

FINANCIAL RESULTS

The Group's overall turnover for the year ended 31st March, 2003 decreased by 8% to approximately HK\$59,138,000 over last year, of which approximately HK\$55,539,000 and HK\$3,599,000 (2002: HK\$57,635,000 and HK\$6,703,000) were attributable to our business of comics publication and Chinese information infrastructure respectively.

For the year ended 31st March, 2003, the Group's consolidated net loss attributable to shareholders decreased by approximately 23% to approximately HK\$149,362,000 as compared to that of the last year. The loss per share for the year was HK4.99 cents (2002: HK7.18 cents). The loss for the year was analysed as follows:

- (i) the management has imposed control on the operating costs, the administrative expenses for the year was decreased by approximately HK\$16,496,000 or 17% over the previous year, which was mainly attributable to the decrease in staff costs by approximately 16%;
- (ii) losses of HK\$4,389,000 from write-off of goodwill arising on acquisition of associated companies;
- (iii) provision for shareholder's loan made to associates, GlobalRes Group, amounted to HK\$28,000,000;
- (iv) allowances of approximately HK\$25,975,000 for the other debtors and deposits, of which approximately HK\$14,500,000 represented allowance made for the Group's indirect investment in an internet services provider in the PRC (subject to the relaxation of the foreign investment laws which prohibit the non-PRC entities from directly investing in the telecommunication industry in the PRC, as a prudent measure the investment was fully provided for);
- (v) amortisation of deferred development costs amounted to HK\$18,431,000 and expenditures of approximately HK\$9,356,000 incurred as expenses during the year for the research and development of the information technology projects; and
- (vi) disposal of 51% equity interest in Chinese 2000 Group recorded a gain of approximately HK\$16,328,000 in January 2003.

The Directors believe that the loss for the consecutive financial years will be improved once when the revenue from the Group's technology projects is generated in the coming year.

At 31st March, 2003, the Group's net tangible asset value was HK\$362,222,000 and net tangible asset value per weighted average number of 2,993,968,000 shares of the Company was approximately HK\$0.12 (2002: HK\$0.17).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2003, the Group had bank and cash balances in aggregate of approximately HK\$15,835,000 and short-term listed securities of approximately HK\$50,250,000. The Group has no significant exposure to foreign exchange rate fluctuations.

As at 31st March, 2003, the Group's total liabilities amounted to HK\$21,184,000 and represented approximately 6% (2002: 5%) to the shareholders' equity. There was no outstanding bank loan as at 31st March, 2003.

On 6th June, 2003, the Company entered into a placing and underwriting agreement with a placing agent in connection with the private placing of 430,000,000 warrants conferring rights to subscribe up to HK\$70,950,000 in aggregate in cash for shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.165 per share during the two years period from 8th July, 2003 to 7th July, 2005, both days inclusive. The placing of warrants was completed on 4th July, 2003. The net proceeds of the placing of approximately HK\$24,400,000 will be used for the general working capital of the Group.

The Directors believe that the Group currently has sufficient liquidity to finance its daily operation, and the net proceeds of the placing of warrants in July 2003 would further strengthen the financial position of the Group.

DEVELOPMENT COSTS OF I.T. PROJECTS

As at 31st March, 2003, accumulated costs incurred for the development of Chinese language computer operating system, Chinese single chip system, Chinese electronic books and other related application software less accumulated amortisation amounted approximately to HK\$55,506,000 (2002: HK\$81,375,000). These development costs are deferred and written off over its estimated useful life range from two to five years from the date of commencement of commercial operations. For the year ended 31st March, 2003, the amortisation of development costs amounted to HK\$18,431,000 (2002: HK\$26,525,000). In addition, research and development expenditures incurred directly as expenses during the year amounted to HK\$9,356,000 (2002: HK\$10,589,000).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March, 2003, the Group had a total of 176 employees of which 119 are based in Hong Kong, 45 based in Macau and 12 based in the PRC. Total staff costs incurred during the year amounted to approximately HK\$44,663,000 (2002 : HK\$53,344,000). Remuneration packages are maintained at competitive level and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.