

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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 on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties set out in note 7. The accounting policies adopted are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 March 2006.

The following new standards, amendments to standards and interpretations issued by HKICPA are applicable for the year ending 31 March 2007.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures ¹
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation ¹
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ¹
HKAS 39 (Amendment)	The Fair Value Option ¹
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ¹
HKFRS 6	Exploration for and Evaluation of Mineral Resources ¹
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease ¹
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ¹
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ²
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³

Note:

- 1 Effective for annual periods beginning on or after 1 January 2006
- 2 Effective for annual periods beginning on or after 1 December 2005
- 3 Effective for annual periods beginning on or after 1 March 2006

The above mentioned new standards, amendments to standards and interpretations have no material impact on the Group’s operations.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments – Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴

Note:

- 1 Effective for annual periods beginning on or after 1 January 2007
- 2 Effective for annual periods beginning on or after 1 May 2006
- 3 Effective for annual periods beginning on or after 1 June 2006
- 4 Effective for annual periods beginning on or after 1 November 2006

3. SEGMENT INFORMATION

The Group is primarily engaged in the publication of newspapers. Over 90% of the Group's principal activities during the period are carried out in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

4. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided for at the rate of 17.5% (six months ended 30 September 2005: 17.5 %) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30.9.2006	30.9.2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax for the period	4,547	40,591
Overseas Tax for the period	276	–
Deferred tax	<u>(6,079)</u>	<u>(1,961)</u>
	<u>(1,256)</u>	<u>38,630</u>

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. DIVIDEND

The Directors have resolved not to pay interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: HK2.5 cents per share).

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to the equity holders for the period of approximately HK\$3,819,000 (six months ended 30 September 2005: HK\$181,446,000) and on 2,397,917,898 (six months ended 30 September 2005: 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 period.

7. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired plant and equipment of approximately HK\$14,217,000. No significant disposal of property, plant and equipment was made during the period.

At 30 September 2006, the carrying amounts of the Group's buildings and investment properties were stated at fair value, which was determined with reference to the revaluation of these buildings and investment properties made by the independent professional valuers at that date.

8. TRADE RECEIVABLES

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

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

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
0 – 60 days	149,967	138,798
61 – 90 days	53,964	57,743
Over 90 days	74,339	82,902
	<u>278,270</u>	<u>279,443</u>

9. TRADE PAYABLES

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

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
0 – 60 days	88,751	67,769
61 – 90 days	2,175	7,227
Over 90 days	26,326	15,313
	<u>117,252</u>	<u>90,309</u>

10. BORROWINGS

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
Current:		
Bank loan	76,081	72,796
Other loan	6,115	5,823
	<u>82,196</u>	<u>78,619</u>

At 30 September 2006, the bank loan denominated in Australian dollar was secured by a pledged bank deposit of the Group amounting to HK\$104,962,000 (31 March 2006: HK\$102,286,000) and bore interests at variable rate of Australian dollar's LIBOR plus 0.3% (six months ended 30 September 2005: Australian dollar's LIBOR plus 0.3%). Other loan denominated in Australian dollar, which was made by a minority shareholder of a subsidiary of the Company, was unsecured, interest bearing at 4% per annum and repayable on demand.

At the balance sheet date, the Group's bank and other loans were repayable as follows:

	Bank loan		Other loan	
	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
Within one year	<u>76,081</u>	<u>72,796</u>	<u>6,115</u>	<u>5,823</u>

The carrying amounts of borrowings approximate their fair value.

11. SHARE CAPITAL

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.25 each	<u>1,250,000</u>	<u>1,250,000</u>
Issued and fully paid:		
2,397,917,898 ordinary shares of HK\$0.25 each	<u>599,479</u>	<u>599,479</u>

12. OPERATING LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
Within one year	1,384	1,443
In the second to fifth years	<u>365</u>	<u>803</u>
	<u>1,749</u>	<u>2,246</u>

The Group leases a number of premises under operating leases. The leases run for an initial period of one to two years, with an option to renew the lease terms and negotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

13. FUTURE OPERATING LEASE ARRANGEMENTS

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

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
Within one year	5,194	3,205
In the second to fifth years	<u>3,667</u>	<u>1,336</u>
	<u>8,861</u>	<u>4,541</u>

The Group leases its investment properties under operating lease arrangements which run for an initial period of two to three years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.



14. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group paid legal fees amounting to HK\$415,000 (six months ended 30 September 2005: HK\$1,763,000) to Messrs. Lu, Lai & Li. Mr. Dominic LAI, a non-executive director of the Company, is a senior partner of Messrs. Lu, Lai & Li. The transaction prices were considered by the Directors as estimated market value.
- (b) Interest paid to minority shareholder amounting to HK\$122,000 (six months ended 30 September 2005: HK\$187,000).

15. CAPITAL COMMITMENTS

	30.9.2006 (Unaudited) HK\$'000	31.3.2006 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	<u> -</u>	<u> 2,604</u>

16. OUTSTANDING LITIGATIONS

At the balance sheet date, there have been several outstanding defamatory and other litigations brought against the Group. The Group has been strongly contesting those claims. Even though the final outcome of the proceedings is still uncertain as of the date of these interim financial statements, the Directors are of the opinion that the respective ultimate liability, if any, will not have a material adverse impact upon the Group's financial position.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board of Directors on 20 October 2006.