

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period ended 30 September 2006, the Group's overall turnover was slightly increased approximately by 4% to approximately HK\$26,432,000 over last period, of which approximately HK\$23,733,000, HK\$209,000 and HK\$2,490,000 (2005: HK\$25,248,000, HK\$210,000 and HK\$: nil) were attributable to our business of comics publication, Chinese information infrastructure and rental income from investment properties respectively. Decrease in turnover of comics publication was mainly resulted from a drop of approximately HK\$1,835,000 in our Japanese comics business for the period.

The Group's consolidated net loss attributable to shareholders decreased approximately by 56% to approximately HK\$25,912,000 as compared to that of the last period. The loss per share for the period was HK0.68 cents (2005: HK1.56 cents). The significant improvement was mainly resulted from the adjustments made to the development plans of our IT core technologies and the related assets investments. As a result, no further research and development expenditure was incurred for the technology projects and certain non-core investments in subsidiaries and associates were disposed during the period. In addition, the effective cost controls implemented by the management resulted in the decrease in total staff costs for the period by approximately 35%. However, due to the adoption of the new HKFRSs "Share-based Payment", the Group recognised the expenses of approximately HK\$11,749,000 in relation to share options granted to employees and consultants of the Group during the period (2005: nil).

At 30 September 2006, the Group's net asset value was HK\$235,141,000 and net asset value per weighted average number of 3,809,935,926 shares of the Company was approximately HK\$0.06 (2005: HK\$0.08).

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\$36,000,000 convertible bonds ("Tranche 1 Convertible Bonds") to be issued by the Company. The Company may at its option, by written notice to require 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\$36,000,000 to be issued by the Company. The conversion price of 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\$34,978,000 and will be mainly used as general working capital of the Group. The placing of the Tranche 1 Convertible Bonds was completed on 10 August 2006.

As at 30 September 2006, 6 registered holders of Tranche 1 Convertible Bonds exercised their rights to convert for the Company's shares.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and Financial Resources

As at 30 September 2006, the Group had bank and cash balances in aggregate of approximately HK\$49,030,000 and held-for-trading investment of approximately HK\$18,568,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As at 30 September 2006, the Group had a net current asset of approximately HK\$97,533,000 (31 March 2006: HK\$72,999,000) and a current ratio of 6.08 (31 March 2006: 4.77). The Group's total liabilities as at 30 September 2006 amounted to approximately HK\$28,681,000 and represented approximately 12.7% (31 March 2006: 10.81%) to shareholders' equity.

In view of the above, the Directors believe that the Group will have sufficient liquidity to finance its daily operation, and the proceeds from exercise of warrants and subscription of Convertible Bonds in the future would further strengthen the financial position of the Group.

Employment and Remuneration Policies

As at 30 September 2006, the Group had a total of 86 employees of which 52 are based in Hong Kong, 32 in Macau and 2 in the PRC. Total staff costs incurred during the period amounted to approximately HK\$8,963,000 (2005: HK\$13,795,000). Remuneration packages are maintained at competitive level and review by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

INTERIM DIVIDEND

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2006 (2005: nil).

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the six months ended 30 September 2006.