analyses. Continuous changes are also made to reflect our readers' tastes, needs and preferences.

Chairman's Report (cont'd)

We are now preparing for another phase of growth and expansion. The next focus is Europe and Australia. We foresee that in a few years' time, operational income from overseas news publications will represent a significant part of the Group's results.

DEVELOPMENT

In April 2004, we announced the strategic alliance with Redgate Media Inc. ("Redgate") resulting in the acquisition of 60% interest of Redgate's subsidiary Media2U, which is an up-rising media group dedicated to the magazine advertisement business in Mainland China. Media2U currently manages the Chinese versions of popular western titles such as "Popular Science", "Top Gear", "Digital Camera" and "T3 - Tomorrow Technology Today". We believe that this strategic alliance will create huge business synergies with our lifestyle magazines, namely Ming Pao Weekly, City Children's Weekly and HI-TECH WEEKLY, and help the Group to explore the fast-growing advertisement market in Mainland China.

According to an article in a business journal, total print media advertising revenues in China was approximately US\$5.5 billion in 2002 and is growing at approximately 37% annually. Despite impressive growth in advertising expenditures in Mainland China, advertisers find that the current media buying landscape is chaotic and cost-inefficient. In particular, the magazines' advertising market is highly fragmented. Thus, it provides a significant opportunity for a focused consolidator to emerge. The future strategic direction of our magazine business is to offer efficient and effective channels to place advertisements to create significant value for our advertisers. In addition, we are committed to providing quality Chinese magazines to our readers in China, keeping them informed of the most updated trend on international lifestyle and culture.

REVIEW AND OUTLOOK

The first half of the financial year faced the full negative impact of SARS. However, in the second half of the year, we achieved strong growth in both our newspaper and magazine businesses. While the Group's turnover for the year of HK\$1,001,788,000 was slightly less than that of last year, its profit attributable to shareholders improved from last year's HK\$33,207,000 to this year's HK\$41,864,000, representing an increase of 26%. This decent result is attributed to strong management with innovation and capabilities of achieving high productivity and efficiency.

The Group has a sound financial position and the market has started to pick up. Despite this, we believe that the Group continues to face the challenges of uncertain economic climate ahead. High crude oil prices will hamper economic growth in Asia. Escalating newsprint prices may also affect the performance of many publishing companies.

The Group will continue to look to expand our existing businesses while at the same time explore new investment opportunities. New investment opportunities demand for resources, but the Group will adopt a prudent investment policy and continue to focus on operational efficiency and organizational effectiveness.

COMMUNITY SERVICES AND DONATIONS

During the year, we live up to our social responsibility by participating in various community service activities, including the "Project Blossom" which raised education funds for children of SARS victims and the "East China Flood Relief Project" which raised funds for victims of serious flooding in Anhui Province, Mainland China. The projects met with enthusiastic response from the public and I would like to extend my appreciation to all the donors and partners of the projects for their support.

APPRECIATION

Lastly, on behalf of the Board of Directors, I would like to express my sincere gratitude to the management and staff for their commitment, contribution, dedication and hard work. I would also like to sincerely thank our readers, advertisers, customers, suppliers and partners for their continuous support.

Tan Sir Datuk TIONG Hiew King

Chairman

Hong Kong, 19th July 2004

Review of Operations and Outlook

RESULTS SUMMARY

The Group's audited consolidated turnover for the year ended 31st March 2004 was HK\$1,001,788,000 which was slightly lower than that of last year. Profit attributable to shareholders amounted to HK\$41,864,000, representing an increase of 26% over that of the previous year. The earnings per share was HK11 cents (2003: HK8 cents).

NEWSPAPERS

Ming Pao Daily News

The year of 2003 was full of difficulties and challenges. The outbreak of SARS lasted for almost five months, causing a slowdown in economic activities which in turn created a negative impact on Ming Pao Daily News' advertising revenue. The usual top advertising spenders e.g. property developers, banks and retailers were all hard hit by the SARS crisis and temporarily held back their advertising campaigns. Nevertheless, the Daily made a successful turnaround by fully capitalizing on the business opportunities which emerged upon the containment of the epidemic and economic improvement shown since the second quarter. The Daily's total advertising revenues for the financial year was only slightly lower than that of last year.

Throughout the year the Daily has increased focus on expanding distribution within the school network. Its extensive circulation network at schools and enriched editorial content in education have brought about good responses from advertisers, who regard the Daily as their first choice of promotional medium.

As Hong Kong and Mainland China are heading towards further economic and social integration, the Daily has set up a special editorial team to keep the readers more up-to-date with the latest political and economic news between Hong Kong and China. It has also given excellent coverage on major events of the year, including the SARS epidemic, the disastrous floods in Jianghuai areas, the Taiwan Election, Hong Kong's heated debate over political reforms and Chinese astronaut Yang Li Wei's unprecedented flight to space.

The new financial column "Money Monday" provides readers with a comprehensive guide for personal finance, wealth management and investments. The "Football Guide" which is published every Saturday since August 2003, brings in the latest sports news and soccer celebrity gossips. The entertainment pages have also been enriched with more colorful and compelling contents. The joint effort of the business and editorial teams have successfully produced regular supplements and quality book series on a variety of topics to meet reader and advertiser needs, including "Paris and Milan Fashion Special Issue" and "Guide to Secondary Schools Admission 04-05". These improvements in content and value-added publications are extremely well received by readers and advertisers alike, contributing to increases in both the Daily's advertising and circulation revenues.

In the beginning of 2004, the Group invested nearly HK\$6 million to upgrade the existing printing presses in Hong Kong, which helped to improve the Daily's overall printing quality as well as the operating efficiency.

Overseas Editions of Ming Pao Daily News

The North America economy has gradually recovered since the second half year of 2003. The interest rates in the United States remain at a low level and have fueled prosperity in the local real estate market. Amid this positive business environment, Ming Pao Daily News' overseas editions have successfully adopted aggressive and pro-active strategies to sell advertisements. The complimentary magazines given along with the Saturday and Sunday papers help to boost circulation and generate a steady stream of advertising revenue. The Vancouver Edition reported a record high advertising revenue since its launch 10 years ago and it won the "Best Reporting - Chinese Language Award" granted by the Jack Webster Foundation. The Toronto Edition also performed well in advertising sales as a consequence of more colored pages and better printing quality from the upgraded printing facility.

The financial year simultaneously marked the 10th anniversary of the two Canadian Editions. Celebration banquets were held in both cities and were attended by representatives from Canada's federal, provincial and municipal governments. Among the special guests of honour was the Minister of National Defence.

The New York Edition has maintained a stable performance compared with that of last year. As the US economy and equity market are showing signs of further recovery, an improvement in performance is expected for the New York Edition in the coming year.

MAGAZINES

Ming Pao Weekly

Ming Pao Weekly recorded a year-on-year drop in advertising revenue in the first half year caused by the outbreak of SARS which affected all media sectors. In order to maintain competitive edge and grow market share, Ming Pao Weekly improved its advertising business through customized publications which included the preparation of advertorial articles, supplements and other customized publications that met the advertisers' marketing needs. These measures, along with the gradual recovery in the business environment, contributed to the rapid rebound in the Weekly's advertising revenue in the second half year.

In July 2003, Ming Pao Weekly launched a new split book "mw beauté" featuring articles on lifestyle, cosmetics, beauty and health care. Responses from readers and advertisers are positive and the booklet helps to expand the Weekly's readership as well as revenue base.

To celebrate its 35th anniversary, Ming Pao Weekly staged a big celebration party in November 2003 and organized the all-star "Fourth Showbiz Award". A special issue was published to commemorate major events in the social and entertainment circles in the past 35 years.

Ming Pao Monthly

Ming Pao Monthly has gained the recognition and admiration of intellectuals and professionals, both in Hong Kong and overseas. Benefiting from Hong Kong's economic recovery and the influx of individual travellers from Mainland China, Ming Pao Monthly has recorded a 50% increase in its advertising revenue during the year.

Since the beginning of 2003, cultural organizations and institutions in Mainland China could subscribe for Ming Pao Monthly. This is an invaluable opportunity for the magazine to expand its business to this potential huge market. It will be the Monthly's strategy in the coming year to introduce more reports and feature articles on China's social and economic developments.

City Children's Weekly

City Children's Weekly has been providing young readers with educational and interesting information as well as family-friendly entertainment. It was once again awarded the "Caring Company" logo by the Hong Kong Council of Social Service during the year, acknowledging its contributions to the children in Hong Kong.

City Children's Weekly will be revamped in both design and content, accompanied with promotional campaigns and circulation programs to extend reach in the coming year. Closer ties with local primary schools will be fostered by joint programs to develop children's minds and bodies, reinforcing its image and gaining higher recognition from parents, teachers and its young readers.

HI-TECH WEEKLY

HI-TECH WEEKLY has undergone a significant makeover in November 2003. It was transformed into a handy-sized and perfect-bound coated paper magazine with a more visual design and enhanced content for its readers. The retail price was adjusted from HK\$8 to HK\$12 at the same time. Its youthful content and presentation has won great support from both readers and advertisers. Along with a major promotional campaign, the magazine's circulation and advertising revenues have increased by nearly 16% when compared with those of last year.

In May 2004, HI-TECH WEEKLY launched a new booklet, "@WORK", featuring a whole new concept in office IT automation. The booklet is well received by its readers and this further improved the magazine's circulation in the local market.

Yazhou Zhoukan

With a team of devoted correspondents and writers from around the world, Yazhou Zhoukan is able to offer its readers with insightful and in-depth information with "global vision and local passion". A series of special reports on surveys in different Asian countries, such as "Chinese Businesses 500" and "China's Top 100 Listed Companies" were published during the year. These became valuable references for politicians, financial professionals and the magazine's quality readers. In addition, Yazhou Zhoukan has teamed up with a number of banks and publishers to promote the magazine, which helped to boost its circulation.

Yazhou Zhoukan's business was affected by SARS in the first half year. However, as the economic climate began to improve, its advertising revenue recorded a significant improvement in the second half of the year. With continued efforts to control costs and streamline operations, Yazhou Zhoukan reported a significant improvement in its operating results for the year.

BOOKS PUBLISHING

Ming Pao Publications/Crystal Window Publications/Ming Man Publications

Ming Pao Publications achieved a better result this year in spite of the prevailing difficult market conditions. This is attributable to a series of aggressive promotions and the publishing of high quality books that are appealing to the readers. Its annual turnover recorded a double-digit growth when compared with the previous year.

To capture a market share in the vibrant children's publishing market, the company has focused on publishing more reading materials that are educational and well suited to young readers, over 40% of the 130 new book titles published this year targeted at this group. It is planned that books that help strengthen civil education and language learning, targeting at children and students, will be one of the company's key foci in the coming year.

Review of Operations and Outlook (cont'd)

In addition, Ming Pao Publications will further expand business opportunities relating to the use of copyrighted materials. New distribution channels will be explored, with particular emphasis on possible partnerships with publishing houses in Mainland China.

TRAVEL

Charming Holidays

In early 2003, the tourism industry suffered severe setbacks inflicted by the outbreaks of SARS in many countries around the world. During this difficult period, Charming Holidays took drastic measures to control costs, thereby minimizing the operating loss. Since many people delayed their travelling plans until the end of the year, Charming Holidays recorded a robust rebound in revenues in the last quarter of the financial year and revenues for the whole year decreased by about 10% only.

Looking forward, Charming Holidays is still faced with fierce price wars among local travel agents. It will adopt different strategies to cope with the competition and will continue to provide high quality services in order to capture more market share. New tourism routes to North Pole, Africa and South America will be explored for business growth. Charming Holidays will also continue to expand its study tour programs for which it has a competitive advantage by working in a close collaboration with Ming Pao Daily News, which is held in a high esteem in the education sector.

Charming Holidays' subsidiaries in the United States and Canada managed to record a 3% increase in annual turnover for the year through persistent sales efforts. The San Francisco branch began operations in April 2004. It is expected to further enhance the tour group's operating network across the east and west coasts of North America and help to improve its performance in the coming year.

INTERNET

Mingpao.com

During the year, Mingpao.com continued to provide its members and subscribers with quality editorial content and value-added e-services. Its average daily pageviews reached over 4.3 million during the financial year. The aggressive measures that it has adopted to reduce expenditure have proved effective and resulted in a small profit for the year. In the coming year, it will further leverage on its competitive advantage as a communication channel of Ming Pao Daily News in producing more special reports and series on China and international issues, as well as lifestyle features aiming at attracting more visitors and members.

COMMUNITY SERVICES

Readers' Donations

As of March 2004, Ming Pao Daily News led a successful campaign to raise over HK\$8 million for the "East China Flood Relief Project" to help those who suffered from disastrous floods along the Huai River. The donations have been distributed through a number of charitable organizations to rebuild homes, hospitals and schools. Over 90,000 people were reported to have benefited.

Ming Pao Daily News also co-organized the "Guangdong Province Remote Area Education Relief Fund" with several Hong Kong education establishments to help develop education in remote areas in Guangdong Province. During the year, a total of RMB2 million was donated to help repair and rebuild eighteen schools.

After the SARS outbreak, the Group together with the Hong Kong Performing Artistes Guild organized the "Project Blossom" in May 2003. Up till 30th April 2004, nearly HK\$23 million donation was raised and a total of 287 school children who have financial difficulties in continuing education were offered assistance.

School and Industry Activities

The "Student Reporters Scheme", organized by Ming Pao Daily News to train students with comprehensive and professional journalistic knowledge and exposure, entered its seventh year. Over 450 students participated in the program during the year.

2003 also marked the second year that Ming Pao Daily News was awarded the "Caring Company" logo by the Hong Kong Council of Social Service as an acknowledgement and recognition of its commitment to the community.

BUSINESS DEVELOPMENT

The Group's magazine business was re-structured during the year. Those magazines with content that is relatively apolitical in nature and is orientated towards the entertainment, fashion, consumer electronics and other domestic consumption sectors are all grouped under a newly formed holding company. These include Ming Pao Weekly, City Children's Weekly and HI-TECH WEEKLY. The new holding company then formed a strategic alliance with Redgate Media Inc. ("Redgate") in April 2004. This resulted in the acquisition of 60% interest in Redgate's subsidiary, Media 2U, which holds a number of exclusive licenses for publications of well-known international magazines and operates advertising business in Mainland China. This strategic merger with Redgate paves the way for the Group to enter the lucrative advertising market in Mainland China.

Review of Operations and Outlook (cont'd)

After months of preparations, Ming Pao Daily News' San Francisco Edition was successfully launched in April 2004. The new edition received a spectacular response from readers and advertisers. The Daily now has four operating units in North America which form a strong base for the Daily's future overseas expansion.

OUTLOOK

In 2004, the Group's flagship newspaper, Ming Pao Daily News entered its 45th anniversary which marked a milestone in the Group's history and operations. To improve its competitiveness in the prevailing dynamic and challenging business environment, the Group will continue its sustained effort to develop its publications' contents to meet the specialized needs of readers from different social segments. Aggressive marketing and sales packages will be offered to our advertisers to help promote their products and services which in turn will bring revenues to the Group.

With years of extensive experience in the publishing industry, solid business strategies and a strong brand name, the Group is set to explore new business opportunities and investment projects. In particular, the newly acquired Media2U will play an important role for the Group's entry into the challenging magazine and advertising markets in China.

The management is particularly concerned that the newsprint prices are on an upward trend, and it will closely monitor the purchases and consumption of newsprint in the coming year. Simultaneously, the management is committed to continuing its effort in improving the operational and financial efficiency in all business units within the Group.

Awards Received During the Year



The Newspaper Society of Hong Kong

Hong Kong News Awards 2003

- Best Business News Writing (Chinese)
1st Runner-up
- Best Business News Reporting
Merit
- Best News Writing (Chinese)
Merit
- Best Young Reporter
Merit
- Photographic Section (Features)
Merit



The Society of Publishers In Asia

2004 Awards For Editorial Excellence

- Excellence In Newspapers (Chinese Language)
 - Honourable Mention : Ming Pao Daily News
- Excellence In Reporting (Chinese Language)
 - Honourable Mention : Ming Pao Daily News
- Excellence In Business Reporting (Chinese Language)
 - Honourable Mention : Ming Pao Daily News
- Excellence In Reporting On The Environment (Chinese Language)
 - Winner: Ming Pao Weekly
 - Honourable Mention : Ming Pao Daily News
- Excellence In Feature Photography (Chinese Language)
 - Winner: Ming Pao Weekly
 - Honourable Mention : Ming Pao Daily News
- Excellence In Special Issue (Chinese Language)
 - Honourable Mention : Ming Pao Daily News
- Excellence In Magazines (Chinese Language)
 - Honourable Mention : Ming Pao Monthly
- Excellence In Feature Writing (Chinese Language)
 - Winner : Ming Pao Weekly
- Excellence In Human Rights Reporting (Chinese Language)
 - Honourable Mention : Ming Pao Weekly
- Excellence In Magazine Front Cover Design (Chinese Language)
 - Honourable Mention : Ming Pao Weekly

The Hong Kong Journalists Association

The Foreign Correspondents' Club

Amnesty International Hong Kong Section

The 9th Annual Human Rights Press Awards

- Photography
 - 5 Merits
- Newspaper Section
Merit



Graphic Arts Association of Hong Kong

Hong Kong Publishing Professionals Society

The 15th Hong Kong Print Awards

- Newspaper Printing
Merit

Society for News Design

The 25th Best of Newspaper Design Competition

- A-Section Page Design
Award of Excellence

Consumer Council

Consumer Rights Reporting Awards 2004

- Features
Merit
- News
Merit

Superbrands Hong Kong

- Superbrands Hong Kong 2004



Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 31 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 27.

The directors have declared an interim dividend of HK2 cents per ordinary share, totalling HK\$7,893,000 which was paid on 7th January 2004. The directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK\$11,921,000 and a special dividend of HK1 cent per ordinary share, totalling HK\$3,973,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

FIXED ASSETS

Movements in the fixed assets of the Group are set out in note 11 to the accounts.

SHARE CAPITAL

Movements in the share capital of the Company are set out in note 20 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2004, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK\$513,834,000 (2003: HK\$530,262,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Tan Sri Datuk TIONG Hiew King (*Chairman*)

Mr TIONG Kiu King

Dr TIONG Ik King

Mr TIONG Kiew Chiong

* Mr TANG Ying Yu

* Mr David YU Hon To

* *independent non-executive directors*

In accordance with bye-laws 99(A) and 182(iv) of the Company's bye-laws, Mr TIONG Kiew Chiong and Mr David YU Hon To retire by rotation and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Tan Sri Datuk TIONG Hiew King, aged 70, has been the Chairman of the Company since October 1995. Tan Sri Datuk TIONG Hiew King has extensive experience in a number of industries including timber, newspaper publishing and property development and investment.

Mr TIONG Kiu King, aged 69, has been an executive director of the Company since October 1995. Mr TIONG graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He is a brother of Tan Sri Datuk TIONG Hiew King.

Dr TIONG Ik King, aged 53, has been an executive director of the Company since October 1995. Dr TIONG graduated with a M.B.B.S. Degree from the National University of Singapore in 1975 and obtained a M.R.C.P. from the Royal College of Physicians in the United Kingdom in 1977. He is a brother of Tan Sri Datuk TIONG Hiew King.

Mr TIONG Kiew Chiong, aged 44, joined the Company as an executive director on 2nd May 1998. Mr TIONG graduated with a Bachelor of Business Administration Degree from York University, Toronto, Canada in 1982.

Mr TANG Ying Yu, aged 59, has been an independent non-executive director of the Company since April 1995. Mr TANG is a civil engineer and acts as the managing director of both Southern Petroleum Company Limited and Wan Lai Company Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (cont'd)

Mr David YU Hon To, aged 56, was appointed as an independent non-executive director of the Company on 30th March 1999. Mr YU is a fellow of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr YU is a founder and director of Management Capital Limited, which specialises in direct investment and financial advisory activities and also on the board of several listed companies in Hong Kong.

Note: Various aspects of the Group's businesses are respectively under the direct responsibility of the four directors holding executive offices of the Company as named above. These executive directors are regarded as members of the Group's senior management.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), the Company discloses that during the year, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King, directors of the Company, held directorships in Sin Chew Media Corporation Bhd (formerly known as Pemandangan Sinar Sdn Bhd) ("SCMC") which is engaged in the business of newspaper publishing in Malaysia.

As the board of directors of the Company is independent of the board of SCMC, the Group operates its business independently of, and at arm's length from, the business of SCMC.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

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

SHARE OPTION SCHEME (cont'd)

(a) Summary of terms:

The maximum individual entitlement of options shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the Scheme. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding (i) any shares which have been duly allotted and issued pursuant to the Scheme and other schemes; and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i). The Scheme will remain valid for a period of ten years commencing on 21st August 2001 after which period no further options will be offered. The offer of a grant of share option may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK\$1.00 by the grantee. Options granted are exercisable within ten years after the date of grant or ten years after the adoption date of the Scheme (i.e. 20th August 2011), whichever is earlier.

Pursuant to the Listing Rules' new requirements governing share option schemes which came into effect on 1st September 2001, certain provisions of the Scheme are no longer applicable which include the basis of determining the subscription price. According to the Listing Rules, the share subscription price will be determined as the highest of (i) the nominal value of the shares of the Company, (ii) the average of the closing prices of the shares of the Company as stated in the daily quotation sheet by The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the five trading days immediately preceding the granting of the option, and (iii) the closing price of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the date of grant of the share options.

SHARE OPTION SCHEME (cont'd)

(b) During the year, movements of the share options granted under the Scheme are as follows:

Grantees	Number of shares involved in share options				Balance at 31st March 2004	Percentage of issued ordinary shares at 31st March 2004	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2003 <i>(note 1)</i>	Granted during the year <i>(note 1)</i>	Exercised during the year <i>(note 2)</i>	Lapsed during the year <i>(note 2)</i>					
Directors:									
Tan Sri Datuk TIONG Hiew King	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Tan Sri Datuk TIONG Hiew King	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiu King	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiu King	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Dr TIONG Ik King	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Dr TIONG Ik King	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiew Chiong	300,000	-	-	-	300,000	0.076%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiew Chiong	-	300,000	-	-	300,000	0.076%	1.800	15/09/2003	16/09/2003 – 20/08/2011
	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>2,400,000</u>	<u>0.608%</u>			
Full time employees	4,275,000	-	(1,959,000)	(529,000)	1,787,000	0.449%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Full time employees	-	4,151,000	(3,051,000)	-	1,100,000	0.276%	1.320	29/08/2003	30/08/2003 – 20/08/2011
Total	<u>5,475,000</u>	<u>5,351,000</u>	<u>(5,010,000)</u>	<u>(529,000)</u>	<u>5,287,000</u>	<u>1.333%</u>			

SHARE OPTION SCHEME (cont'd)

(b) During the year, movements of the share options granted under the Scheme are as follows: (cont'd)

Notes:

- (1) 4,151,000 share options and 1,200,000 share options were granted on 29th August 2003 and 15th September 2003 respectively. The closing prices of the shares of the Company immediately before the dates on which the above share options were granted were HK\$1.25 and HK\$1.80 respectively. The consideration paid by each grantee for the share options granted was HK\$1.00.
- (2) During the year, 1,959,000 shares and 3,051,000 shares of HK\$0.10 each were issued at HK\$1.592 per share and HK\$1.32 per share respectively as a result of the exercise of the Company's share options. The weighted average of the closing prices of the Company's shares immediately before the dates on which the above share options were exercised was HK\$1.99. During the year, 529,000 share options have lapsed by reason of the grantees ceasing to be full time employees of the Company and its subsidiaries.
- (3) The directors are of the view that the value of the share options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the directors believe that any calculation of the value of the share options will not be meaningful and may be misleading to shareholders in the circumstances.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's businesses to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PARTICULARS OF INTERESTS HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

At 31st March 2004, the interests of the directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

Name of director	Number of shares/underlying shares held				Interests in underlying shares pursuant to share options (note 2)	Aggregate interests	Percentage of issued ordinary shares at 31st March 2004
	Personal interests	Family interests	Corporate interests (note 1)	Total interests in shares			
Tan Sri Datuk							
TIONG Hiew King	150,000	-	252,487,700	252,637,700	600,000	253,237,700	63.73%
Dr TIONG Ik King	-	-	252,487,700	252,487,700	600,000	253,087,700	63.69%
Mr TIONG Kiu King	611,000	147,000	-	758,000	600,000	1,358,000	0.34%
Mr TIONG Kiew Chiong	1,200,000	-	-	1,200,000	600,000	1,800,000	0.45%

Notes:

- (1) The corporate interests of Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King in the Company was jointly held through Conch Company Limited ("Conch") which holds 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.
- (2) These represent share options granted by the Company to the following directors under the Share Option Scheme to subscribe for shares of the Company.

Save as disclosed above and those disclosed under "Share Option Scheme", at 31st March 2004, none of the directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the Share Option Scheme, at no time during the year were rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company granted to any directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st March 2004, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Percentage of issued ordinary shares at 31st March 2004
Conch Company Limited (<i>note 1</i>)	252,487,700	63.54%
Dr Louis CHA (<i>note 2</i>)	40,463,400	10.18%

All the interests stated above represent long positions in the shares of the Company.

Notes:

- (1) Conch Company Limited ("Conch") owns 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.
- (2) Dr Louis CHA beneficially owns 38,798,400 shares of the Company and Snowdrop Limited, a company wholly owned by Dr Louis CHA, owns 1,665,000 shares of the Company.

Save as disclosed above and those disclosed under "Particulars of Interests held by Directors, Chief Executives and Associates", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company at 31st March 2004.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Group operates a hybrid retirement benefit scheme (“the Scheme”) and a Mandatory Provident Fund Scheme (“MPF”) for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group companies and/or employees.

During the year, the Scheme was funded by contributions from both the employees and the Group at 5% and 4% of the monthly basic salaries of the employees respectively. Forfeited employers’ contributions arising from early termination of services by employees are credited to a forfeiture reserve for the purpose of covering any shortfall on the defined benefit plans. The total amount available for such purpose amounted to HK\$15,531,000 at 31st March 2004 (2003: HK\$12,280,000).

The most recent independent actuarial valuation of the Scheme (“the Valuation”) was carried out at 1st January 2004 by Watson Wyatt Hong Kong Limited, a professionally qualified independent actuary. According to the Valuation, the Scheme was solvent at the date of the Valuation.

With effect from 1st December 2000, all new joiners of the Group are eligible to join the MPF. The Group’s contributions to the MPF are at 5% of the employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month (“MPF Contributions”). The MPF Contributions are fully and immediately vested in the employees as accrued benefit once they are paid.

EMPLOYEES

As at 31st March 2004, the Group has approximately 1,400 employees, the majority of whom are employed in Hong Kong. The Group remunerates its employees based on industry practice and performance of individual employees. The Group also adopts a share option scheme for its staff of senior grade.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws and there is no restriction against such rights under the laws in Bermuda.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company throughout the year ended 31st March 2004 except that non-executive directors were not appointed for a specific term as recommended under the guidelines set out in Appendix 14 of the Listing Rules. According to the Company's bye-laws 182(iv), directors, including independent non-executive directors, shall retire by rotation at annual general meetings and, being eligible, offer themselves for re-election where their re-appointments are reviewed. In the opinion of the board of directors, this meets the same objective of the Code of Best Practice.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The committee comprises two independent non-executive directors, namely Mr TANG Ying Yu and Mr David YU Hon To. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

TIONG Kiew Chiong

Chairman

Hong Kong, 19th July 2004

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

AUDITORS' REPORT TO THE SHAREHOLDERS OF MING PAO ENTERPRISE CORPORATION LIMITED *(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 27 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th July 2004

Consolidated Profit and Loss Account

For the year ended 31st March 2004

		2004	As restated 2003
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,001,788	1,013,323
Cost of sales		(691,821)	(705,172)
Gross profit		309,967	308,151
Other revenues	2	3,269	4,839
Selling and distribution expenses		(133,051)	(138,522)
Administrative expenses		(114,254)	(112,423)
Other operating expenses		(707)	(8,095)
Operating profit	3	65,224	53,950
Finance costs	4	(2,349)	(2,286)
Share of losses of associated companies		(5,380)	(7,622)
Profit before taxation		57,495	44,042
Taxation	5	(15,573)	(11,062)
Profit after taxation		41,922	32,980
Minority interests		(58)	227
Profit attributable to shareholders	6	41,864	33,207
Dividends	7	(23,787)	(19,617)
Basic earnings per share	8	11 cents	8 cents
Diluted earnings per share	8	11 cents	N/A

Consolidated Balance Sheet

As at 31st March 2004

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MING PAO ENTERPRISE CORPORATION LIMITED • Annual Report 2004

	Notes	2004 HK\$'000	As restated 2003 HK\$'000
Non-current assets			
Fixed assets	11	373,198	356,597
Interests in associated companies	13	21,669	18,022
Defined benefit plan's assets	14	14,377	14,286
Deferred tax assets	25	1,044	1,164
Current assets			
Inventories	15	52,967	53,816
Trading securities	16	1,799	1,527
Accounts receivable, deposits and prepayments	17	168,094	156,838
Tax recoverable		1,380	226
Bank balances and cash	18	188,389	179,821
		412,629	392,228
Current liabilities			
Accounts payable and accrued charges	19	125,998	112,328
Taxation payable		5,079	12,058
Short-term bank loans, secured		16,095	25,111
Bank overdrafts, secured		17,253	12,056
Current portion of long-term liabilities	22	4,206	3,807
		168,631	165,360
Net current assets		243,998	226,868
Total assets less current liabilities		654,286	616,937
Financed by:			
Share capital	20	39,735	39,234
Reserves	21	561,397	531,689
Shareholders' funds		601,132	570,923
Minority interests		1,664	1,605
Non-current liabilities			
Long-term liabilities	22	23,126	15,161
Deferred tax liabilities	25	28,364	29,248
		654,286	616,937

On behalf of the Board

TIONG Kiu King
Director

TIONG Kiew Chiong
Director

Balance Sheet

As at 31st March 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Interests in subsidiaries	12	1,049,291	1,071,518
Current assets			
Trading securities	16	1,799	1,527
Deposits and prepayments	17	192	207
Bank balances and cash		102,771	90,194
		104,762	91,928
Current liabilities			
Amounts due to subsidiaries		113	114
Accrued charges	19	3,537	3,549
Taxation payable		68	166
		3,718	3,829
Net current assets		101,044	88,099
Total assets less current liabilities		<u>1,150,335</u>	<u>1,159,617</u>
Financed by:			
Share capital	20	39,735	39,234
Reserves	21	1,110,600	1,120,383
Shareholders' funds		<u>1,150,335</u>	<u>1,159,617</u>

On behalf of the Board

TIONG Kiu King
Director

TIONG Kiew Chiong
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March 2004

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
Total equity as at 1st April, as previously reported		605,833	588,022
Effect of adopting SSAP 12		(28,084)	(27,769)
Effect of adopting SSAP 34 (revised)		(6,826)	(6,990)
		570,923	553,263
Exchange differences arising on translation of the financial statements of foreign subsidiaries – not recognised in the consolidated profit and loss account	21	862	543
Exercise of share options	20(b)	7,146	–
Profit attributable to shareholders	21	41,864	33,207
Adjustment on goodwill previously written off against reserves	21	–	1,704
Deferred tax effect on property revaluation reserve	21	–	(2,100)
Dividends paid	21	(19,663)	(15,694)
		601,132	570,923

Consolidated Cash Flow Statement

For the year ended 31st March 2004

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
Net cash inflow generated from operations	23 (a)	100,751	105,829
Interest on bank loans and overdrafts		(1,874)	(1,978)
Interest element of finance lease payments		(475)	(308)
Hong Kong profits tax paid		(20,899)	(2,127)
Overseas tax paid		(3,571)	(693)
Net cash inflow from operating activities		73,932	100,723
Investing activities			
Purchase of fixed assets		(41,513)	(12,197)
Proceeds from disposals of fixed assets		1,421	26
Advance to an associated company		(9,027)	(12,751)
Interest received		2,483	3,171
Dividends received from trading securities		25	25
Consideration paid for the repurchase of shares in a subsidiary		–	(7,000)
Net cash outflow from investing activities		(46,611)	(28,726)
Net cash inflow before financing		27,321	71,997
Financing activities	23(b)		
Issue of ordinary shares		7,146	–
Dividends paid		(19,663)	(15,694)
New loans payable		7,538	–
Repayment of bank loans		(9,736)	(32,630)
Capital element of finance lease payments		(5,610)	(2,955)
Net cash outflow from financing		(20,325)	(51,279)
Increase in cash and cash equivalents		6,996	20,718
Cash and cash equivalents at 1st April		165,552	145,530
Effect of foreign exchange rate changes		(1,412)	(696)
Cash and cash equivalents at 31st March		171,136	165,552
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		188,389	177,608
Bank overdrafts		(17,253)	(12,056)
		171,136	165,552

Notes to the Accounts

31st March 2004

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain properties and trading securities are stated at fair value.

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" and SSAP 34 (revised) "Employee Benefits" issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policies and the effect of adopting these new and revised policies are set out in the accounting policies below.

(b) Group Accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, or has the power to govern the financial and operating policies, or to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill (net of accumulated amortisation) or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Group Accounting (cont'd)

(i) Consolidation (cont'd)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

(ii) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of results of the associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) /negative goodwill on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

In the Company's balance sheet the investments in associated companies are stated at cost less provisions for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as movements in reserves.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(c) Intangibles

(i) *Goodwill/negative goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life, not exceeding 15 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets over the cost of acquisition.

For acquisitions on or after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition.

(ii) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Fixed assets

(i) Other properties

Other properties are interests in land and buildings and are stated at cost or fair value which is determined by the directors based on independent valuations.

Effective from 30th September 1995, no further revaluations of the Group's freehold and leasehold land and buildings have been carried out. The Group places reliance on paragraph 80 of SSAP 17 which provides exemption from the need to make regular revaluations for such assets.

Freehold land is not amortised. Freehold buildings are depreciated on a straight-line basis over their expected useful lives to the Group, the principal annual rate used for this purpose is 2.5%.

Leasehold land and buildings, which are stated at cost or valuation, are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate ranges from 2% to 2.6%.

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, furniture, fixtures, office equipment, machinery, printing equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	15%– 33.33% or over lease periods
Furniture, fixtures and office equipment	10%– 33.33%
Machinery and printing equipment	6.67%– 33.33%
Motor vehicles	25%

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits/accumulated losses and is shown as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(e) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to 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 leave are not recognised until the time of leave.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Employee benefits (cont'd)

(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 a hybrid retirement benefit scheme ("the Scheme") and a Mandatory Provident Fund Scheme ("MPF") for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group companies and/or employees.

The Group's contributions to the Scheme are made based on the periodic recommendations of independent qualified actuaries.

The Group's contributions to the Scheme and the MPF scheme are expensed as incurred. The Group's contributions to the defined contribution schemes of the Scheme are reduced by the Group's contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For the defined benefit plans, the pension cost of the Scheme are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefit is charged to the profit and loss account so as to spread the regular pension cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the Scheme. The pension obligation is measured as the present value of the estimated future cash outflows of the Scheme by reference to market yields of Government securities which have similar terms as the terms of the related liabilities. Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Employee benefits (cont'd)

(iv) Long service payments

The Group's net obligations in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the project unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

The adoption of SSAP 34 (revised) represents a change in accounting policy, which has retrospective effect. The comparative figures presented in the accounts have been restated to conform to the changed policy.

As detailed in note 21 to the accounts, accumulated losses at 1st April 2002 and 1st April 2003 have been increased by HK\$6,990,000 and HK\$6,826,000 respectively. The change has resulted in an increase in the provision for long service payment as at 31st March 2003 by HK\$6,826,000. The profit attributable to shareholders for the year ended 31st March 2003 was increased by HK\$164,000.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from dates of investments and bank overdrafts.

(k) Provisions

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

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 21 to the accounts, accumulated losses at 1st April 2002 and 1st April 2003 have been increased by HK\$4,070,000 and HK\$2,285,000 respectively, and property revaluation reserve at 1st April 2002 and 1st April 2003 has been reduced by HK\$23,699,000 and HK\$25,799,000 respectively, which represent the unprovided net deferred tax liabilities. The change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$1,164,000 and HK\$29,248,000 respectively. The profit attributable to shareholders for the year ended 31st March 2003 has been increased by HK\$1,785,000.

(m) Revenue recognition

Revenue from the circulation and subscription sales of newspapers, periodicals and books, net of trade discounts and returns, is recognised on the transfer of risks and rewards of ownership, which generally coincides with the date of delivery. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under accounts payable and accrued charges in the balance sheet.

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

Revenue from packaged tour operations is recognised upon the departure of tours. Revenue from the provision of other travel related services is recognised upon the delivery of services.

1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

(m) Revenue recognition (cont'd)

Agency commission income earned from provision of travel agency services is recognised in accordance with the respective agency agreements, which generally coincides with the time when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Management fee income and commission income are recognised on an accrual basis.

Operating lease rental income is recognised on a straight-line basis.

Dividend income is recognised when the right to receive payment is established.

(n) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, defined benefit plan's assets, inventories, receivables and operating cash, and exclude trading securities, tax recoverable and corporate assets. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and certain corporate borrowings. Capital expenditure comprises additions of fixed assets.

In respect of geographical segment reporting, revenues and results are based on the location in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

(o) Comparative figures

Due to the adoption of SSAP 12 "Income Taxes" and SSAP 34 (revised) "Employee Benefits" issued by HKSA during the year, certain comparative figures have been restated to conform with the current year's presentation.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the publication of Chinese newspapers, periodicals and books, provision of travel and travel related services. Revenues recognised during the year are as follows:

	2004	As restated
	HK\$'000	2003
		HK\$'000
Turnover		
Sales of newspapers, periodicals and books, net of trade discounts and returns	203,326	201,590
Advertising income, net of trade discounts	504,414	496,859
Travel and travel related services income (<i>note (a)</i>)	290,979	311,149
Agency commission income (<i>note (a)</i>)	3,069	3,725
	1,001,788	1,013,323
Other revenues		
Rental and management fee income	761	1,109
Interest income	2,483	3,171
Dividend income	25	25
Commission income	–	534
	3,269	4,839
Total revenues	1,005,057	1,018,162

Notes to the Accounts (cont'd)

31st March 2004

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

An analysis of the Group's turnover and results for the year is as follows:

Business segments:

	Publishing	Travel and travel related services	Internet businesses <i>(note (b))</i>	Elimination	Group
	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	695,705	293,259	12,824	–	1,001,788
Inter segment sales	–	–	519	(519)	–
	<u>695,705</u>	<u>293,259</u>	<u>13,343</u>	<u>(519)</u>	<u>1,001,788</u>
Segment results	<u>66,373</u>	<u>(1,106)</u>	<u>2,128</u>		67,395
Interest income					2,483
Unallocated expenses					<u>(4,654)</u>
Operating profit					65,224
Finance costs					<u>(2,349)</u>
Share of losses of associated companies					<u>(5,380)</u>
Profit before taxation					57,495
Taxation					<u>(15,573)</u>
Profit after taxation					41,922
Minority interests					<u>(58)</u>
Profit attributable to shareholders					<u><u>41,864</u></u>

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Business segments: (cont'd)

	Publishing	Travel and travel related services	Internet businesses (note (b))	Elimination	Group
	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	605,984	29,364	53,951	–	689,299
Interests in associated companies	21,669	–	–	–	21,669
Unallocated assets					111,949
Total assets					<u>822,917</u>
Segment liabilities	134,653	24,236	3,447	–	162,336
Unallocated liabilities					57,785
Total liabilities					<u>220,121</u>
Capital expenditure	46,029	1,221	187	–	47,437
Depreciation	28,488	621	2,318	–	31,427
Other non-cash expenses	2,670	–	79	–	2,749

Notes to the Accounts (cont'd)

31st March 2004

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Business segments: (cont'd)

	Publishing	Travel and travel related services <i>(note (a))</i>	Internet businesses <i>(note (b))</i>	Elimination	As restated Group
	2003	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	685,962	306,003	21,358	–	1,013,323
Inter segment sales	–	6,250	–	(6,250)	–
	<u>685,962</u>	<u>312,253</u>	<u>21,358</u>	<u>(6,250)</u>	<u>1,013,323</u>
Segment results	<u>57,400</u>	<u>(1,816)</u>	<u>(858)</u>		54,726
Interest income					3,171
Unallocated expenses					<u>(3,947)</u>
Operating profit					53,950
Finance costs					(2,286)
Share of losses of associated companies					<u>(7,622)</u>
Profit before taxation					44,042
Taxation					<u>(11,062)</u>
Profit after taxation					32,980
Minority interests					<u>227</u>
Profit attributable to shareholders					<u><u>33,207</u></u>

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Business segments: (cont'd)

	Publishing	Travel and travel related services (note (a))	Internet businesses (note (b))	Elimination	As restated Group
	2003	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	580,726	21,731	60,880	–	663,337
Interests in associated companies	18,022	–	–	–	18,022
Unallocated assets					<u>100,938</u>
Total assets					<u><u>782,297</u></u>
Segment liabilities	141,771	13,655	798	–	156,224
Unallocated liabilities					<u>53,545</u>
Total liabilities					<u><u>209,769</u></u>
Capital expenditure	12,647	903	386	–	13,936
Depreciation	29,238	469	4,473	–	34,180
Other non-cash expenses	3,001	166	305	–	3,472

Notes to the Accounts (cont'd)

31st March 2004

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (cont'd)

Geographical segments:

	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Segment assets 2004 HK\$'000	Capital expenditure 2004 HK\$'000
Hong Kong	653,927	74,178	504,529	10,187
Canada	191,891	8,233	82,968	15,475
The United States of America	138,370	(12,558)	29,234	14,537
Mainland China	17,600	(2,458)	72,568	7,238
	<u>1,001,788</u>	<u>67,395</u>	<u>689,299</u>	<u>47,437</u>
Interest income		2,483		
Unallocated expenses		(4,654)		
Operating profit		<u>65,224</u>		
Interests in associated companies			21,669	
Unallocated assets			111,949	
Total assets			<u>822,917</u>	

	Turnover 2003 HK\$'000	As restated Segment results 2003 HK\$'000	As restated Segment assets 2003 HK\$'000	Capital expenditure 2003 HK\$'000
Hong Kong	697,442	61,396	504,442	3,097
Canada (note (a))	164,187	8,450	74,320	4,238
The United States of America	138,891	(10,530)	11,951	568
Mainland China	12,803	(4,590)	72,624	6,033
	<u>1,013,323</u>	<u>54,726</u>	<u>663,337</u>	<u>13,936</u>
Interest income		3,171		
Unallocated expenses		(3,947)		
Operating profit		<u>53,950</u>		
Interests in associated companies			18,022	
Unallocated assets			100,938	
Total assets			<u>782,297</u>	

Notes:

- Certain comparative figures have been restated to conform with the current year's presentation.
- Internet businesses comprise advertising, provision of contents and travel related services through the Group's various portals.

3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2004 HK\$'000	As restated 2003 HK\$'000
Crediting		
Net exchange gain	2,395	1,553
Unrealised gains on trading securities	272	–
Gain on disposals of fixed assets	75	–
	<u>2,742</u>	<u>1,553</u>
Charging		
Auditors' remuneration		
Current year	2,074	1,640
(Over)/under provision in prior years	(72)	253
Cost of inventories sold	142,363	140,394
Depreciation		
Owned fixed assets	30,497	33,274
Leased fixed assets	930	906
Staff costs (including directors' emoluments) (note 9)	290,218	296,518
Operating lease expenses		
Land and buildings	6,218	6,415
Machineries	71	77
Provision for inventory obsolescence	829	1,435
Provision for doubtful debts and bad debts written off	4,192	4,884
Loss on disposals of fixed assets	–	94
Unrealised losses on trading securities	–	1,333
Impairment loss on fixed assets	1,494	–
	<u>1,494</u>	<u>–</u>

4 FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest expenses on bank loans and overdrafts	1,874	1,978
Interest element of finance leases	475	308
	<u>2,349</u>	<u>2,286</u>

Notes to the Accounts (cont'd)

31st March 2004

5 TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2004	As restated 2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current year	13,304	10,449
Under/(over) provision in prior years	285	(466)
Overseas taxation		
Current year	3,112	2,864
Over provision in prior years	(364)	–
Deferred taxation	(764)	(1,785)
Taxation charge	15,573	11,062

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rates of the countries in which the Group operates as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	57,495	44,042
Notional tax calculated at the rates applicable in the countries concerned	9,177	4,920
Income not subject to taxation	(829)	(821)
Expenses not deductible for taxation purposes	1,103	1,725
Utilisation of previously unrecognised tax losses	(700)	(757)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	50	536
Temporary differences not recognised	631	491
Tax losses not recognised	6,220	5,434
Over provision in prior years	(79)	(466)
Taxation charge	15,573	11,062

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,235,000 (2003: HK\$819,000).

7 DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim, paid, of HK2 cents (2003: HK2 cents) per ordinary share	7,893	7,847
Final, proposed, of HK3 cents (2003: HK3 cents) per ordinary share	11,921	11,770
Special, proposed, of HK1 cent (2003: Nil) per ordinary share	3,973	–
	<u>23,787</u>	<u>19,617</u>

The board of directors has resolved to recommend a final dividend of HK3 cents (2003: HK3 cents) per ordinary share and a special dividend of HK1 cent (2003: Nil) per ordinary share for the year ended 31st March 2004. Upon approval by the shareholders, the final dividend and special dividend will be paid on 15th September 2004 to shareholders whose names appear on the register of members of the Company on 8th September 2004.

8 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders for the year of HK\$41,864,000 (2003: HK\$33,207,000, as restated).

The basic earnings per share is based on the weighted average number of 393,616,421 (2003: 392,345,000) ordinary shares in issue during the year. The diluted earnings per share is based on 394,080,481 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 464,060 ordinary shares deemed to have been issued at no consideration after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme. No diluted earnings per share for the year ended 31st March 2003 is presented as the exercise of the outstanding share options of the Company would have an anti-dilutive effect.

Notes to the Accounts (cont'd)

31st March 2004

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2004 HK\$'000	As restated 2003 HK\$'000
Wages and salaries	263,020	267,643
Unutilised annual leave	1,000	4,380
Pension costs – defined contribution plans	6,632	6,594
Pension costs – defined benefit plans (<i>note 14</i>)	929	299
Other staff costs	18,637	17,602
	<u>290,218</u>	<u>296,518</u>

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of the emoluments payable to directors of the Company during the year are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Directors' fees	240	240
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	1,808	1,769
Contributions to pension scheme	93	93
	<u>2,141</u>	<u>2,102</u>

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

- (b) During the year 1,200,000 options (2003: Nil) were granted to the directors under the Share Option Scheme approved by the shareholders at the Special General Meeting held on 21st August 2001. Details of the movements of the said share options during the year are disclosed under "Share Option Scheme" in the Report of the Directors.
- (c) The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
From HK\$Nil to HK\$1,000,000	5	5
From HK\$1,000,001 to HK\$1,500,000	–	–
From HK\$1,500,001 to HK\$2,000,000	1	1
From HK\$2,000,001 to HK\$2,500,000	–	–
	<u>–</u>	<u>–</u>

No directors waived any emoluments in respect of the years ended 31st March 2004 and 31st March 2003.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

- (d) The five individuals whose emoluments were the highest in the Group for the year include an executive director whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining four (2003: four) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,922	5,703
Contributions to pension scheme	287	273
	<u>6,209</u>	<u>5,976</u>

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

Emolument bands	Number of individuals	
	2004	2003
From HK\$1,000,001 to HK\$1,500,000	2	3
From HK\$1,500,001 to HK\$2,000,000	2	1

11 FIXED ASSETS

	Group							Total HK\$'000
	Other properties		Land and buildings held on medium term leases in Hong Kong	Land and buildings held on medium term leases outside Hong Kong	Leasehold Improve- ments, furniture, fixtures and office equipment	Machinery and printing equipment	Motor vehicles	
Freehold land and buildings outside Hong Kong	Land and buildings held on long term leases outside Hong Kong	HK\$'000						HK\$'000
Cost or valuation								
At 1st April 2003	19,658	7,067	282,638	35,346	114,718	197,156	4,840	661,423
Additions	310	-	-	-	11,991	33,968	1,168	47,437
Exchange adjustment	1,811	-	-	-	3,441	3,641	34	8,927
Disposals	-	-	-	-	(12,874)	(208)	(1,721)	(14,803)
At 31st March 2004	<u>21,779</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>117,276</u>	<u>234,557</u>	<u>4,321</u>	<u>702,984</u>
Accumulated depreciation and impairment								
At 1st April 2003	1,511	790	54,499	5,764	99,319	138,855	4,088	304,826
Charge for the year	232	105	7,797	768	10,324	11,867	334	31,427
Impairment loss (note 3)	-	-	-	-	-	1,494	-	1,494
Exchange adjustment	225	-	-	-	3,061	2,176	34	5,496
Disposals	-	-	-	-	(11,609)	(207)	(1,641)	(13,457)
At 31st March 2004	<u>1,968</u>	<u>895</u>	<u>62,296</u>	<u>6,532</u>	<u>101,095</u>	<u>154,185</u>	<u>2,815</u>	<u>329,786</u>
Net book value								
At 31st March 2004	<u>19,811</u>	<u>6,172</u>	<u>220,342</u>	<u>28,814</u>	<u>16,181</u>	<u>80,372</u>	<u>1,506</u>	<u>373,198</u>
At 31st March 2003	<u>18,147</u>	<u>6,277</u>	<u>228,139</u>	<u>29,582</u>	<u>15,399</u>	<u>58,301</u>	<u>752</u>	<u>356,597</u>

Notes to the Accounts (cont'd)

31st March 2004

11 FIXED ASSETS (cont'd)

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

	Group							Total HK\$'000
	Other properties			Land and buildings held on medium term leases outside Hong Kong HK\$'000	Land and buildings held on medium term leases outside Hong Kong HK\$'000	Leasehold Improve- ments, furniture, fixtures and office equipment HK\$'000	Machinery and printing equipment HK\$'000	
	Freehold land and buildings outside Hong Kong HK\$'000	Land and buildings held on long term leases outside Hong Kong HK\$'000	Land and buildings held on medium term leases in Hong Kong HK\$'000					
At cost	3,771	-	7,014	-	117,276	234,557	4,321	366,939
At professional valuation in 1995	18,008	7,067	275,624	35,346	-	-	-	336,045
At 31st March 2004	<u>21,779</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>117,276</u>	<u>234,557</u>	<u>4,321</u>	<u>702,984</u>

The analysis of the cost or valuation at 31st March 2003 of the above assets is as follows:

At cost	1,650	-	7,014	-	114,718	197,156	4,840	325,378
At professional valuation in 1995	18,008	7,067	275,624	35,346	-	-	-	336,045
At 31st March 2003	<u>19,658</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>114,718</u>	<u>197,156</u>	<u>4,840</u>	<u>661,423</u>

- The freehold and leasehold land and buildings stated at professional valuation in 1995 were revalued by Vigers Hong Kong Limited and Royal LePage Appraisal & Consulting Services, independent international property consultants, on an open market value basis at 30th September 1995.
- The carrying values of machines purchased under finance leases are HK\$18,351,000 (2003: HK\$12,061,000).
- The carrying amounts of other properties would have been HK\$149,277,000 (2003: HK\$171,241,000) had they been stated at cost less accumulated depreciation.
- Certain fixed assets were pledged as securities for the Group's banking facilities. The details are set out in note 24 to the accounts.

12 INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	745,171	745,171
Less: Provision for impairment	(280,700)	(280,700)
	464,471	464,471
Amounts due from subsidiaries (<i>note</i>)		
Interest-free	457,962	453,895
Interest-bearing	126,858	153,152
	1,049,291	1,071,518

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

Details of the Company's principal subsidiaries are set out in note 31 to the accounts.

13 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities other than goodwill (<i>note(a)</i>)	(18,842)	(13,462)
Amounts due from associated companies (<i>note(b)</i>)	40,511	31,484
	21,669	18,022

(a) The following is a list of the Group's associated companies at 31st March 2004:

Name	Place of incorporation and operation	Effective equity interest %	Particulars of issued share capital/ registered capital	Principal activities
Yazhou Zhoukan Holdings Limited	British Virgin Islands	49.72	10,000 ordinary shares of HK\$1 each	Investment holding
Yazhou Zhoukan Limited	Hong Kong	49.72	9,500 ordinary shares of HK\$1 each	Magazine publishing
亞週股份有限公司	Taiwan	49.72	500,000 ordinary shares of NT\$10 each	Magazine distributing

Note: These associated companies have 31st December as their financial accounting year end date, which is not coterminous with that of the Group. The results of these associated companies have been equity accounted for based on their audited accounts for the year ended 31st December 2003.

Notes to the Accounts (cont'd)

31st March 2004

13 INTERESTS IN ASSOCIATED COMPANIES(cont'd)

- (b) The amounts due from associated companies are unsecured, not repayable within the next twelve months and interest-bearing, except for an amount of HK\$4,500,000 which is interest-free.

14 PENSIONS AND OTHER POST RETIREMENT ASSETS

The Group operates a number of staff retirement schemes which include a hybrid retirement benefit scheme ("the Scheme") for its employees in Hong Kong.

- (a) The Scheme has three categories of members: Regular Member, Special Member and Defined Benefit ("DB") Member.

Regular Member – defined contribution type of benefits based on accumulated contributions and investment gains and losses thereon.

Special Member – benefits based on final salary and service period or accumulated employer's contributions with credited investment gains and losses, whichever is higher.

DB Member – benefits based on final salary and service period only.

Members are also required to contribute monthly at 5% of their basic monthly salaries to the Scheme. The accumulated members' contributions with investment gains and losses will be paid to the members upon their leaving the employment in addition to the benefits described above.

- (b) Defined benefit schemes for Special Member and DB Member

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the profit and loss account so as to spread the regular costs over the service lives of employees. A full valuation of the defined benefit scheme based on the projected unit credit method has been carried out by Watson Wyatt Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the profit and loss account in accordance with its advice.

	Group	
	2004	2003
	HK\$'000	HK\$'000
Defined benefit plan's assets	14,377	14,286

14 PENSIONS AND OTHER POST RETIREMENT ASSETS (cont'd)

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

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Fair value of plan assets	33,088	24,070
Present value of funded obligations	(25,082)	(15,998)
	<u>8,006</u>	<u>8,072</u>
Unrecognised actuarial losses	6,371	6,214
Assets in the balance sheet	<u><u>14,377</u></u>	<u><u>14,286</u></u>

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Cumulative unrecognised net actuarial loss and past service cost	6,371	6,214
Present value of available future refunds or reductions in future contributions	8,006	8,072
	<u><u>14,377</u></u>	<u><u>14,286</u></u>

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Current service cost	(1,469)	(1,283)
Interest cost	(867)	(1,018)
Expected return on plan assets	1,705	2,002
Net actuarial losses recognised in the year	(298)	–
Total pension costs, included in staff costs (note 9)	<u><u>(929)</u></u>	<u><u>(299)</u></u>

The actual return on plan assets recognised as an asset was HK\$7,992,000 (2003: HK\$3,483,000).

Notes to the Accounts (cont'd)

31st March 2004

14 PENSIONS AND OTHER POST RETIREMENT ASSETS (cont'd)

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

Movements in the assets recognised in the balance sheet:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1st April	14,286	13,498
Total pension costs – as shown above	(929)	(299)
Contributions paid	1,020	1,087
At 31st March	<u>14,377</u>	<u>14,286</u>

The principal actuarial assumptions used were as follows:

	Group	
	2004	2003
	%	%
Discount rate	4.0	5.5
Expected rate of return on plan assets	7.0	7.0
Expected rate of future salary increases	<u>4.0</u>	<u>4.0</u>

15 INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	49,921	50,678
Finished goods	3,046	3,138
	<u>52,967</u>	<u>53,816</u>

At 31st March 2004, the carrying amounts of inventories that are carried at net realisable value amounted to HK\$1,154,000 (2003: HK\$1,372,000).

16 TRADING SECURITIES

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Listed investments in Hong Kong, at market value	<u>1,799</u>	<u>1,527</u>

17 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Accounts receivable (<i>note</i>)	146,609	132,892	–	–
Deposits and prepayments	21,485	23,946	192	207
	<u>168,094</u>	<u>156,838</u>	<u>192</u>	<u>207</u>

Note: The Group allows in general a credit period of up to 90 days to its trade customers. At 31st March 2004, the ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 to 60 days	91,910	80,994
61 to 120 days	36,006	38,869
121 to 180 days	12,876	10,811
Over 180 days	5,817	2,218
	<u>146,609</u>	<u>132,892</u>

18 BANK BALANCES AND CASH

- (a) Included in the bank balances and cash of the Group are cash and bank deposits denominated in Renminbi placed with banks in Mainland China amounting to HK\$9,287,000 (2003: HK\$13,487,000).
- (b) Included in the bank balances were bank deposits of HK\$Nil (2003: HK\$2,213,000) which were pledged to certain banks at 31st March 2004.

19 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Accounts payable (<i>note</i>)	57,114	44,873	–	–
Accrued charges	57,862	56,005	3,537	3,549
Subscriptions received in advance	11,022	11,450	–	–
	<u>125,998</u>	<u>112,328</u>	<u>3,537</u>	<u>3,549</u>

Notes to the Accounts (cont'd)

31st March 2004

19 ACCOUNTS PAYABLE AND ACCRUED CHARGES (cont'd)

Note: At 31st March 2004 the ageing analysis of the Group's accounts payable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 to 60 days	50,658	42,736
61 to 120 days	2,614	1,416
121 to 180 days	268	568
Over 180 days	3,574	153
	<u>57,114</u>	<u>44,873</u>

20 SHARE CAPITAL

Authorised ordinary shares of HK\$0.10 each

	No. of shares	HK\$'000
At 31st March 2003 and 2004	<u>500,000,000</u>	<u>50,000</u>

Issued and fully paid ordinary shares of HK\$0.10 each

	2004		2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1st April	392,345,000	39,234	392,345,000	39,234
Shares issued upon exercise of share options (note (b))	5,010,000	501	–	–
At 31st March	<u>397,355,000</u>	<u>39,735</u>	<u>392,345,000</u>	<u>39,234</u>

At the Special General Meeting of the Company held on 21st August 2001, a Share Option Scheme ("the Scheme") was approved and adopted. Share options are granted to the directors and employees.

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

	Number of share options	
	2004	2003
At 1st April	5,475,000	5,475,000
Granted during the year (note (a))	5,351,000	–
Exercised during the year (note (b))	(5,010,000)	–
Lapsed during the year (note (c))	(529,000)	–
At 31st March (note (d))	<u>5,287,000</u>	<u>5,475,000</u>

20 SHARE CAPITAL (cont'd)

Notes:

- (a) 4,151,000 share options and 1,200,000 share options were granted on 29th August 2003 and 15th September 2003 respectively. The exercise prices of the shares were HK\$1.32 and \$1.80 respectively. The consideration paid by each grantee for the share options granted was HK\$1.00.
- (b) During the year, 1,959,000 shares and 3,051,000 shares of HK\$0.10 each were issued at HK\$1.592 per share and HK\$1.32 per share respectively as a result of the exercise of the Company's share options.

	2004 HK\$'000	2003 HK\$'000
Ordinary share capital – at par	501	–
Share premium	6,645	–
Proceeds	7,146	–

- (c) During the year, 529,000 share options (2003: Nil) have lapsed by reason of the grantees ceasing to be full time employees of the Company and its subsidiaries.
- (d) Share options outstanding at the end of the year have the following terms:

	End of exercisable period	Exercise price per share HK\$	Number of share options	
			2004	2003
Directors	20th August 2011	1.592	1,200,000	1,200,000
	20th August 2011	1.80	1,200,000	–
			<u>2,400,000</u>	<u>1,200,000</u>
Employees	20th August 2011	1.592	1,787,000	4,275,000
	20th August 2011	1.32	1,100,000	–
			<u>2,887,000</u>	<u>4,275,000</u>

Notes to the Accounts (cont'd)

31st March 2004

21 RESERVES

	Group							Total HK\$'000
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Difference arising on consolidation HK\$'000	Reserve arising on consolidation HK\$'000	Accumulated losses HK\$'000	
At 1st April 2002, as previously reported	589,765	145,096	356	(238)	(22,400)	1,878	(165,669)	548,788
Effect of adopting SSAP 12	-	(23,699)	-	-	-	-	(4,070)	(27,769)
Effect of adopting SSAP 34 (revised)	-	-	-	-	-	-	(6,990)	(6,990)
At 1st April 2002, as restated	589,765	121,397	356	(238)	(22,400)	1,878	(176,729)	514,029
Profit attributable to shareholders as restated for the effect of adopting SSAP 12 and SSAP 34 (revised)	-	-	-	-	-	-	33,207	33,207
Adjustment on goodwill (note)	-	-	-	-	-	1,704	-	1,704
Deferred tax effect on property revaluation reserve	-	(2,100)	-	-	-	-	-	(2,100)
Exchange adjustment	-	-	-	543	-	-	-	543
2002 final dividend paid	-	-	-	-	-	-	(7,847)	(7,847)
2003 interim dividend paid (note 7)	-	-	-	-	-	-	(7,847)	(7,847)
At 31st March 2003	<u>589,765</u>	<u>119,297</u>	<u>356</u>	<u>305</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(159,216)</u>	<u>531,689</u>
Representing:								
2003 final dividend proposed (note 7)							11,770	
Others							(170,986)	
Accumulated losses at 31st March 2003							<u>(159,216)</u>	
Company and subsidiaries	589,765	119,297	356	305	(22,400)	3,582	(145,749)	545,156
Associated companies	-	-	-	-	-	-	(13,467)	(13,467)
At 31st March 2003	<u>589,765</u>	<u>119,297</u>	<u>356</u>	<u>305</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(159,216)</u>	<u>531,689</u>

Note: Adjustment on goodwill is arising from a price adjustment on the purchase consideration paid for the acquisition of a subsidiary in the previous year. The goodwill arising from the acquisition has been written off against reserves in prior year. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

21 RESERVES (cont'd)

	Group							Total HK\$'000
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Difference arising on consolidation HK\$'000	Reserve arising on consolidation HK\$'000	Accumulated losses HK\$'000	
At 1st April 2003, as previously reported	589,765	145,096	356	305	(22,400)	3,582	(150,105)	566,599
Effect of adopting SSAP 12	-	(25,799)	-	-	-	-	(2,285)	(28,084)
Effect of adopting SSAP 34 (revised)	-	-	-	-	-	-	(6,826)	(6,826)
At 1st April 2003, as restated	589,765	119,297	356	305	(22,400)	3,582	(159,216)	531,689
Exercise of share options (note 20(b))	6,645	-	-	-	-	-	-	6,645
Profit attributable to shareholders	-	-	-	-	-	-	41,864	41,864
Exchange adjustment	-	-	-	862	-	-	-	862
2003 final dividend paid (note 7)	-	-	-	-	-	-	(11,770)	(11,770)
2004 interim dividend paid (note 7)	-	-	-	-	-	-	(7,893)	(7,893)
At 31st March 2004	<u>596,410</u>	<u>119,297</u>	<u>356</u>	<u>1,167</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(137,015)</u>	<u>561,397</u>
Representing:								
2004 final dividend proposed (note 7)							11,921	
2004 special dividend proposed (note 7)							3,973	
Others							(152,909)	
Accumulated losses at 31st March 2004							<u>(137,015)</u>	
Company and subsidiaries	596,410	119,297	356	1,167	(22,400)	3,582	(118,168)	580,244
Associated companies	-	-	-	-	-	-	(18,847)	(18,847)
At 31st March 2004	<u>596,410</u>	<u>119,297</u>	<u>356</u>	<u>1,167</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(137,015)</u>	<u>561,397</u>

Notes to the Accounts (cont'd)

31st March 2004

21 RESERVES (cont'd)

	Company				
	Share premium	Capital redemption reserve	Contributed surplus	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	589,765	356	200,379	344,758	1,135,258
Profit attributable to shareholders	–	–	–	819	819
2002 final dividend paid	–	–	–	(7,847)	(7,847)
2003 interim dividend paid (<i>note 7</i>)	–	–	–	(7,847)	(7,847)
	<u>589,765</u>	<u>356</u>	<u>200,379</u>	<u>329,883</u>	<u>1,120,383</u>
Representing:					
2003 final dividend proposed (<i>note 7</i>)				11,770	
Others				318,113	
				<u>329,883</u>	
Retained profits at 31st March 2003				<u>329,883</u>	
At 1st April 2003	589,765	356	200,379	329,883	1,120,383
Exercise of share options (<i>note 20(b)</i>)	6,645	–	–	–	6,645
Profit attributable to shareholders	–	–	–	3,235	3,235
2003 final dividend paid (<i>note 7</i>)	–	–	–	(11,770)	(11,770)
2004 interim dividend paid (<i>note 7</i>)	–	–	–	(7,893)	(7,893)
	<u>596,410</u>	<u>356</u>	<u>200,379</u>	<u>313,455</u>	<u>1,110,600</u>
At 31st March 2004					
Representing:					
2004 final dividend proposed (<i>note 7</i>)				11,921	
2004 special dividend proposed (<i>note 7</i>)				3,973	
Others				297,561	
				<u>313,455</u>	
Retained profits at 31st March 2004				<u>313,455</u>	

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group's level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

22 LONG-TERM LIABILITIES

	Group	
	2004 HK\$'000	As restated 2003 HK\$'000
Bank loans, secured		
Not wholly repayable within five years (<i>note (a)</i>)	12,027	4,685
Obligations under finance leases		
Wholly repayable within five years (<i>note (b)</i>)	8,403	7,457
Provision for long service payments (<i>note (c)</i>)	6,902	6,826
	<u>27,332</u>	<u>18,968</u>
Current portion of long-term liabilities	(4,206)	(3,807)
	<u><u>23,126</u></u>	<u><u>15,161</u></u>

Notes:

- (a) At 31st March 2004, the Group's bank loans, secured and not wholly repayable within five years, were repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans, secured		
Within one year	1,725	448
In the second year	1,783	448
In the third to fifth year	6,257	1,344
After the fifth year	2,262	2,445
	<u>12,027</u>	<u>4,685</u>

Notes to the Accounts (cont'd)

31st March 2004

22 LONG-TERM LIABILITIES (cont'd)

Notes: (cont'd)

(b) At 31st March 2004, the Group's finance lease liabilities were repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Finance lease liabilities minimum lease payments		
Within one year	2,924	3,727
In the second year	3,014	1,866
In the third to fifth year	3,407	2,570
	<u>9,345</u>	<u>8,163</u>
Future finance charges on finance leases	(942)	(706)
	<u>8,403</u>	<u>7,457</u>
Present value of finance lease liabilities		
	<u>8,403</u>	<u>7,457</u>
The present value of finance lease liabilities was repayable as follows:		
Within one year	2,481	3,359
In the second year	2,726	1,647
In the third to fifth year	3,196	2,451
	<u>8,403</u>	<u>7,457</u>

(c) The provision for long service payments represents present value of the obligation under long service payments and respective actuarial gains. The movement during the year is the net-off of current service costs and interest on obligation against long service payments paid during the year. Current service costs and interest on obligation have been recognised during the year and included in other staff costs (*note 9*).

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Present value of the obligation	4,924	6,826
Net unrecognised actuarial gains	1,978	-
	<u>6,902</u>	<u>6,826</u>
Net liabilities		
	<u>6,902</u>	<u>6,826</u>

22 LONG-TERM LIABILITIES (cont'd)*Notes (c): (cont'd)*

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1st April	6,826	6,990
Net expenses recognised in the profit and loss account	466	474
Contributions paid	(390)	(638)
At 31st March	<u>6,902</u>	<u>6,826</u>

The principal actuarial assumption used was as follows:

	Group	
	2004	2003
Average future working lifetime (in years)	<u>13</u>	<u>14</u>

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2004	As restated 2003
	HK\$'000	HK\$'000
Operating profit	65,224	53,950
Unrealised (gains)/losses on trading securities	(272)	1,333
Negative goodwill arising from the repurchase of shares in a subsidiary	–	(82)
Dividend income from trading securities	(25)	(25)
Interest income	(2,483)	(3,171)
Depreciation of fixed assets	31,427	34,180
(Gain)/loss on disposals of fixed assets	(75)	94
Impairment loss on fixed assets	1,494	–
Increase in defined benefit plan's assets	(91)	(788)
Operating profit before working capital changes	<u>95,199</u>	<u>85,491</u>
Decrease in inventories	849	2,344
(Increase)/decrease in accounts receivable, deposits and prepayments	(11,256)	8,281
Increase/(decrease) in provision for long service payments	76	(164)
Decrease/(increase) in pledged bank deposits	2,213	(836)
Increase in accounts payable and accrued charges	13,670	10,713
Net cash inflow generated from operations	<u>100,751</u>	<u>105,829</u>

Notes to the Accounts (cont'd)

31st March 2004

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Dividend payable		Short-term and long-term bank loans		Obligations under finance leases		Share capital including share premium	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April	-	-	29,796	62,076	7,457	8,328	628,999	628,999
Exchange differences	-	-	524	350	632	345	-	-
Net cash (outflow)/inflow from financing	(19,663)	(15,694)	(2,198)	(32,630)	(5,610)	(2,955)	7,146	-
Inception of finance leases	-	-	-	-	5,924	1,739	-	-
Dividends	19,663	15,694	-	-	-	-	-	-
At 31st March	-	-	28,122	29,796	8,403	7,457	636,145	628,999

(c) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$5,924,000 (2003: HK\$1,739,000).

24 BANKING FACILITIES AND PLEDGE OF ASSETS

At 31st March 2004, the Group's banking facilities were secured by the following:

- certain machinery and printing equipment with net book value of HK\$21,697,000 at 31st March 2004 (2003: HK\$20,154,000);
- first legal charges on certain of the Group's freehold and leasehold land and buildings with an aggregate carrying value of HK\$268,726,000 at 31st March 2004 (2003: HK\$275,663,000) and assignment of rental income derived therefrom;
- first legal charges on the Group's publishing titles;
- general security agreements under which all the assets of certain subsidiaries with net book value of HK\$99,941,000 at 31st March 2004 (including HK\$18,613,000 attributable to freehold properties disclosed under note (b) above) (2003: HK\$77,052,000) were pledged to certain banks;
- corporate guarantees issued by the Company.

25 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

The movements in deferred tax liabilities/(assets) are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1st April	28,084	27,769
Deferred taxation credited to profit and loss account (<i>note 5</i>)	(764)	(1,785)
Deferred taxation charged to equity	–	2,100
At 31st March	<u>27,320</u>	<u>28,084</u>

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Property revaluation reserve in shareholders' equity (<i>note 21</i>)	<u>–</u>	<u>2,100</u>

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements (prior to offsetting of the balances within the same taxation jurisdiction) during the year are as follows:

	Accelerated tax	General	Decelerated	Revaluation on		Total
	depreciation	provision on	tax depreciation	Tax losses	other properties	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	32,282	(271)	(385)	(157)	(3,700)	27,769
Charged/(credited) to profit and loss account	(197)	112	31	(708)	(1,023)	(1,785)
Charged to equity	2,100	–	–	–	–	2,100
At 31st March 2003	<u>34,185</u>	<u>(159)</u>	<u>(354)</u>	<u>(865)</u>	<u>(4,723)</u>	<u>28,084</u>
At 1st April 2003	34,185	(159)	(354)	(865)	(4,723)	28,084
Charged/(credited) to profit and loss account	420	16	162	(686)	(676)	(764)
At 31st March 2004	<u>34,605</u>	<u>(143)</u>	<u>(192)</u>	<u>(1,551)</u>	<u>(5,399)</u>	<u>27,320</u>

Notes to the Accounts (cont'd)

31st March 2004

25 DEFERRED TAXATION (cont'd)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK\$231,052,000 (2003: HK\$216,955,000) to carry forward against future taxable income.

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets	(1,044)	(1,164)
Deferred tax liabilities	28,364	29,248
	<u>27,320</u>	<u>28,084</u>

26 COMMITMENT

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	7,806	4,652
Later than one year and not later than five years	13,927	3,615
Later than five years	570	9
	<u>22,303</u>	<u>8,276</u>

At 31st March 2004, the Group has outstanding forward exchange contracts to buy EUR200,000 at various rates totalling approximately HK\$1,890,000 and to buy NZD150,000 at various rates totalling approximately HK\$763,000 (2003: Nil).

27 CONTINGENT LIABILITIES

At 31st March 2004, the Company had contingent liabilities in respect of guarantees issued in favour of certain of its subsidiaries totalling HK\$154,651,000 (2003: HK\$127,015,000) in connection with general banking facilities granted to those subsidiaries. At 31st March 2004, total facilities utilised amounted to HK\$35,994,000 (2003: HK\$37,253,000).

28 SUBSEQUENT EVENT

In April 2004, the Group announced the strategic alliance with Redgate Media Inc. resulting in the acquisition of 60% interest of its subsidiary, Media2U (BVI) Company Limited, which is a media group dedicated to the magazine advertisement business in Mainland China.

29 ULTIMATE HOLDING COMPANY

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

30 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 19th July 2004.

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES

- (a) Particulars of principal subsidiaries at 31st March 2004 that are incorporated in Hong Kong are as follows:

Name of subsidiary	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Indirect subsidiaries:			
Centricon Enterprises Limited	2 ordinary shares of HK\$1 each	100	Property investment
Charming Holidays Limited	1,000,000 ordinary shares of HK\$1 each	100	Provision of travel and travel related services
Charming Holidays (North America) Limited	2 ordinary shares of HK\$1 each	100	Investment holding
Charming Online Travel Limited	800,000 ordinary shares of HK\$1 each	98.89	Provision of travel and travel related services
Cheerlane Development Limited	2 ordinary shares of HK\$1 each	100	Property investment
Holgain Limited	2 ordinary shares of HK\$10 each	100	Property investment
Intelligent Printing Limited	2 ordinary shares of HK\$1 each	100	Investment holding
Intelligent Publications (China) Limited	1,000,000 ordinary shares of HK\$1 each	100	Investment holding
Kin Ming Printing Company Limited	100 ordinary shares of HK\$100 each	100	Provision of printing services
Lisport Company Limited	165,000 ordinary shares of HK\$10 each	100	Magazine publishing
Maribo Brief Limited	2 ordinary shares of HK\$1 each	100	Property investment
Ming Pao Holdings Limited	900 ordinary shares of HK\$1,000 each and 100 non-voting deferred shares of HK\$1,000 each	100	Investment holding

Notes to the Accounts (cont'd)

31st March 2004

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

- (a) Particulars of principal subsidiaries at 31st March 2004 that are incorporated in Hong Kong are as follows: (cont'd)

Name of subsidiary	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Indirect subsidiaries:			
Ming Pao Magazines Limited	10 ordinary shares of HK\$1 each	100	Magazines publishing
Ming Pao Newspapers Limited	2 ordinary shares of HK\$1 each	100	Newspaper publishing
Ming Pao Publications Limited	10 ordinary shares of HK\$1 each	100	Books publishing
Mingpao.com Limited	2 ordinary shares of HK\$1 each	97.78	Internet related businesses
Perfect Gain Development Limited	2 ordinary shares of HK\$1 each	100	Property investment

- (b) Particulars of principal subsidiaries at 31st March 2004 that are incorporated outside Hong Kong are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/registered capital	Effective equity interest %	Principal activities
Direct subsidiary:				
Ming Pao International Investment Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Indirect subsidiaries:				
Delta Tour & Travel Services (Canada), Inc.	Canada	850,000 common shares at no par value for CAD\$530,000	100	Provision of travel and travel related services
Delta Tour & Travel Services, Inc.	The United States of America	461,500 common shares at no par value for US\$300,500	100	Provision of travel and travel related services
Delta Tour & Travel Services (New York), Inc.	The United States of America	20 common shares at no par value for US\$10,000	100	Provision of travel and travel related services
First Collection Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Guangzhou Kin Ming Printing Limited*	Mainland China	HK\$25,000,000	100	Provision of printing services

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

(b) Particulars of principal subsidiaries at 31st March 2004 that are incorporated outside Hong Kong are as follows: (cont'd)

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/registered capital	Effective equity interest %	Principal activities
Indirect subsidiaries:				
Ming Pao Finance Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Publishing titles holding
Ming Pao Holdings (Canada) Limited	Canada	1 common share at no par value for CAD\$1	100	Investment holding
Ming Pao Holdings (USA) Inc.	The United States of America	1 common share of US\$1 each	100	Investment holding
Ming Pao Newspapers (Canada) Limited	Canada	1,001 common shares at no par value for CAD\$11	100	Newspaper publishing
Ming Pao (New York) Inc.	The United States of America	1 common share of US\$1 each	100	Newspaper publishing
Ming Pao (San Francisco) Inc.	The United States of America	1 common share of US\$1 each	100	Newspaper publishing
Mingpao.com Holdings Limited	Cayman Islands	717,735 ordinary shares of HK\$0.1 each	97.78	Investment holding
MP Printing Inc.	The United States of America	1 common share of US\$1 each	100	Provision of printing services
One Media Group Limited	British Virgin Islands	10,000 ordinary shares of US\$0.01 each	100	Investment holding
Starsome Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Top Plus Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Winmax Resources Limited	British Virgin Islands	60,000 ordinary shares of US\$0.01 each	100	Investment holding

Note:

All companies operate in their respective places of incorporation, except for Ming Pao International Investment Limited, Ming Pao Finance Limited, Mingpao.com Holdings Limited, First Collection Limited, Starsome Limited, Top Plus Limited, Winmax Resources Limited and One Media Group Limited, which operate principally in Hong Kong.

* The subsidiary was established in Mainland China in the form of a wholly owned foreign enterprise. The subsidiary has 31st December as its financial accounting year end date, which is not coterminous with that of the Company for the reason of compliance with local regulations.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Five-Year Financial Summary

The results of the Group for the last five financial years are as follows:

	For the year ended 31st March				
	2004	As restated 2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,001,788	1,013,323	1,044,155	1,218,340	1,152,593
Profit/(loss) attributable to shareholders	41,864	33,207	(3,932)	110,955	83,641
Basic earnings/(loss) per share	11 cents	8 cents	(1 cent)	28 cents	21 cents

The assets and liabilities of the Group for the last five financial years are as follows:

	As at 31st March				
	2004	As restated 2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	373,198	356,597	375,026	397,754	424,446
Interests in associated companies	21,669	18,022	12,893	8,246	–
Defined benefit plan's assets	14,377	14,286	13,498	–	–
Deferred tax assets	1,044	1,164	–	–	–
Current assets	412,629	392,228	386,003	565,705	499,376
Current liabilities	(168,631)	(165,360)	(180,511)	(319,499)	(325,937)
Net current assets	243,998	226,868	205,492	246,206	173,439
	654,286	616,937	606,909	652,206	597,885
Minority interests	(1,664)	(1,605)	(8,914)	(11,297)	(103)
Long-term liabilities	(23,126)	(15,161)	(9,973)	(10,493)	(56,265)
Deferred tax liabilities	(28,364)	(29,248)	–	–	–
Net assets	601,132	570,923	588,022	630,416	541,517

The figures for year ended 31st March 2000, 2001 and 2002 are before any adjustments based on SSAP 12 and SSAP 34 (revised).