

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March 2003, except as described below.

In the current period, the Group has adopted, for the first time, the revised SSAP 12 "Income Taxes" ("SSAP 12 (Revised)") issued by HKSA. The principal effect to the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Income statement for the period ended 30th September

	Publishing and related business	Chinese information infrastructure	Investment holding	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2003				
Turnover	<u>18,596</u>	<u>1,242</u>	<u>–</u>	<u>19,838</u>
Segment results	<u>1,801</u>	<u>(13,510)</u>	<u>10,376</u>	(1,333)
Unallocated corporate expenses				<u>(15,238)</u>
Loss from operations				(16,571)
Finance costs				(5)
Share of result of associates				(5,735)
Share of result of a jointly controlled entity				(805)
Loss on deemed disposal of associates				<u>(1,333)</u>
Loss before tax				(24,449)
Taxation				<u>(1)</u>
Net loss before minority interests				<u>(24,450)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

	Publishing and related business	Chinese information infrastructure	Investment holding	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2002				
Turnover	<u>29,632</u>	<u>1,885</u>	<u>–</u>	<u>31,517</u>
Segment results	<u>2,820</u>	<u>(30,683)</u>	<u>(8,649)</u>	(36,512)
Unallocated corporate expenses				<u>(16,492)</u>
Loss from operations				(53,004)
Finance costs				(5)
Share of result of associates				(3,948)
Share of result of a jointly controlled entity				<u>(1,077)</u>
Loss before tax				(58,034)
Taxation				<u>143</u>
Net loss before minority interests				<u>(57,891)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's turnover and loss to operations by location of markets, irrespective of the origin of the goods/services:

	Turnover		Loss from operation	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	19,687	30,661	(10,925)	(49,633)
PRC	151	856	(5,646)	(3,371)
	<u>19,838</u>	<u>31,517</u>	<u>(16,571)</u>	<u>(53,004)</u>

4. LOSS FROM OPERATIONS

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	4,711	4,639
Amortisation of development costs	9,105	8,910
Bank interest income	<u>(202)</u>	<u>(546)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. The taxation credit represents the overprovision of Hong Kong Profits Tax in previous years.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$24,450,000 (2002: HK\$56,989,000) and the weighted average number of 3,027,233,959 (2002: 2,972,809,259) ordinary shares in issue during the period.

The computation of diluted loss per share for the periods ended 30th September, 2003 and 2002 does not assume the exercise of the Company's outstanding share options and warrants since their exercise would reduce net loss per share.

Dilutive loss per share for the period is not shown as exercise of outstanding share options granted and warrants issued by the Company would have an anti-dilutive effect on the loss per share for the period.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired equipment amounting to approximately HK\$2,173,000 (2002: HK\$4,049,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. DEVELOPMENT COSTS

	30th September, 2003 HK\$'000	31st March, 2003 HK\$'000
COST		
Balance at the beginning of the period/year	86,288	107,900
Additions	6,144	14,920
Disposal of subsidiaries	–	(36,532)
Balance at the end of the period/year	92,432	86,288
AMORTISATION AND ACCUMULATED IMPAIRMENT LOSS		
Balance at the beginning of the period/year	30,782	26,525
Amortised for the period/year	9,105	18,431
Eliminated on disposal of subsidiaries	–	(14,174)
Balance at the end of the period/year	39,887	30,782
NET BOOK VALUE	52,545	55,506

Development costs represent expenditure incurred for the development of the Chinese information infrastructure. Such development costs are deferred and amortised over its estimated useful life range from two to five years from the date of commencement of commercial operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TRADE DEBTORS

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade debtors at the balance sheet date:

	30th September, 2003	31st March, 2003
	HK\$'000	HK\$'000
0 – 60 days	4,808	6,422
61 – 90 days	1,624	916
Over 90 days	5,117	5,156
	<u>11,549</u>	<u>12,494</u>

11. TRADE CREDITORS

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

	30th September, 2003	31st March, 2003
	HK\$'000	HK\$'000
0 – 60 days	4,774	3,253
61 – 90 days	195	240
Over 90 days	813	2,554
	<u>5,782</u>	<u>6,047</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments 2003	Present value of minimum lease payments 2003
	HK\$'000	HK\$'000
Amounts payable under a finance leases:		
Within one year	43	34
In the second to fifth years inclusive	<u>89</u>	<u>67</u>
	132	101
Less : future finance charges	<u>(31)</u>	<u>–</u>
Present value of lease obligation	<u><u>101</u></u>	101
Less : amount due from settlement within one year shown under current liabilities		<u>(34)</u>
Amount due after one year		<u><u>67</u></u>

The lease term in respect of the furniture and equipment under the finance lease is 5 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. SHARE CAPITAL

	Number of shares		Share capital	
	30th September, 2003	31st March, 2003	30th September, 2003	31st March, 2003
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each, Issued and fully paid:				
At the beginning of the period	3,014,000	2,787,560	301,400	278,756
Exercise of warrants	48,000	226,440	4,800	22,644
At the end of the period	3,062,000	3,014,000	306,200	301,400

14. WARRANTS

On 6th June, 2003, the Company entered into a placing and underwriting agreement with a placing agent in relation to the private placing of 430,000,000 warrants ("2005 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 period from 8th July, 2003 to 7th July, 2005, both days inclusive. The placing of 2005 Warrants was completed on 4th July, 2003.

The net proceeds of the placing of approximately HK\$23,818,000 was intended to be used for general working capital of the Group.

On 30th September, 2003, the Company had 382,000,000 outstanding 2005 Warrants conferring rights to subscribe up to HK\$63,030,000 in cash for shares of HK\$0.10 each in the Company. Exercise in full of those outstanding warrants would, under the present share capital structure of the Company as of 30th September, 2003, result in the issue of 382,000,000 additional shares of HK\$0.10 each in the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RESERVES

	Share premium	Contribution surplus	Goodwill reserve	Other reserve	Capital redemption reserve	Translation reserve	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2002	572,828	171,671	(62,948)	20,287	446	(325)	(530,205)	171,754
Transfer from other reserve to share premium due to exercise of warrants	18,690	-	-	(18,690)	-	-	-	-
Exercise of warrants	38,495	-	-	-	-	-	-	38,495
Exchange loss on translation of overseas operations not recognised in the income statement	-	-	-	-	-	18	-	18
Gain on expiry of warrants	-	-	-	(97)	-	-	-	(97)
Net loss for the year	-	-	-	-	-	-	(149,362)	(149,362)
At 31st March, 2003	630,013	171,671	(62,948)	1,500	446	(307)	(679,567)	60,808
Net proceeds from issue of warrants, net of expenses	-	-	-	23,818	-	-	-	23,818
Exercise of warrants	3,120	-	-	-	-	-	-	3,120
Transfer from other reserve to share premium due to exercise of warrants	2,837	-	-	(2,837)	-	-	-	-
Exchange loss on translation of overseas operations	-	-	-	-	-	(39)	-	(39)
Net loss for the period	-	-	-	-	-	-	(24,450)	(24,450)
At 30th September, 2003	635,970	171,671	(62,948)	22,481	446	(346)	(704,017)	63,257

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CONTINGENT LIABILITIES

At 30th September, 2003, the Company was cited as defendant in a court case in respect of claims amounting to approximately HK\$11,967,000 (2002: HK\$11,967,000) in relation to a guarantee given to the plaintiff. Based on the advice of its legal adviser, the directors are of the view that the Company has solid grounds to defence and will not be liable for the claims. Accordingly, no provision for this amount has been provided in the financial statements.

17. CAPITAL COMMITMENTS

At the balance sheet date, the Company has no significant capital commitments.