

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Capital Reorganisation

On 23 August 2004, the following resolutions approving the capital reorganisation were duly passed at a special general meeting of the Company and effective on the same date:

- (a) (i) the nominal value of all existing ordinary issued shares of HK\$0.02 each of the Company (the "Share(s)") was reduced by HK\$0.019 each by cancelling an equivalent amount of paid up capital per Share so that the nominal value of each Share was reduced from HK\$0.02 to HK\$0.001 (the "Reduced Shares"). Accordingly, based upon 5,824,961,161 Shares in issue, the issued share capital of the Company of HK\$116,499,223.22 was reduced by HK\$110,674,262.06 to HK\$5,824,961.16; and
- (ii) the credit arising from such reduction was credited to the contributed surplus account of the Company;
- (b) Every 20 issued Reduced Shares of HK\$0.001 each was consolidated into one consolidated share of HK\$0.02 (the "Consolidated Share"). On such basis, there were 291,248,058 Consolidated Shares in issue;
- (c) A total amount of HK\$1,718,243,805 standing to the credit of the share premium account of the Company was cancelled and transferred to the contributed surplus account of the Company; and
- (d) A total amount of HK\$2,669,972,843 in the contributed surplus account was applied to set off against the accumulated deficit of the Company as at 31 March 2004.

2. Basis of preparation and accounting policies

In preparing these interim 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 30 September 2004, its current liabilities exceeded its current assets by HK\$165,864,000.

These unaudited condensed financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

These condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2004.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2004. During the period, we have consolidated 易圖通信息技術有限公司 ("易圖通") into the financial statements of the Group notwithstanding the lack of legal share ownership, because in substance certain contractual arrangements enacted with the 易圖通 give the Group control over 易圖通 by way of controlling more than one half of the voting rights of 易圖通, governing its financial and operating policies and appointing or removing the majority of the members of its controlling authority, and casting the majority of votes at meetings of such authorities. In addition, such contractual arrangements also transfer the risks and rewards of 易圖通 to the Group.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

3. Segment information

(a) *Primary reporting format – business segments*

The Group is organized into two main business segments:

Property investment
Technology related services

There are no sales or other transactions between business segments. Unallocated costs represent corporate expenses.

	Property investment		Technology related services		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	9,187	9,354	4,949	6,423	14,136	15,777
Segment results	6,058	7,221	(6,281)	(15,047)	(223)	(7,826)
Unallocated costs					(4,511)	(4,843)
Other revenues					1,142	641
Provision for long term receivable					-	(3,725)
Written back of provision for diminution in value of a jointly controlled entity					503	-
Written back of provision for diminution in value of other investments					956	-
Operating loss					(2,133)	(15,753)
Finance costs					(1,552)	(2,273)
Loss for the period					(3,685)	(18,026)
Minority interests					23	149
Loss attributable to shareholders					(3,662)	(17,877)

(b) *Secondary reporting format – geographical segments*

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

Hong Kong: Property investment and the provision of technology related services

Mainland China: Provision of technology related services

There are no sales or other transactions between geographical segments.

	Turnover	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Principal markets		
Hong Kong	9,013	9,354
Mainland China	5,123	6,423
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	14,136	15,777
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4. Operating loss

Operating loss is stated after crediting and charging the following:

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
<i>Crediting</i>		
Gross rental income and management fee from investment properties	9,187	9,354
Bad debt recovery	291	119
Gain on disposal of fixed asset	–	152
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<i>Charging</i>		
Depreciation	443	360
Operating lease rentals in respect of land and buildings	583	1,517
Outgoings in respect of investment properties	1,808	1,805
Provision for doubtful debt	1,100	–
Staff costs	6,364	9,371
Operating costs in respect of technology related services	4,465	6,418
Write-off of fixed assets	–	288
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5. Taxation

Hong Kong profits tax and overseas profits tax have not been provided for as the Group has no estimated assessable profit for the period (2003: Nil). There was no material unprovided deferred taxation for the period (2003: Nil).

6. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$3,662,000 (2003: HK\$17,877,000) and on the weighted average number of shares in issue during the period of 291,248,058 shares (2003: 5,824,961,161 shares after adjusting the effects on capital reorganisation described in note 1).

Diluted loss per share for the six months ended 30 September 2004 is not presented as the exercise of the outstanding share options of the Company would have anti-dilutive effect.

7. Property, plant and equipment

HK\$'000

Net book value as at 1 April 2004	361,310
Additions during the period	427
Depreciation	(443)
Net book value as at 30 September 2004	361,294

8. Long term receivable

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
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Receivable on sale of investment in Draper Fisher Jurvetson ePlanet Ventures L.P.	23,663	23,663
Less: Provision	(18,540)	(18,540)
	5,123	5,123

9. Accounts receivables

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

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Current to 30 days	608	427
31 to 60 days	790	279
61 to 90 days	38	212
Over 90 days	54	–
	<hr/> 1,490	<hr/> 918

10. Cash and bank balances

As at 31 March 2004, included in cash and bank balances was an amount of HK\$6,068,000 which had been pledged as security for banking facilities granted to the Group.

11. Creditors, deposits and accruals

Included in the Group's creditors, deposit and accruals were trade payables. The ageing analysis of trade creditors is as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Current to 30 days	53	526
31 to 60 days	150	860
61 to 90 days	262	26
91 to 120 days	413	538
	<hr/> 878	<hr/> 1,950

12. Long term loans

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Secured bank loans not wholly repayable within five years	–	124,000
Amount due within one year included under current liabilities	–	(12,500)
	–	111,500

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

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Within one year	–	12,500
In the second year	–	14,000
In the third to fifth year inclusive	–	36,750
After the fifth year	–	60,750
	–	124,000

13. Short term loans

	Note	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Secured			
Bank loan	(a)	123,140	–
Unsecured			
Other loan	(b)	48,763	48,763
		171,903	48,763

Notes:

- (a) Secured bank loan, which carries interest at commercial rate, was secured by the Group's investment properties with carrying value amounted to HK\$356 million 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 loan.
- (b) Other short term loan represents a loan obtained from a wholly-owned subsidiary of a former substantial shareholder of the Company. The loan carries interest at 2% over Hong Kong Interbank Offer Rate. The loan was originally repayable on or before 1 October 2004. During the period, the maturity date has been further extended for a period of one year to 1 October 2005.

14. Share capital

(a) *Authorised and issued share capital*

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.02 each	300,000	300,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each	5,825	116,499

Details of movement in the issued and fully paid up share capital of the Company during the period are summarised as follows:–

	<i>Note</i>	Number of shares at HK\$0.02 each	<i>HK\$'000</i>
At 1 April 2004		5,824,961,161	116,499
Capital reorganisation	<i>1</i>	(5,533,713,103)	(110,674)
At 30 September 2004		291,248,058	5,825

(b) *Employee share options*

Movements of share options granted under the share option schemes of the Company during the period were as follows:

Date of grant	Exercise Price		As at 1 April 2004	Number of shares subject to options		
	As at the date of grant <i>HK\$</i>	as adjusted by Capital Reorganisation <i>HK\$</i>		As at Capital Reorganisation adjustment	Lapsed during the period	As at 30 September 2004
16 November 2000	0.1552	–	4,350,000	–	(4,350,000)	–
17 April 2002	0.0520	1.04	55,908,000	(42,221,800)	(11,633,600)	2,052,600
			60,258,000	(42,221,800)	(15,983,600)	2,052,600

(c) *Subscription options*

Pursuant to a sale and purchase agreement dated 23 January 2002 relating to the acquisition of the entire issued share capital of a subsidiary, the Company has granted options to the then shareholders of that subsidiary to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate.

None of these options have been exercised during the period.

15. Commitments

(a) *Capital commitments*

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Contracted but not provided for in respect of other investments	2,106	2,106

(b) *Lease commitments*

At 30 September 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Not later than one year	368	555
Later than one year and not later than five years	71	214
	439	769

(c) *Future minimum rental payments receivable*

The Group's operating leases are for terms of 1 to 3 years. The future minimum rental payments receivable under non-cancellable leases are as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Not later than one year	9,225	10,694
Later than one year and not later than five years	8,672	7,207
	17,897	17,901

16. Contingent liabilities

In March 2004, a PRC government 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 claimed against the Group for an aggregate amount of RMB5 million and an injunction for further usage of such information. By order issued by the respective PRC court, the Group is required to freeze its asset value to the extent of RMB4.5 million in connection with the above claim. As at 30 September 2004, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of RMB0.5 million only. The Directors consider that such court order will not materially and adversely affect the operations and working capital of the Group. The Directors had consulted the lawyers in the PRC who considered that these claims were without merits. Accordingly, no provision has been made in the accounts for the period ended 30 September 2004.

17. Related party transactions

Principal transactions with related companies, which were carried out in the normal course of the Group's business during the period are summarised as follows:

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Technical service fee from an associated company (<i>note a</i>)	516	554
Rental and office administrative expenses paid to a related company (<i>note b</i>)	360	237
Reimbursement of rental and office administrative expenses from a related company (<i>note c</i>)	241	37
Interest expenses paid to a related company (<i>note d</i>)	19	–
Interest receivable from a related company (<i>note e</i>)	219	133

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) The rental expenses reimbursed to Asia Logistics Technologies (Hong Kong) Limited ("ALT"), a related company of the Group, for sharing the Group's office premises and utilities which were calculated in proportion to the office space occupied.
- (c) The rental expenses reimbursed from Cyber On-Air Group Company Limited ("COA"), a related company of the Group, 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) Interest expenses were charged on a loan granted from ALT during the period. The loan was charged at commercial rate and was secured by corporate guarantee of the Company.
- (e) Interest expenses were charged on loans granted to subsidiaries of COA. The loans were charged at commercial rate, secured by corporate guarantees of COA and to be repaid on or before 30 June 2005.

18. Subsequent events

On 22 November 2004, the Directors made a public announcement (the "Announcement") disclosing the following transactions:

- (i) To raise approximately HK\$29 million before expenses by way of a rights issue of not less than 145,624,029 Rights Shares and not more than 149,250,329 Rights Shares at a price of HK\$0.2 per Rights Share on the basis of one Rights Share for every two existing shares; and
- (ii) Application of the whitewash waiver.

Details and conditions of the above transactions are fully described in the Announcement.