13. **Contingent Liabilities**

(a) A wholly-owned subsidiary of the Company has given a several guarantee in favour of a bank to secure 50% of the credit facilities granted to, and utilised by, a jointly controlled entity. As at 30th September, 2001, the Group's proportionate share of such utilised credit facilities was approximately HK$68,650,000.

(b) The Group has an interest in a joint venture which, until December 1996, owned a property which was financed in part by a loan secured by a mortgage on the property. Each joint venturer is committed to the repayment of its proportionate share of the liability under the mortgage and this is reflected in a several guarantee given by the venturers to the mortgagee. During 1996, the property was sold by the mortgagee and the Group wrote off its investment in the joint venture and provided for its proportionate share of the mortgage liability under the guarantee. There is a contingent liability in respect of the remaining excess mortgage liability of approximately HK$110 million as at 30th September, 2001, in the event that the Group's obligations are determined to be joint and several, and the other venturers fail to honour their attributable portions. The Group had obtained legal advice which confirmed that such a claim, whilst possible, is unlikely to succeed.

(c) Claims have been made against certain subsidiaries for damages in respect of alleged defamation. The directors consider that the chance of the group suffering any material loss in respect of these claims is remote and, accordingly, no provision has been made in the accounts.

14. **Capital Commitments**

	Unaudited As at 30th September 2001 *HK$'000*	Audited As at 31st March 2001 *HK$'000*
Contracted but not provided for	**5,912**	5,928

15. **Pledge of Assets**

The Group's land and building with a net book value of approximately HK$64.7 million (As at 31st March, 2001: HK$65.5m) were pledged to secure general banking facilities granted to the Group.

The Group's plant and machinery with a net book value of approximately HK$6.7 million (As at 31st March, 2001: Nil) were pledged to secure a term machine loan to a subsidiary of the Group.

16 **Comparative Amounts**

Certain comparative amounts in the Group's profit and loss account have been reclassified to conform with the current period's presentation.

17. **Approval and Review of the Interim Financial Statements**

The interim results for the Period and the comparative figures for the corresponding period in the previous year have not been audited by the Company's Auditors, but have been reviewed by the Audit Committee.

INTERIM DIVIDEND

The directors have resolved that no interim dividend be declared in respect of the Period (2000: nil).

DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

Review of Operations

The consolidated turnover for the Period recorded a decline of 4% to HK$648.5 million as compared to the prior corresponding period while operating losses increased to HK$26.0 million. Loss attributable to shareholders amounted to HK$35.0 million. This included a sum of HK$12 million as part of the costs of a business restructuring and staff redundancy programme in September.

Hong Kong newspaper operations

Turnover for the Hong Kong newspaper operations declined by 2% during the Period. The decline was mainly attributable to decrease in advertising income as a result of the general economic downturn in Hong Kong since early this year, which was further exacerbated by the 9-11 event. To counter the challenging operating environment, the Group undertook a series of business restructuring exercises during the Period which resulted in the redundancy of approximately 180 staff and potential annual cost savings of approximately HK$50 million. In particular, Hong Kong iMail was repositioned into a newspaper focusing on business news in the Greater China region. Such restructuring would allow the Group to cost-effectively exploit an underserved segment within the English-language newspaper market.

Overseas newspaper operations

Although the U.K. market registered modest growth in advertising income, the overall turnover from overseas newspaper operations decreased by 4% as compared to the prior corresponding period. The climbing unemployment rate, weakening consumer confidence together with sluggish retail sales put pressure on the U.S. markets, the Group's principal overseas markets.

Commercial printing operations

The commercial printing operations posted 8% growth in operating profit to HK$41.7 million despite a 7% decline in turnover to HK$247.5 million during the Period. Although Roman Financial Press and Noble World were affected by the slow down in capital market activities in Hong Kong, South China Printing's sales were impervious to the economic slow down in the U.S. and the U.K. The ability to secure new customers together with lower paper costs enabled South China Printing to achieve higher operating profit during the Period.

Profits shared from jointly controlled entities and associates

Share of profits from jointly controlled entities and associates decreased by 53% to HK$4.1 million for the Period owing to the declines in profits of Canadian editions of the Sing Tao Daily and the Colony Hotel in Toronto. The reduced contribution from the Canadian operations was attributable to non-recurrent costs associated with the industrial action, the disputes of which had already been properly settled.

Prospects

It is expected that the effects of the "9–11" event on the global economy will become more apparent in the coming year. Recovery of the local advertising market is not likely in the immediate future, hence posing further challenge on the operating environment of the media industry. Nonetheless, the Board is taking active steps towards improving results by restructuring business, repositioning products as well as enhancing systems through technological improvement.

While the Group will strive to maintain its market share and increase its operating margin in the coming year in its current markets, the Group will be actively exploring new opportunities outside Hong Kong. In particular, China's accession to the World Trade Organization offers significant business opportunities as the media market would be opened up gradually. The Group believes that the Sing Tao Daily and Hong Kong iMail are in an excellent position to expand its reach and advertiser base in China and is actively pursuing several new initiatives in China, laying the foundation for its future development. The Group believes that the development of its China businesses will bring in long term, sustainable value to the Group and its shareholders.

The full implementation of the restructuring measures, the successful penetration into the PRC market together with lower newsprint costs should not only enable the Group to achieve a turnaround in the foreseeable future but should also facilitate the Group to attain its longer term strategic objective of becoming a premier information services aggregator and provider serving Chinese communities globally.

LIQUIDITY AND FINANCING

The Group laid down prudent guidelines for its treasury and liquidity management while at the same time maintained adequate flexibility to capture new business opportunities. The guidelines cover the Group's debt profile, financing horizon and currency and interest rate risks.

The Group's bank borrowings were denominated in Hong Kong dollars for the Period. The annual interest rate of the borrowings as at 30th September, 2001 was about 5.94%.

The Group's gearing ratio as at 30th September, 2001 was 0.014 (2000: no bank borrowings), based on bank borrowings of HK$11.0 million and shareholders' funds of HK$786.1 million. The Group's financial position remained solid as evidenced by other healthy financial indicators.

There were decreases in net cash and bank balances from approximately HK$183.0 million as at 31st March, 2001 to approximately HK$155.8 million as at 30th September, 2001 which included the time deposits of the Group pledged in favour of banks as at the respective dates. A bank loan with an outstanding balance of HK$11.0 million as at 30th September, 2001 was secured by a Group's printing machine with a carrying value of approximately HK$6.7 million. The Group had no bank borrowings as at 31st March, 2001.

The Group had limited exposure to movements in exchange rates. The majority of purchases were denominated in Hong Kong dollars and US dollars. Export sales were principally denominated in US dollars, Australian dollars and Sterling with sale receipts denominated in non-US dollar foreign currencies being hedged by forward foreign exchange contracts. The Group also had certain exchange rate movement exposure in connection with the translation of net assets of overseas subsidiaries outside the U.S.