NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and buildings. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003, except that the Group has adopted SSAP 12 (Revised) "Income taxes" in the current period.

Income taxes

The principal effect of the adoption of SSAP 12 (Revised) "Income taxes" is in relation to deferred tax. In prior periods, partial provision was made for deferred tax using the income statement liability method in which a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. This change in accounting policy has resulted in an increase of retained profits of HK$20,942,000 and a decrease of properties revaluation reserve of HK$23,236,000 at 31 March 2003 (at 31.3. 2002: an increase of retained profits of HK$17,580,000 and a decrease of properties revaluation reserve of HK$21,453,000) and an increase of profit for the six months ended 30 September 2003 of HK$1,469,000 (six months ended 30.9.2002: a decrease of profit of HK$1,775,000).

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

4. TAXATION

	Six months ended	
	30.9.2003	30.9.2002
	HK$'000	HK$'000
The Company and subsidiaries:		
Hong Kong Profits Tax	**42,041**	37,922
Deferred tax		
Current period	**(1,341)**	1,775
Effect of change in tax rate	**(126)**	–
	(1,467)	1,775
	40,574	39,697

Hong Kong Profits Tax has been provided for at the rate of 17.5% (six months ended 30.9.2002: 16%) on the estimated assessable profits.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

5. DIVIDENDS

A final dividend of HK7 cents (2002: HK7 cents) per share and a special dividend of HK2 cents (2002: Nil) per share for the year ended 31 March 2003 were paid to the shareholders during the period.

The Directors have determined that an interim dividend of HK 3 cents (six months ended 30.9.2002: HK3 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 8 January 2004.

6. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period of HK$205,572,000 (six months ended 30.9.2002: HK$202,368,000 as restated) and on 2,397,917,898 (six months ended 30.9.2002: 2,397,917,898) shares in issue during the period.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired plant and equipment of approximately HK$5,441,000 and spent approximately HK$185,256,000 on construction of its new factory.

8. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables:

	30.9.2003	31.3.2003
	HK$'000	HK$'000
0 – 60 days	**175,697**	120,020
61 – 90 days	**58,580**	54,137
> 90 days	**51,029**	65,584
	285,306	239,741

9. TRADE PAYABLES

The following is an aged analysis of trade payables:

	30.9.2003	31.3.2003
	HK$'000	HK$'000
0 – 60 days	**25,402**	41,937
61 – 90 days	**1,643**	3,329
> 90 days	**7,340**	10,505
	34,385	55,771

10. SHARE CAPITAL

	Number of shares 31.3.2003 and 30.9.2003	**Share capital 31.3.2003 and 30.9.2003**
		HK$'000
Ordinary shares of HK$0.25 each		
Authorised:		
At beginning and end of the period/year	5,000,000,000	1,250,000
Issued and fully paid:		
At beginning and end of the period/year	2,397,917,898	599,479

11. OPERATING LEASE COMMITMENTS

As lessee

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

	30.9.2003	31.3.2003
	HK$'000	HK$'000
Within one year	**7,494**	7,894
In the second to fifth year inclusive	**1,068**	4,344
	8,562	12,238

As lessor

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

	30.9.2003	31.3.2003
	HK$'000	HK$'000
Within one year	**807**	1,969

12. **RELATED PARTY TRANSACTIONS**

During the period, the Group paid legal fees amounting to approximately HK$268,000 (six months ended 30.9.2002: HK$777,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, an independent non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li. The transaction prices were considered by the Directors as estimated market value.

13. **OUTSTANDING LITIGATIONS**

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

14. **CAPITAL COMMITMENT**

	30.9.2003	31.3.2003
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	**174,016**	320,520

RESULTS

The unaudited profits of the Group for the six months ended 30 September 2003 ("Interim Results") amounted to HK$205,572,000, representing an increase of approximately 2% over HK$202,368,000 (as restated) for the same period of 2002.

INTERIM DIVIDEND

The Board declared an interim dividend of HK 3 cents per share (six months ended 30.9.2002: HK 3 cents), payable to the shareholders whose names appeared in the Register of Members of the Company on 8 January 2004. The interim dividend will be payable on 12 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 January 2004 to 8 January 2004, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend proposed, all transfers accompanied by the relevant certificates must be lodged with the Company's Share Registrar, Friendly Registrars Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration no later than 4:00 pm on 2 January 2004.

BUSINESS REVIEW

Generally, the Group has achieved promising results during the first half of the year. While many businesses suffered severely during the outbreak of the Severe Acute Respiratory Syndrome (SARS) in Hong Kong from April to June of this year, the Group still recorded better results as compared with the same period last year, which is very encouraging. Dampened by the historic weak spending desire during the outbreak of SARS, most advertisers immediately terminated promotion plans for their commodities. The Group's advertising income was thus significantly affected. In response to this difficult situation, the Group timely introduced preferential advertising packages and, on the other hand, consolidated certain teams and departments in order to achieve the effect of the policy of exploring new sources of income and retrenchment. As soon as SARS was under control in July of this year, the Group immediately diversified its income sources by introducing various new advertising and sales proposals. Advertising income was greatly enhanced, not only making up for the losses sustained during the SARS period, but also recording an increase in advertising income for August and September of 10% and 20% respectively as compared with the figures for the corresponding periods of the previous year. According to an analyst report prepared by a securities company on advertising expenditure during September in the local media market, before preferential discounts, the overall advertising expenditure has recorded a year-to-year growth of 15%. However, the respective advertising income of "Oriental Daily News" and "The Sun" has outnumbered such figure by recording a 27% and 18% growth, while "Apple Daily" and "Next Magazine" only reported an increase of 4% and 1% respectively, signifying that the Group's two newspapers enjoy a much stronger penetrating power over our competitors. In view of the growth in advertising volume of "Oriental Daily News" and "The Sun" at the present pace, we are confident that these two newspapers will be leading even more far ahead of competitors after the coming Christmas Holidays.