

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	3	29,650	36,183
Other revenue	3	822	1,379
Operating costs in respect of technology related services		(9,504)	(15,654)
Staff costs	6	(14,909)	(18,834)
Depreciation		(820)	(4,249)
(Provision for)/recovery of doubtful debts		(2,543)	3,434
Provision for long term receivable	16	(5,534)	(13,006)
Deficit on revaluation of investment properties		–	(24,000)
Provision for impairment losses of other investments		(435)	(17,427)
Provision for amount due from an associated company		–	(15,217)
Gain on disposal of other investment	4	–	23,663
Other operating income		–	26,054
Other operating expenses		(20,111)	(21,365)
Operating loss	5	(23,384)	(39,039)
Finance costs	8	(3,987)	(5,825)
Loss for the year		(27,371)	(44,864)
Minority interests		1,164	198
Loss attributable to shareholders	10	(26,207)	(44,666)
Loss per share	11	HK cents (0.45)	HK cents (0.77)



## CONSOLIDATED BALANCE SHEET

As at 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	12	361,310	360,490
Associated companies	14	4,788	–
Investments	15	19,029	29,050
Long term receivable	16	5,123	10,657
		<u>390,250</u>	<u>400,197</u>
Current assets			
Accounts receivable	17	918	4,041
Other receivables, prepayments and deposits		3,775	6,974
Amounts due from related companies	18	8,000	–
Tax prepaid		73	73
Bank balances and cash	19	13,612	12,338
		<u>26,378</u>	<u>23,426</u>
Current liabilities			
Creditors, deposits and accruals	20	15,821	16,265
Current portion of long term bank loan	21	12,500	10,500
Short term loan	22	48,763	48,763
		<u>77,084</u>	<u>75,528</u>
Net current liabilities		<u>(50,706)</u>	<u>(52,102)</u>
Total assets less current liabilities		<u>339,544</u>	<u>348,095</u>
Non-current liabilities			
Long term bank loan	21	111,500	94,000
Minority interests		<u>156</u>	<u>–</u>
Net assets		<u><u>227,888</u></u>	<u><u>254,095</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	23(a)	116,499	116,499
Reserves	24(a)	111,389	137,596
Shareholders' funds		<u><u>227,888</u></u>	<u><u>254,095</u></u>

Lo Lin Shing, Simon  
Chairman

Yvette Ong  
Managing Director

## BALANCE SHEET

As at 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Subsidiaries	13	205,544	238,844
Investments	15	—	250
		<u>205,544</u>	<u>239,094</u>
Current assets			
Other receivables		2,123	1,817
Bank balances and cash		1,238	1,008
		<u>3,361</u>	<u>2,825</u>
Current liabilities			
Other payables		(3,486)	(3,697)
Net current liabilities		<u>(125)</u>	<u>(872)</u>
Total assets less current liabilities		<u>205,419</u>	<u>238,222</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	23(a)	116,499	116,499
Reserves	24(b)	88,920	121,723
Shareholders' funds		<u>205,419</u>	<u>238,222</u>

**Lo Lin Shing, Simon**  
Chairman

**Yvette Ong**  
Managing Director



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Total equity as at 1 April		<b>254,095</b>	204,205
Nominal value of shares issued during the year	23(a)	–	38,833
Share premium arising from issuance of shares during the year	24	–	58,250
Share issue expenses	24	–	(2,527)
Loss for the year	24	<u>(26,207)</u>	<u>(44,666)</u>
Total equity as at 31 March		<u><b>227,888</b></u>	<u>254,095</u>



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Operating activities			
Net cash outflow from operations	27(a)	(23,531)	(18,587)
Interest paid		(4,457)	(14,326)
Interest received		822	1,379
Hong Kong profits tax paid		–	(73)
Hong Kong profits tax refunded		–	46
Net cash outflow from operating activities		(27,166)	(31,561)
Investing activities			
Proceeds from disposal of plant and equipment		152	635
Loans to an associated company		–	(15,217)
Additions of plant and equipment		(2,119)	(447)
Redemption/(acquisition) of held-to-maturity securities		10,025	(10,025)
New loans to investee companies		(439)	(2,600)
Liquidation of an associated company		–	2,061
Acquisition of a subsidiary	27(b)	1	–
Net cash inflow/(outflow) from investing activities		7,620	(25,593)
Net cash outflow before financing		(19,546)	(57,154)
Financing			
Issue of shares		–	97,083
Share issue expenses		–	(2,527)
Repayment of bank loans		(10,500)	(83,145)
Repayment of other loans		–	(8,637)
New bank loans borrowed		30,000	43,210
(Pledge)/release of restricted bank balances and cash deposits		(185)	10,542
Capital contribution from a minority shareholder to a subsidiary		1,320	–
Net cash inflow from financing	27(c)	20,635	56,526
Increase/(decrease) in cash and cash equivalents		1,089	(628)
Cash and cash equivalents at beginning of year		6,270	6,898
Cash and cash equivalents at end of year	27(d)	7,359	6,270



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). These accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties.

In preparing these accounts, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 31 March 2004, the accumulated losses of the Group amounted to HK\$2,647,504,000 and that its current liabilities exceeded its current assets by HK\$50,706,000.

### 2. Principal accounting policies

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The effect of adopting the revised SSAP is set out in Note 2 (i) below.

Principal accounting policies adopted in the preparation of these accounts are:

#### (a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.



## 2. Principal accounting policies *(Continued)*

### (a) Consolidation *(Continued)*

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (b) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

### (c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition, and is amortised using the straight-line method over its estimated useful life of not more than 20 years in general. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

### (d) Investments

Other investments are investments which are held for the long term strategic purposes. Other investments are stated at cost less provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment should be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 2. Principal accounting policies (Continued)

#### (e) Property, plant and equipment

Property, plant and equipment, other than investment properties (Note 2(f)), are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off the cost less accumulated impairment losses of the assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Other properties	over the lease terms
Leasehold improvements	over the lease terms
Computer equipment	33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.





## 2. Principal accounting policies *(Continued)*

### (f) Investment properties *(Continued)*

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

### (g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (h) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Bonus plans*

The expected cost bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### (iii) *Retirement benefits*

For employees in Hong Kong, a mandatory provident fund scheme ("MPF Scheme") has been established pursuant to the Hong Kong Mandatory Provident Fund Scheme Ordinance under which the Group's Hong Kong employees are compulsorily required to join the MPF Scheme. The Group, as employers, and the employees are each required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,000 per month as a mandatory contribution. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. The Group also makes voluntary contributions, representing 5% of the employees' relevant income less mandatory contributions, which may be reduced by contributions forfeited by those employees who leave employment prior to vesting fully in those contributions. No voluntary contributions were made with effect from 1 January 2004.



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 2. Principal accounting policies *(Continued)*

#### (h) Employee benefits *(Continued)*

##### (iii) Retirement benefits *(Continued)*

Contributions made by the Group under the MPF Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by independent professional fund managers.

For employees in the Mainland China, the Group contributes to retirement schemes managed by local municipal authorities in the Mainland China based on a percentage of the relevant employees' monthly salaries. The Group's contributions under such schemes are charged to the profit and loss account as incurred while the relevant local municipal authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the Mainland China.

##### (iv) Equity compensation benefits

Share options are granted to certain directors and employees as an incentive. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or lapsed, are removed from the register of outstanding options.

#### (i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.



## 2. Principal accounting policies *(Continued)*

### (i) Deferred taxation *(Continued)*

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy. However, the adoption of this revised SSAP 12 has no material impact on the accounts of prior years.

### (j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made or received under operating leases are charged or credited to the profit and loss account on a straight-line basis over the lease periods.

### (k) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred.

### (l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account translated at an average rate. Exchange differences arising in these cases are dealt with as a movement in reserves.



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 2. Principal accounting policies (Continued)

#### (m) Revenue recognition

##### (i) Technology related services

Revenue from the provision of technology related services is recognised when services are rendered.

##### (ii) Rental and management fee income

Operating lease rental income and management fee are recognised on a straight-line basis over the period of the leases.

##### (iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

### 3. Revenues and turnover

The Group is principally engaged in property investments and the provision of technology related services. Revenues recognised during the year are as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Turnover		
Gross rental income and management fee	<b>18,348</b>	17,678
Technology related services	<b>11,302</b>	18,505
	<b>29,650</b>	36,183
Other revenue		
Interest income	<b>822</b>	1,379
Total revenues	<b>30,472</b>	37,562

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

## NOTES TO THE ACCOUNTS

**3. Revenues and turnover** *(Continued)*

Segment assets consist primarily of property, plant and equipment, operating cash and other current assets. Segment liabilities comprise operating liabilities and exclude items such as long term and short term loans. Capital expenditure represents additions to plant and equipment, including additions resulting from acquisitions through purchase of subsidiaries.

In respect of geographical segment reporting, revenues recognised are based on the country or location in which the customers are located. Total assets and capital expenditure are where the assets are located.

**Primary reporting format – business segments**

The Group is organised into two main business segments:

Property investments

Technology related services

There are no sales or other transactions between business segments.

**Secondary reporting format – geographical segments**

The Group's business segments are operating in two main geographical areas:

Hong Kong: Property investments

The Mainland China: Technology related services

There are no sales between geographical segments.



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 3. Revenues and turnover (Continued)

Primary reporting format – business segments

	Property investments 2004 HK\$'000	Technology related services 2004 HK\$'000	Total 2004 HK\$'000
Turnover from external customers	18,348	11,302	29,650
Segment results	11,712	(23,699)	(11,987)
Unallocated corporate expenses			(6,685)
Unallocated operating income/(expenses)			
– Interest income			822
– Provision for long term receivable			(5,534)
Operating loss			(23,384)
Finance costs			(3,987)
Loss for the year			(27,371)
Minority interests			1,164
Loss attributable to shareholders			(26,207)
Segment assets	363,323	17,452	380,775
Unallocated assets			35,853
Total assets			416,628
Segment liabilities	3,038	2,824	5,862
Unallocated liabilities			182,878
Total liabilities			188,740
Capital expenditure	–	1,534	1,534
Unallocated capital expenditure			585
			2,119
Depreciation	–	480	480
Unallocated depreciation			340
			820
Other non-cash expenses #	–	479	479

# Non-cash expenses represent write-off of plant and equipment.

## NOTES TO THE ACCOUNTS

## 3. Revenues and turnover (Continued)

## Primary reporting format – business segments (Continued)

	Property investments 2003 HK\$'000	Technology related services 2003 HK\$'000	Total 2003 HK\$'000
Turnover from external customers	17,678	18,505	36,183
Segment results	(12,910)	4,124	(8,786)
Provision for amount due from an associated company	–	(15,217)	(15,217)
Unallocated corporate expenses			(9,645)
Unallocated operating income/(expenses)			
– Interest income			1,379
– Provision for impairment losses of other investments			(17,427)
– Gain on disposal of other investment			23,663
– Provision for long term receivable			(13,006)
Operating loss			(39,039)
Finance costs			(5,825)
Loss for the year			(44,864)
Minority interests			198
Loss attributable to shareholders			(44,666)
Segment assets	358,228	12,807	371,035
Unallocated assets			52,588
Total assets			423,623
Segment liabilities	3,362	4,654	8,016
Unallocated liabilities			161,512
Total liabilities			169,528
Capital expenditure	–	422	422
Unallocated capital expenditure			25
			447
Depreciation	–	2,397	2,397
Unallocated depreciation			1,852
			4,249
Other non-cash expenses ##	24,000	1,857	25,857

## Non-cash expenses comprise deficit on revaluation of investment properties and write-off of plant and equipment.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 3. Revenues and turnover (Continued)

#### Secondary reporting format – geographical segments

	Turnover		Segment assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>18,348</b>	17,678	<b>399,257</b>	410,816	<b>585</b>	25
The Mainland China	<b>11,302</b>	18,505	<b>17,371</b>	12,807	<b>1,534</b>	422
	<b>29,650</b>	36,183	<b>416,628</b>	423,623	<b>2,119</b>	447

### 4. Gain on disposal of other investment

In prior years, the Group acquired approximately a 3% interest in Draper Fisher Jurvetson ePlanet Ventures L.P. ("DFJ"), an unlisted limited partnership incorporated in the United States principally engaged in the investments in securities, at a cost of approximately HK\$44.2 million which had been fully provided for as of 31 March 2002.

In October 2002, the Group disposed of its entire interests in DFJ to the General Partner of DFJ, which is not a related party, at a consideration of approximately HK\$23.7 million, which was calculated with reference to the fair value of the Group's attributable interest in DFJ. Accordingly, a gain on disposal of other investment of the same amount was recognised in the accounts for the year ended 31 March 2003. The proceeds shall be settled not later than six months after the dissolution of DFJ, which was determined, subject to other terms in the partnership agreement of DFJ, to be in December 2009 (Note 16).



## NOTES TO THE ACCOUNTS

## 5. Operating loss

Operating loss is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
<b>Crediting</b>		
Gross rental income and management fee from investment properties	18,348	17,678
Gain on disposal of plant and equipment	152	527
Gain on liquidation of an associated company	–	2,061
Management fee from an associated company	–	4,671
Write-back of over accruals/provision for liabilities on liquidation of subsidiaries *	–	17,793
	<u>          </u>	<u>          </u>
<b>Charging</b>		
Auditors' remuneration	509	472
Operating lease rental in respect of land and buildings	2,408	3,650
Direct outgoings in respect of investment properties	3,444	5,693
Write-off of plant and equipment	479	1,857
Development expenses	1,610	–
	<u>          </u>	<u>          </u>

\* In prior year, certain subsidiaries of the Group were voluntarily liquidated. Over accrued expenses and provision for liabilities made in previous years by these subsidiaries totalling HK\$17.8 million approximately were taken to the profit and loss account for the year ended 31 March 2003.

## 6. Staff costs (including directors' remuneration)

	2004 HK\$'000	2003 HK\$'000
Wages and salaries	13,404	16,924
Retirement benefit costs – defined contribution plan	131	323
Social security costs	1,374	1,587
	<u>          </u>	<u>          </u>
	<u>14,909</u>	<u>18,834</u>

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 6. Staff costs (including directors' remuneration) (Continued)

The retirement benefit costs under MPF Scheme charged to the profit and loss account represent gross contributions payable by the Group to the MPF Scheme of HK\$333,000 (2003: HK\$624,000) less forfeited employer's contributions utilised of HK\$202,000 (2003: HK\$301,000). No contribution was payable to the funds at the year end. At 31 March 2004, there was no unutilised forfeited contributions (2003: Nil).

### 7. Directors' and senior management's emoluments

#### (a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees		
– executive directors	–	–
– non-executive directors	210	210
Basic salaries, housing allowances, other allowances and benefits in kind	2,250	2,700
Contributions to pension schemes	89	135
	<u>2,549</u>	<u>3,045</u>

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
HK\$ Nil – HK\$1,000,000	5	5
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
	<u>6</u>	<u>6</u>

Emoluments paid to the independent non-executive directors amounted to HK\$200,000 for the year (2003: HK\$200,000).

## NOTES TO THE ACCOUNTS

## 7. Directors' and senior management's emoluments (Continued)

## (b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2003: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2003: four) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,167	6,279
Discretionary bonus	230	–
Contributions to pension schemes	149	203
	<u>4,546</u>	<u>6,482</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2004	2003
HK\$ Nil – HK\$1,000,000	3	–
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	–	1
	<u>4</u>	<u>4</u>

## 8. Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts		
– wholly repayable within five years	–	371
– not wholly repayable within five years	2,297	3,352
Interest on other loans wholly repayable within five years	1,690	2,102
	<u>3,987</u>	<u>5,825</u>

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 9. Taxation

Hong Kong profits tax and overseas profits tax have not been provided for as the Group has no estimated assessable profit for the year (2003: Nil).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	<u>(27,371)</u>	<u>(44,864)</u>
Calculated at a taxation rate of 17.5% (2003: 16%)	(4,790)	(7,178)
Tax effect on income not subject to tax	(555)	(470)
Tax effect of expenses not deductible for taxation purposes	1,284	7,305
Tax effect of tax loss not recognised	<u>4,061</u>	<u>343</u>
Tax charge	<u>—</u>	<u>—</u>

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 March 2004, unrecognised tax losses of the Group amounted to HK\$204,605,000 (2003: HK\$187,201,000). No deferred tax asset has been recognised for these tax losses as it is uncertain whether the Group will have sufficient future taxable profits to utilise these tax losses. These tax losses do not have an expiry date except for HK\$114,194,000 (2003: HK\$97,193,000) which will expire within five years.

### 10. Loss attributable to shareholders

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately HK\$32,803,000 (2003: HK\$71,531,000).

### 11. Loss per share

The calculation of the loss per share is based on the loss attributable to shareholders of HK\$26,207,000 (2003: HK\$44,666,000) and on weighted average number of 5,824,961,161 (2003: 5,766,445,569) shares in issue during the year.

No diluted loss per share is presented as the exercise prices of the share options were greater than the average market price of the Company's share during the year. There was no dilutive effect on the basic loss per share.

## NOTES TO THE ACCOUNTS

## 12. Property, plant and equipment

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1 April 2003	356,000	5,518	491	7,439	2,065	1,176	372,689
Additions	-	-	1,210	227	-	682	2,119
Disposals	-	-	-	-	-	(800)	(800)
Written off	-	-	(1,047)	(680)	-	-	(1,727)
<b>At 31 March 2004</b>	<b>356,000</b>	<b>5,518</b>	<b>654</b>	<b>6,986</b>	<b>2,065</b>	<b>1,058</b>	<b>372,281</b>
Accumulated depreciation							
At 1 April 2003	-	2,095	491	6,903	1,534	1,176	12,199
Charge for the year	-	77	278	198	188	79	820
Disposals	-	-	-	-	-	(800)	(800)
Written off	-	-	(568)	(680)	-	-	(1,248)
<b>At 31 March 2004</b>	<b>-</b>	<b>2,172</b>	<b>201</b>	<b>6,421</b>	<b>1,722</b>	<b>455</b>	<b>10,971</b>
Net book value							
<b>At 31 March 2004</b>	<b>356,000</b>	<b>3,346</b>	<b>453</b>	<b>565</b>	<b>343</b>	<b>603</b>	<b>361,310</b>
At 31 March 2003	356,000	3,423	-	536	531	-	360,490
The analysis of cost or valuation at 31 March 2004 of the above assets is as follows:							
At cost	-	5,518	654	6,986	2,065	1,058	16,281
At professional valuation - 2004	356,000	-	-	-	-	-	356,000
	<u>356,000</u>	<u>5,518</u>	<u>654</u>	<u>6,986</u>	<u>2,065</u>	<u>1,058</u>	<u>372,281</u>



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 12. Property, plant and equipment (Continued)

- (a) The Group's investment properties were revalued on an open market value basis at 31 March 2004 by RHL Appraisal Ltd., an independent professional valuer.
- (b) Investment properties with a carrying amount totalling HK\$310,000,000 (2003: HK\$310,000,000) have been pledged to secure banking facilities to the extent of HK\$124,000,000 (2003: HK\$104,500,000) granted to the Group.
- (c) The tenure of the Group's properties is as follows:

	2004 HK\$'000	2003 HK\$'000
Investment properties in Hong Kong on leases between 10 to 50 years	356,000	356,000
Other properties outside Hong Kong on leases of between 10 to 50 years	5,518	5,518
	<u>361,518</u>	<u>361,518</u>

### 13. Subsidiaries

	Company 2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	477,068	477,068
Less: Provision	(310,400)	(310,400)
	<u>166,668</u>	<u>166,668</u>
Amounts due from subsidiaries	1,426,316	1,426,077
Less: Provision	(1,342,695)	(1,309,147)
	<u>83,621</u>	<u>116,930</u>
Amounts due to subsidiaries	(44,745)	(44,754)
	<u>38,876</u>	<u>72,176</u>
	<u>205,544</u>	<u>238,844</u>

## NOTES TO THE ACCOUNTS

**13. Subsidiaries** *(Continued)*

- (a) Except for an aggregate amount of HK\$53,570,000 (2003: HK\$75,437,000) due from certain subsidiaries which carries interest at 9% per annum (2003: 9% per annum), the balances with subsidiaries are interest free and have no fixed terms of repayment.
- (b) A list of the principal subsidiaries is set out in Note 31 to the accounts.

**14. Associated companies**

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Share of net assets <i>(note a)</i>	—	—
Amounts due from associated companies <i>(note b)</i>	<b>38,007</b>	33,219
Less: Provision	<b>(33,219)</b>	(33,219)
	<b>4,788</b>	—
	<b>4,788</b>	—

*Notes:*

- (a) The Group's share of net assets of the associated companies represents the Group's cost of investment plus its share of post-acquisition results and reserves in the associated companies. Under the equity method of accounting, the Group's share of losses of the associated companies is restricted to the cost of investment. As at 31 March 2004, the Group's share of the associated companies' losses exceeded its cost of investment. Accordingly, share of net assets of associated companies is reported at nil value.
- (b) The amounts due from associated companies are interest free and have no fixed terms of repayment.
- (c) A list of the principal associated companies is set out in Note 32 to the accounts.



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 15. Investments

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held-to-maturity securities (note a)	–	10,025	–	–
Other investments (note b)	19,029	19,025	–	250
	<u>19,029</u>	<u>29,050</u>	<u>–</u>	<u>250</u>

Notes:

- (a) Held-to-maturity securities represented the convertible notes issued by ITC Corporation Limited ("ITC"), a company incorporated in Bermuda and listed in Hong Kong. These convertible notes were originally repayable on 3 March 2006 and carried interest at prevailing commercial rate. During the year, ITC entered into a redemption agreement with the Group for early redemption of the convertible notes at face value together with the interest up to the date of redemption. All convertible notes were fully redeemed in February 2004.
- (b) Other investments are analysed as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments in Hong Kong, at cost	21,767	21,767	–	–
Less: Provision	(12,218)	(12,218)	–	–
	<u>9,549</u>	<u>9,549</u>	<u>–</u>	<u>–</u>
Unlisted investments, at cost	306,735	306,735	250	250
Less: Provision	(297,359)	(297,359)	–	–
Less: Written off	(435)	–	(250)	–
	<u>8,941</u>	<u>9,376</u>	<u>–</u>	<u>250</u>
	<u>18,490</u>	<u>18,925</u>	<u>–</u>	<u>250</u>
Loans to investee companies	3,039	2,600	–	–
Less: Provision	(2,500)	(2,500)	–	–
	<u>539</u>	<u>100</u>	<u>–</u>	<u>–</u>
	<u>19,029</u>	<u>19,025</u>	<u>–</u>	<u>250</u>
Market value of listed investments	<u>68,951</u>	<u>42,175</u>		



## NOTES TO THE ACCOUNTS

## 16. Long term receivable

	2004 HK\$'000	2003 HK\$'000
Proceeds from sale of investment in DFJ ( <i>note 4</i> )	23,663	23,663
Less: Provision	<u>(18,540)</u>	<u>(13,006)</u>
	<u>5,123</u>	<u>10,657</u>

## 17. Accounts receivable

The Group's credit terms on the provision of services mainly range from 30 to 60 days. The ageing analysis of trade receivables of the Group is as follows:

	2004 HK\$'000	2003 HK\$'000
Trade receivables		
Current to 30 days	427	1,577
31 to 60 days	279	220
61 to 90 days	212	498
Over 90 days	<u>—</u>	<u>1,746</u>
	<u>918</u>	<u>4,041</u>

## 18. Amounts due from related companies

The amounts represent loans granted to Anbo Global Company Limited and Cyber On-Air (Asia) Limited, both are wholly-owned subsidiaries of Cyber On-Air Group Company Limited ("COA"), a company listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited, in which a director of the Group is also a director of COA. COA has guaranteed the Group for the repayment of these loans.

These loans are unsecured and repayable on demand, and bear interest at commercial rates.

## 19. Bank balances and cash

Included in bank balances and cash was an amount of HK\$6,253,000 (2003: HK\$6,068,000) which has been pledged as security for banking facilities granted to the Group.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 20. Creditors, deposits and accruals

Included in the Group's creditors, deposits and accruals were trade payables and their ageing analysis is as follows:

	2004 HK\$'000	2003 HK\$'000
Trade payables		
Current to 30 days	526	237
31 to 60 days	860	64
61 to 90 days	26	12
Over 90 days	538	1,348
	<u>1,950</u>	<u>1,661</u>

### 21. Long term bank loan

	2004 HK\$'000	2003 HK\$'000
Secured bank loan not wholly repayable within five years	124,000	104,500
Amounts due within one year included under current liabilities	(12,500)	(10,500)
	<u>111,500</u>	<u>94,000</u>

The Group's secured bank loan were repayable as follows:

	2004 HK\$'000	2003 HK\$'000
– within one year	12,500	10,500
– in the second year	14,000	12,500
– in the third to fifth year	36,750	43,250
– after the fifth year	60,750	38,250
	<u>124,000</u>	<u>104,500</u>

## NOTES TO THE ACCOUNTS

## 22. Short term loan

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unsecured loan	<b>48,763</b>	48,763

The loan is obtained from a wholly-owned subsidiary of a former substantial shareholder of the Company. The loan carries interest at 2% over the Hong Kong Interbank Offer Rate and was originally repayable on or before 1 October 2003. During the year, the loan period has been further extended to 1 October 2004.

## 23. Share capital

## (a) Authorised and issued share capital

	<i>Note</i>	<b>Number of ordinary shares at HK\$0.02 each</b>	<b>HK\$'000</b>
Authorised:			
At 1 April 2002		7,500,000,000	150,000
Increase in authorised share capital	<i>(i)</i>	7,500,000,000	150,000
		<u>15,000,000,000</u>	<u>300,000</u>
At 1 April 2003 and 31 March 2004			
Issued and fully paid:			
At 1 April 2002		3,883,307,441	77,666
Issue of shares – rights issue	<i>(ii)</i>	1,941,653,720	38,833
		<u>5,824,961,161</u>	<u>116,499</u>
At 31 March 2003 and 31 March 2004			

*Notes:*

- (i) On 28 August 2002, the authorised share capital of the Company was increased from HK\$150,000,000 to HK\$300,000,000 by the creation of 7,500,000,000 new shares of HK\$0.02 each. These new shares rank pari passu in all aspect with the existing shares.
- (ii) On 12 April 2002, the Company completed a rights issue of 1,941,653,720 shares at a subscription price of HK\$0.05 per share for raising working capital of the Group. Accordingly, 1,941,653,720 shares of HK\$0.02 each were issued at a premium of HK\$0.03 each. The premium on issue of shares of approximately HK\$58,250,000 was credited to the share premium account (Note 24(a)). These new shares rank pari passu in all respect with the existing shares.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 23. Share capital (Continued)

#### (b) Share options

- (i) Under the share option schemes adopted by the Company on 24 July 1990 (the "Expired Option Scheme") and 22 September 2000 (the "Terminated Option Scheme"), options were granted to certain directors and employees of the Company entitling them to subscribe for shares of HK\$0.02 each of the Company. These share option schemes are valid for a term of ten years commencing on the respective adoption date. The Expired Option Scheme expired on 23 July 2000 while the Terminated Option Scheme was terminated on 28 August 2002 upon the adoption of a new share option scheme (the "Existing Option Scheme").

However, the outstanding share options granted under the Expired Option Scheme and the Terminated Option Scheme are exercisable during the option period of three years and seven years respectively, commencing from the respective date of grant subject to such conditions as the directors of the Company may have determined notwithstanding that these two schemes have already been expired or terminated.

Details of the movement of share options, granted under the Expired Option Scheme and Terminated Option Scheme, during the year ended 31 March 2004 were as follows:

<b>Date of grant</b>	<b>Exercise price</b>	<b>As at 1 April 2003</b>	<b>Lapsed during the year</b>	<b>As at 31 March 2004</b>
	<i>HK\$</i>			
22 July 2000	0.2395	6,000,000	(6,000,000)	–
16 November 2000	0.1552	4,350,000	–	4,350,000
17 April 2002	0.0520	71,276,000	(15,368,000)	55,908,000
		<u>81,626,000</u>	<u>(21,368,000)</u>	<u>60,258,000</u>

No share options were granted or exercised during the year.

The Existing Option Scheme was adopted on 28 August 2002 in compliance with the new requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. No share options have been granted under the Existing Option Scheme.

## NOTES TO THE ACCOUNTS

## 24. Reserves

## (a) Group

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2002	1,662,521	1,040,649	(2,576,631)	126,539
Issue of shares	58,250	–	–	58,250
Share issue expenses	(2,527)	–	–	(2,527)
Loss for the year	–	–	(44,666)	(44,666)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	1,718,244	1,040,649	(2,621,297)	137,596
Loss for the year	–	–	(26,207)	(26,207)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2004</b>	<b>1,718,244</b>	<b>1,040,649</b>	<b>(2,647,504)</b>	<b>111,389</b>

## (b) Company

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2002	1,662,521	1,040,649	(2,565,639)	137,531
Issue of shares	58,250	–	–	58,250
Shares issue expenses	(2,527)	–	–	(2,527)
Loss for the year	–	–	(71,531)	(71,531)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	1,718,244	1,040,649	(2,637,170)	121,723
Loss for the year	–	–	(32,803)	(32,803)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2004</b>	<b>1,718,244</b>	<b>1,040,649</b>	<b>(2,669,973)</b>	<b>88,920</b>

The Company did not have distributable reserves at 31 March 2004 (2003: Nil).



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 25. Contingent liabilities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
(a) Guarantees in respect of credit facilities granted to a subsidiary	—	—	<b>48,763</b>	48,763

- (b) In March 2004, a PRC governmental institute filed a claim to the PRC court against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC and has claimed against the Group for an aggregate amount of RMB5 million and an injunction for further usage of such information. The litigation is in progress up to the date of this report. The directors have consulted lawyers in the PRC and consider these claims are without merits. Accordingly, no provision has been made in the accounts for the year ended 31 March 2004.

### 26. Commitments

#### (a) Capital commitments

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for in respect of other investments	<b>2,106</b>	4,201
Contracted but not provided for in respect of investment in an associated company	—	1,676
	<b>2,106</b>	5,877

## NOTES TO THE ACCOUNTS

## 26. Commitments (Continued)

## (b) Commitments under operating leases

At 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Not later than one year	<b>555</b>	2,143
Later than one year and not later than five years	<b>214</b>	1,786
	<b>769</b>	3,929

## (c) Future minimum rental payments receivable

The Group's operating leases are for terms of 1 to 5 years. The future minimum rental payments receivable under non-cancellable leases are as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Not later than one year	<b>10,694</b>	12,392
Later than one year and not later than five years	<b>7,207</b>	6,483
	<b>17,901</b>	18,875



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 27. Consolidated cash flow statement

#### (a) Reconciliation of loss for the year to net cash outflow from operations

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Loss for the year	<b>(27,371)</b>	(44,864)
Interest income	<b>(822)</b>	(1,379)
Interest expense	<b>3,987</b>	5,825
Depreciation	<b>820</b>	4,249
Deficit on revaluation of investment properties	–	24,000
Provision for impairment losses of other investments	<b>435</b>	17,427
Provision for long term receivable	<b>5,534</b>	13,006
Provision for amount due from an of associated company	–	15,217
Recovery of doubtful debts	–	(3,434)
Gain on disposal of other investment	–	(23,663)
Gain on liquidation of an associated company	–	(2,061)
Write-off of plant and equipment	<b>479</b>	1,857
Gain on disposal of plant and equipment	<b>(152)</b>	(527)
Impairment loss of goodwill	<b>1</b>	–
	<hr/>	<hr/>
Operating (loss)/profit before working capital changes	<b>(17,089)</b>	5,653
Increase in amount due from associated companies	<b>(4,788)</b>	–
(Increase)/decrease in accounts receivable, other receivables, prepayments and deposits, and amounts due from related companies	<b>(1,669)</b>	6,910
Increase/(decrease) in creditors, deposits and accruals	<b>15</b>	(31,150)
	<hr/>	<hr/>
Net cash outflow from operations	<b>(23,531)</b>	(18,587)
	<hr/> <hr/>	<hr/> <hr/>



## NOTES TO THE ACCOUNTS

## 27. Consolidated cash flow statement (Continued)

## (b) Acquisition of a subsidiary

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Debtors, deposits and prepayments	9	–
Bank balances and cash (Note (i))	1	–
Creditors, deposits and accruals	(6)	–
	<u>4</u>	<u>–</u>
Goodwill	1	–
	<u>5</u>	<u>–</u>
Satisfied by:		
Cash consideration	5	–
Consideration payable (Note (ii))	(5)	–
	<u>–</u>	<u>–</u>
Bank balance and cash acquired	1	–
	<u>1</u>	<u>–</u>
Net inflow of cash and cash equivalent in respect of acquisition of a subsidiary	<u>1</u>	<u>–</u>

## Notes:

- (i) The net inflow of cash and cash equivalents in respect of acquisition of the subsidiary, representing bank balances and cash acquired, amounted to approximately HK\$1,000.
- (ii) The acquisition of the subsidiary during the year was satisfied by a consideration of approximately HK\$5,000 which is payable at 31 March 2004.
- (iii) The subsidiary acquired during the year contributed HK\$9,000 to the Group's net operating cash outflows.



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 27. Consolidated cash flow statement (Continued)

#### (c) Analysis of changes in financing during the year

	Share capital (including premium) <i>HK\$'000</i>	Long term and short term loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Restricted bank balances and cash deposits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2002	1,740,187	203,143	7,939	(16,610)	1,934,659
Net cash inflow/(outflow) from financing	94,556	(48,572)	–	10,542	56,526
Liquidation of subsidiaries	–	(1,308)	(7,741)	–	(9,049)
Minority interests' share of losses	–	–	(198)	–	(198)
At 31 March 2003	1,834,743	153,263	–	(6,068)	1,981,938
Net cash inflow/(outflow) from financing	–	19,500	1,320	(185)	20,635
Minority interests' share of losses	–	–	(1,164)	–	(1,164)
<b>At 31 March 2004</b>	<b><u>1,834,743</u></b>	<b><u>172,763</u></b>	<b><u>156</u></b>	<b><u>(6,253)</u></b>	<b><u>2,001,409</u></b>

#### (d) Analysis of the balances of cash and cash equivalents

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash and cash equivalents	7,359	6,270
Restricted bank balances and cash deposits	6,253	6,068
	<b><u>13,612</u></b>	<b><u>12,338</u></b>

## NOTES TO THE ACCOUNTS

## 28. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	2004 <b>HK\$'000</b>	2003 HK\$'000
Technical service fee from an associated company ( <i>note a</i> )	<b>2,210</b>	–
Management fee from an associated company ( <i>note b</i> )	–	4,671
Rental and office administrative expenses reimbursed to a related company ( <i>note c</i> )	<b>689</b>	–
Reimbursement of rental and office administrative expenses from a related company ( <i>note d</i> )	<b>155</b>	2,369
	<u>          </u>	<u>          </u>

Notes:

- (a) Technical service fee was charged to a subsidiary of Asia V-Sat Co. Ltd., an associated company of the Group, for the provision of project management services and technical consultancy services in connection with the call center operations. The fees are charged based on 50% of the contract amounts entered into between the associated company and the relevant external customers at mutually agreed terms.
- (b) Management fee was charged to Asia V-Sat Co. Ltd., an associated company of the Group, for the provision of general and administrative services at a pre-determined monthly fee.
- (c) The rental expenses reimbursed to and from Asia Logistics Technologies Limited ("ALT"), a substantial shareholder of the Company, for sharing the Group's office premises and utilities which were calculated in proportion to the office space occupied. Administrative expenses were charged on actual cost basis taking into account the headcount and/or office space occupied.
- (d) The rental expenses reimbursed from COA, a related company of the Group, (2003: ALT, a substantial shareholder of the Company), for sharing the Group's office premises and utilities which were calculated in proportion to the office space occupied. Administrative expenses were charged on actual cost basis taking into account the headcount and/or office space occupied.

## 29. Subsequent events

- (i) In July 2004, the Group accepted a facility letter from a bank for which the bank agreed to provide the Group with an aggregate amount of bank loan to the extent of approximately HK\$180 million (the "New Loan"). The Group will replace its existing secured long-term bank loan of approximately HK\$124 million outstanding at 31 March 2004 by the New Loan. The New Loan, which carries interest at commercial rate, will be secured by the Group's investment properties and a corporate guarantee provided by the Company. A director of the Company also provides a personal guarantee to the bank to the extent of all outstanding interest in connection with the New Loan.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 29. Subsequent events (Continued)

- (ii) In July 2004, the directors proposed a capital reorganisation of the Company pursuant to which, subject to shareholders approval, the nominal value of the Company's share capital will be reduced from HK\$0.02 each to HK\$0.001 each and every 20 issued shares of HK\$0.001 each will be consolidated into one consolidated share of HK\$0.02. The credits arising from such reduction of issued share capital, together with the cancellation of the share premium, will be credited to the contributed surplus account of the Company. Part of the credit transferred to the contributed surplus account of the Company will be used to set off against the accumulated losses of the Company.

### 30. Approval of accounts

The accounts were approved by the board of directors on 16 July 2004.

### 31. Particulars of principal subsidiaries

Details of the Group's principal subsidiaries are as follows:

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest held	Principal activities
<sup>1</sup> Aldgate Agents Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
<sup>2</sup> Beijing New World CyberBase Company Limited	People's Republic of China	RMB80,000,000	100%	Software development and system integration
<sup>1</sup> Blue Velvet Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
City Internet Holdings Corporation Limited	Cayman Islands	109,356,725 ordinary shares, 60,000,000 series A preference shares and 17,777,780 series A plus preference shares, of US\$0.01 each	100%	Investment holding
<sup>1</sup> Cyber Network Technology Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
Darierian Worldwide Limited	British Virgin Islands	100 shares of US\$1.00 each	51%	Investment holding

## NOTES TO THE ACCOUNTS

## 31. Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest held	Principal activities
<sup>1</sup> Gamerian Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
Jadesails Investments Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment
Jetco Technologies Limited	Hong Kong	1,250,000 shares of HK\$1.00 each	100%	Investment holding
<sup>1</sup> Joyworth Investments Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
<sup>1</sup> New View Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
NWCB Multimedia Limited (formerly Well Off Profits Limited)	British Virgin Islands	5 shares of US\$1.00 each	80%	Investment holding
<sup>1</sup> New World CyberBase (Greater China) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Management services
<sup>1</sup> New World CyberBase Services Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Provision of secretarial and nominee services
<sup>2</sup> New World CyberBase (Shanghai) Limited	People's Republic of China	US\$1,200,000	100%	Software development and system integration
New World CyberBase Solutions (HK) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	e-Business solutions services
Quinway Company Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment



## NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

### 31. Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Interest held	Principal activities
<sup>1</sup> Viewnet Assets Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
<sup>1</sup> Zetland International Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
<sup>2</sup> 上海城市通網絡信息技術有限公司	People's Republic of China	US\$5,480,000	100%	Software development
北京新世界智能通信技術有限公司	People's Republic of China	RMB4,000,000 (Note)	65%	Software development and system integration

<sup>1</sup> Subsidiaries directly held by the Company.

<sup>2</sup> The companies are wholly foreign owned enterprises established in the People's Republic of China.

Note: As at 31 March 2004, RMB2,800,000 of the registered capital has been paid up.

### 32. Particulars of principal associated companies

Details of the Group's principal associated companies are as follows:

Name	Place of incorporation/ operation	Particulars of issued share capital	Interest held	Principal activities
Asia V-Sat Co. Ltd.	British Virgin Islands	5,850,000 shares of US\$1.00 each	20%	Internet and e-commerce services
eGuanxi (Cayman) Limited	Cayman Islands	6,667,000 shares of US\$1.00 each	25%	Software research and development, Internet and information technology and investment related activities