

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005*

### **1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties. The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following the adoption of the Hong Kong Financial Reporting Standards and HKASs (collectively termed as "HKFRSs") issued by HKICPA which are effective for accounting periods commencing on or after 1 January 2005.

From 1 April 2005, the Group has adopted the new/revised standards and interpretations of HKFRSs, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1:	Presentation of Financial Statements
HKAS 2:	Inventories
HKAS 7:	Cash Flow Statements
HKAS 8:	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10:	Events after the Balance Sheet Date
HKAS 12:	Income Taxes
HKAS 16:	Property, Plant and Equipment
HKAS 17:	Leases
HKAS 18:	Revenue
HKAS 19:	Employee Benefits
HKAS 21:	The Effects of Changes in Foreign Exchange Rates
HKAS 24:	Related Party Disclosures
HKAS 32:	Financial Instruments: Disclosure and Presentation
HKAS 33:	Earnings Per Share
HKAS 36:	Impairment of Assets
HKAS 37:	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39:	Financial Instruments: Recognition and Measurement
HKAS 40:	Investment Property
HK-Int 2:	The Appropriate Policies for Hotel Properties
HK(SIC)-Int 21:	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HK(SIC)-Int 31:	Revenue – Barter Transactions Involving Advertising Services
HKFRS 3:	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the presentation of certain comparative amounts have been amended in accordance with HKAS 8. Due to the change in accounting policies, certain comparatives contained in these condensed financial statements differ from those published in the financial statements for the year ended 31 March 2005 and the condensed financial statements for the six months ended 30 September 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described as follows:

#### HKAS 1 “Presentation of Financial Statements”

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company is now presented as an allocation of the net result of the year.

#### HKAS 17 “Leases”

The adoption of HKAS 17 has resulted in a change in accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are charged to the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment loss is expensed to the income statement. In prior years, leasehold land and buildings are not separated and are classified under property, plant and equipment and carried at valuation less accumulated depreciation and accumulated impairment losses.

The adoption of these other standards did not result in any significant changes to the amounts or disclosures in these financial statements.

The effect of adopting HKAS 17# is summarised below:

On consolidated income statement

	<b>Six months ended</b>	
	<b>30.9.2005</b>	<b>30.9.2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Decrease in depreciation	<b>2,351</b>	866
Increase in other operating expenses	<b>(467)</b>	(467)
	<b><u>1,884</u></b>	<u>399</u>
Total increase in profit attributable to shareholders		
	<b><u>HK0.10 cent</u></b>	<u>HK0.02 cent</u>

On consolidated balance sheet

	1.4.2004	30.9.2004	1.4.2005	<b>30.9.2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>
Increase/(decrease) in equity/liabilities				
Revaluation reserves	(75,151)	(75,151)	(156,162)	<b>(156,162)</b>
Retained earnings	18,043	18,442	19,539	<b>21,423</b>
Deferred tax liabilities			(33,124)	<b>(33,124)</b>
Increase/(decrease) in assets				
Property, plant and equipment			(248,300)	<b>(206,649)</b>
Leasehold land			78,553	<b>38,786</b>

# adjustments which take effect retrospectively

### 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

### 4. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2005</b>	<b>30.9.2004</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax:		
Hong Kong Profits Tax		
Current period	<b>40,591</b>	45,812
Deferred tax	<b>(1,961)</b>	1,540
	<b>38,630</b>	<b>47,352</b>

Hong Kong Profits Tax has been provided for at the rate of 17.5% (six months ended 30.9.2004: 17.5%) 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

The Directors declared an interim dividend of HK2.5 cents (six months ended 30.9.2004: HK3.5 cents) per share, payable to the shareholders of the Company whose names appear in the Register of Members on 8 December 2005.

### 6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to shareholders for the period of approximately HK\$181,446,000 (six months ended 30.9.2004: HK\$210,412,000) and on 2,397,917,898 (six months ended 30.9.2004: 2,397,917,898) shares in issue during the period.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue for both periods.

### 7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired plant and equipment of approximately HK\$16,791,000. In addition, the Group disposed of certain buildings together with leasehold land at HK\$180,000,000. The book value of those buildings disposed of amounted to HK\$125,700,000 as at 31 March 2005.

### 8. INVESTMENT PROPERTY

During the period, the Group acquired an investment property located in Australia at a consideration of approximately HK\$45,294,000.

## 9. LEASEHOLD LAND

	<i>HK\$'000</i>
Net book value at 1 April 2005	
– as previously stated	–
– effect of adopting HKAS17	78,553
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– restated	78,553
Disposals	(39,300)
Charge of prepaid operating lease payment	(467)
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Net book value at 30 September 2005 (unaudited)	<u><u>38,786</u></u>

## 10. 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:

	<b>30.9.2005</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31.3.2005 (Audited) <i>HK\$'000</i>
0 – 60 days	<b>156,140</b>	132,283
61 – 90 days	<b>70,937</b>	71,142
Over 90 days	<b>104,525</b>	96,271
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	<b><u><u>331,602</u></u></b>	<b><u><u>299,696</u></u></b>

## 11. TRADE PAYABLES

The following is an aged analysis of trade payables:

	<b>30.9.2005</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31.3.2005 (Audited) <i>HK\$'000</i>
0 – 60 days	<b>47,495</b>	62,048
61 – 90 days	<b>1,573</b>	2,377
Over 90 days	<b>19,060</b>	11,659
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	<b><u><u>68,128</u></u></b>	<b><u><u>76,084</u></u></b>

## 12. BORROWINGS

	<b>30.9.2005</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2005 (Audited) HK\$'000
Bank loans, secured and repayable:		
Within one year	<b>77,329</b>	–
In the second year	<u>–</u>	<u>79,037</u>
	<b>77,329</b>	79,037
Long term other loan	<u><b>6,378</b></u>	<u>6,519</u>
Total borrowings	<b>83,707</b>	85,556
Less: Portion classified as current liabilities	<u><b>(77,329)</b></u>	<u>–</u>
Long term portion	<u><b>6,378</b></u>	<u>85,556</u>

At 30 September 2005, the bank loan is secured by a pledge of a bank deposit of the Group amounting to HK\$100,143,000 (31.3.2005: HK\$98,798,000).

Other loan, which is advanced by a minority shareholder of a subsidiary of the Company, is unsecured, bears interest at 4% per annum and does not demand for repayment within one year.

## 13. SHARE CAPITAL

	<b>30.09.2005</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.3.2005 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.25 each	<u><b>1,250,000</b></u>	<u>1,250,000</u>
Issued and fully paid:		
2,397,917,898 ordinary shares of HK\$0.25 each	<u><b>599,479</b></u>	<u>599,479</u>

#### 14. OPERATING LEASE COMMITMENTS

##### As lessee

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

	<b>30.9.2005</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31.3.2005 (Audited) <i>HK\$'000</i>
Within one year	<u>314</u>	<u>871</u>

##### As lessor

At the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment property as follows:

	<b>30.9.2005</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31.3.2005 (Audited) <i>HK\$'000</i>
Within one year	1,375	–
In the second to fifth year inclusive	<u>141</u>	<u>–</u>
	<u><b>1,516</b></u>	<u>–</u>

#### 15. RELATED PARTY TRANSACTIONS

During the period, the Group paid legal fees amounting to approximately HK\$1,763,000 (six months ended 30.9.2004: HK\$803,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, a 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.

#### 16. 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 those claims referred to the afore-mentioned 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.

#### 17. CAPITAL COMMITMENT

	<b>30.9.2005</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31.3.2005 (Audited) <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	<u>5,685</u>	<u>2,029</u>