

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited 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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost basis, except for investment properties and financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006 except as described in note 3 below.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, a number of Standards, Amendments and Interpretations (new "HKFRS"s) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new Standards, Amendment and Interpretations ("INT"s) that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standard, Amendment or INTs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial Instruments: disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁴

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Income statement for the period ended 30 September

2006

Turnover

	Chinese information				
	Publishing HK\$'000	infrastructure HK\$'000	Investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	23,733	209	2,490	–	26,432
Inter-segment sales	–	–	1,379	(1,379)	–
Total turnover	<u>23,733</u>	<u>209</u>	<u>3,869</u>	<u>(1,379)</u>	<u>26,432</u>
Segment results	<u>1,744</u>	<u>(7,186)</u>	<u>(2,983)</u>		(8,425)
Unallocated corporate expenses					(19,844)
Finance cost					(73)
Share of result of associates					(672)
Gain on disposal of subsidiaries					1,726
Gain on disposal of associates					<u>1,376</u>
Loss before taxation					<u>(25,912)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

2005

Turnover

	Publishing HK\$'000	Chinese information infrastructure HK\$'000	Investment HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	25,248	210	–	–	25,458
Inter-segment sales	–	2	–	(2)	–
Total turnover	<u>25,248</u>	<u>212</u>	<u>–</u>	<u>(2)</u>	<u>25,458</u>
Segment results	<u>3,438</u>	<u>(23,281)</u>	<u>(9,982)</u>		(29,825)
Unallocated corporate expenses					(15,670)
Finance cost					(1,525)
Allowance for loans to an associate					(5,400)
Share of result of associates					(3,195)
Share of result of a jointly controlled entity					(315)
Impairment loss recognised in respect of goodwill reserve					(2,490)
Gain on expiry of warrants					<u>129</u>
Loss before taxation					<u>(58,291)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. 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 by location of markets, irrespective of the origin of the goods/services:

2006

Turnover

	Hong Kong HK\$'000	PRC HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	26,432	–		26,432
Inter-segment sales	1,379	–	(1,379)	–
Total turnover	<u>27,811</u>	<u>–</u>	<u>(1,379)</u>	<u>26,432</u>
Segment results	<u>(27,158)</u>	<u>(1,111)</u>	<u>–</u>	<u>(28,269)</u>
Finance cost				(73)
Share of result of associates				(672)
Gain on disposal of subsidiaries				1,726
Gain on disposal of associates				<u>1,376</u>
Loss before taxation				<u>(25,912)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments (continued)

2005

Turnover

	Hong Kong HK\$'000	PRC HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	25,337	121	–	25,458
Inter-segment sales	2	–	(2)	–
Total turnover	<u>25,339</u>	<u>121</u>	<u>(2)</u>	<u>25,458</u>
Segment results	<u>(44,288)</u>	<u>(1,207)</u>		(45,495)
Finance cost				(1,525)
Allowance for loans to an associate				(5,400)
Share of result of associates				(3,195)
Share of result of a jointly controlled entity				(315)
Impairment loss recognised in respect of goodwill reserve				(2,490)
Gain on expiry of warrants				<u>129</u>
Loss before taxation				<u>(58,291)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

5. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Staff costs	8,963	13,795
Recognition of equity-settled share-based payments	11,749	–
Depreciation and amortisation of property, plant and equipment	2,718	2,853
Bank interest income	(243)	(166)
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Interest on secured borrowing	–	1,519
Interest on finance lease	7	6
Interest on convertible bonds	66	–
	<u> </u>	<u> </u>
	<u>73</u>	<u>1,525</u>

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no estimated assessable profit for the period. The Group also had no assessable profits in other jurisdiction for the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$25,912,000 (2005: HK\$58,291,000) and the weighted average number of 3,809,935,926 (2005: 3,734,669,763) ordinary shares in issue during the period.

No diluted loss per share has been presented for both periods because the exercise of the Company's outstanding share options, warrants and convertible bonds would reduce loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired equipment amounting to approximately HK\$59,000 (2005 : HK\$784,000).

At 30 September 2006, the directors considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts does not differ significantly from that which would be determined fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

The Group's investment properties were fair-valued by the director at 30 September 2006. There were no change in fair value on the investment property as at 30 September 2006.

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:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
0 – 60 days	4,499	4,976
61 – 90 days	3,524	228
Over 90 days	1,352	1,364
	<u>9,375</u>	<u>6,568</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

11. TRADE CREDITORS

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

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
0 – 60 days	3,280	4,229
61 – 90 days	4,472	1,233
Over 90 days	832	1,901
	<u>8,584</u>	<u>7,363</u>

12. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Amounts payable under finance leases :		
Within one year	36	32
In the second to fifth years inclusive	99	87
	<u>135</u>	<u>119</u>
Less: future finance charges	(16)	–
Present value of lease obligation	<u>119</u>	119
Less: amount due for settlement within one year shown under current liabilities		<u>(32)</u>
Amount due for settlement after one year shown under non-current liabilities		<u>87</u>

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

13. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2006 '000	31 March 2006 '000	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning of the period	6,000,000	6,000,000	600,000	600,000
Increase on 24 August 2006	4,000,000	–	400,000	–
At the end of the period	<u>10,000,000</u>	<u>6,000,000</u>	<u>1,000,000</u>	<u>600,000</u>
Issued and fully paid :				
At the beginning of the period	3,733,980	3,461,600	373,398	346,160
Exercise of share options	–	25,000	–	2,500
Exercise of warrants	–	247,380	–	24,738
Exercise of convertible bonds	290,000	–	29,000	–
At the end of the period	<u>4,023,980</u>	<u>3,733,980</u>	<u>402,398</u>	<u>373,398</u>

14. WARRANTS

On 18 August 2005, the Company entered into a conditional placing agreement with a placing agent in relation to the private placing of 660,000,000 warrants conferring rights to subscribe up to approximately HK\$113,520,000 in cash for shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.172 per share during the period from 3 October 2005 to 2 October 2007, both days inclusive. The placing of Warrants was completed on 28 September 2005.

The net proceeds of the placing of approximately HK\$24,145,000 were used for general working capital of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

15. CONVERTIBLE BONDS

On 19 June 2006, the Company and the placing agent entered into a conditional placing agreement, pursuant to which the placing agent agreed to place up to an aggregate principal amount of HK\$36 million convertible bonds ("Tranche 1 Convertible Bonds") to be issued by the Company. The Company may at its option, by written notice to the respective holders of the Tranche 1 Convertible Bonds to subscribe for another convertible bonds ("Tranche 2 Convertible Bonds") up to an aggregate principal amount of HK\$36 million to be issued by the Company. The net proceeds of issue of the Tranche 1 Convertible Bonds and Tranche 2 Convertible bonds (collectively "Convertible Bonds") is HK\$0.1 per new ordinary share of HK\$0.1 each in the share capital of the Company. The net proceeds of the issue of the Tranche 1 Convertible Bonds were approximately HK\$34.9 million will be used as general working capital of the Group.

The fair values of the liability component and the equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of equity conversion component, included in shareholders' equity in other reserve.

The carrying value of the liability component of the Convertible Bonds at 30 September 2006, which approximately its fair value, is calculated using cash flows discounted at an effective borrowing rate of 8.49% per annum.

As at 30 September 2006, 6 registered holders of HK\$29,000,000 have converted their Convertible Bonds into ordinary shares of the Company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with certain related parties:

	Rental income received from related companies		Other income received from related companies		Other expenses paid to related companies		Amounts due from related companies		Amounts due to related companies	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Associates	163	378	30	78	192	436	50,202	77,889	883	–
Subsidiaries of a shareholder	56	126	19	26	–	14	–	7,377	–	788
Jointly controlled entity	–	–	–	–	–	–	–	1,722	–	–

17. CAPITAL COMMITMENTS

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

18. LITIGATION

In May 2003, Winway H.K. Investments Limited (“Winway”), a wholly owned subsidiary of the Company, has placed 300,000,000 shares (the “Q9 shares”) of Q9 Technology Holdings Limited (“Q9 Technology”) with TKR Finance Limited (“TKR Finance”) for safe custody and to facilitate management of Q9 Shares. In June 2004, Winway was informed by Q9 Technology that it had received a copy of the disclosure of interests form filed pursuant to the Securities and Futures Ordinance by the provisional liquidator of TKR Finance claiming security interest in the Q9 Shares. Winway had sought legal advice and had notified the provisional liquidator of TKR Finance about its title to the Q9 Shares and demanded the return of the shares from TKR Finance. In November 2006, Q9 shares were returned from the provisional liquidator to Winway.