

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	3	<b>38,070</b>	29,650
Other revenues	3	<b>1,516</b>	822
Operating costs in respect of technology related services		<b>(8,202)</b>	(9,504)
Staff costs	5	<b>(12,066)</b>	(14,909)
Depreciation and amortisation		<b>(1,311)</b>	(820)
Selling and marketing expenses		<b>(6,081)</b>	–
Provision for amounts due from associated companies		<b>(5,812)</b>	–
Surplus on revaluation of investment properties		<b>29,554</b>	–
Reversal of/(provision for) impairment losses of other investments, net		<b>2,075</b>	(435)
Provision for long term receivable		–	(5,534)
Recovery of/(provision for) doubtful debts, net		<b>657</b>	(2,543)
Other operating expenses		<b>(19,069)</b>	(20,111)
Operating profit/(loss)	4	<b>19,331</b>	(23,384)
Finance costs	7	<b>(4,255)</b>	(3,987)
Profit/(loss) before taxation		<b>15,076</b>	(27,371)
Taxation	8	<b>(11)</b>	–
Profit/(loss) for the year		<b>15,065</b>	(27,371)
Minority interests		<b>91</b>	1,164
Profit/(loss) attributable to shareholders	9	<b>15,156</b>	(26,207)
Earnings/(loss) per share	10		
Basic		<b>HK cents 4.42</b>	HK cents (7.83)
Diluted		<b>HK cents 4.41</b>	N/A

# CONSOLIDATED BALANCE SHEET

As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	11	391,315	361,310
Intangible assets	12	–	–
Associated companies	14	–	4,788
Other investments	15	22,314	19,029
Long term receivable	16	5,123	5,123
		<b>418,752</b>	390,250
Current assets			
Accounts receivable	17	5,186	918
Other receivables, prepayments and deposits		3,567	3,775
Amounts due from related companies	18	8,468	8,000
Tax prepaid		73	73
Bank balances and cash	19	41,748	13,612
		<b>59,042</b>	26,378
Current liabilities			
Creditors, deposits and accruals	20	25,412	15,821
Short term loans	21	183,202	48,763
Current portion of long term bank loan	22	–	12,500
		<b>208,614</b>	77,084
Net current liabilities		<b>(149,572)</b>	(50,706)
Total assets less current liabilities		<b>269,180</b>	339,544
Non-current liabilities			
Long term bank loan	22	–	111,500
Minority interests		65	156
Net assets		<b>269,115</b>	227,888
<b>CAPITAL AND RESERVES</b>			
Share capital	23	8,737	116,499
Reserves	24	260,378	111,389
Shareholders' funds		<b>269,115</b>	227,888

Lo Lin Shing, Simon  
Director

Yvette Ong  
Director

# BALANCE SHEET

As at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Subsidiaries	13	177,330	205,544
Other investments	15	–	–
		<b>177,330</b>	205,544
Current assets			
Other receivables		1,444	2,123
Bank balances and cash		26,667	1,238
		<b>28,111</b>	3,361
Current liabilities			
Other payables		3,516	3,486
Net current assets/(liabilities)		<b>24,595</b>	(125)
Total assets less current liabilities		<b>201,925</b>	205,419
<b>CAPITAL AND RESERVES</b>			
Share capital	23	8,737	116,499
Reserves	24	193,188	88,920
Shareholders' funds		<b>201,925</b>	205,419

**Lo Lin Shing, Simon**  
Director

**Yvette Ong**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2005

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Total equity as at 1 April		<b>227,888</b>	254,095
Nominal value of shares issued during the year	<i>23</i>	<b>2,912</b>	–
Share premium arising from issuance of shares during the year	<i>24</i>	<b>26,212</b>	–
Share issue expenses	<i>24</i>	<b>(3,053)</b>	–
Profit/(loss) for the year	<i>24</i>	<b>15,156</b>	(26,207)
Total equity as at 31 March		<b>269,115</b>	227,888

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>Operating activities</b>			
Net cash outflow from operations	<i>27(a)</i>	<b>(2,748)</b>	(23,531)
Interest paid		<b>(2,676)</b>	(4,457)
Interest received		<b>718</b>	822
Hong Kong profits tax paid		<b>(11)</b>	–
<b>Net cash outflow from operating activities</b>		<b>(4,717)</b>	(27,166)
<b>Investing activities</b>			
Proceeds from disposal of plant and equipment		<b>114</b>	152
Additions of plant and equipment		<b>(1,674)</b>	(2,119)
Redemption of held-to-maturity securities		<b>–</b>	10,025
New loans to investee companies		<b>(468)</b>	(439)
Dividend received		<b>798</b>	–
Acquisition of subsidiaries	<i>27(b)</i>	<b>(2,427)</b>	1
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,657)</b>	7,620
<b>Net cash outflow before financing</b>		<b>(8,374)</b>	(19,546)
<b>Financing</b>			
Issue of shares		<b>29,124</b>	–
Share issue expenses		<b>(3,053)</b>	–
Repayment of bank loans		<b>(139,600)</b>	(10,500)
New bank loans borrowed		<b>150,039</b>	30,000
Release of restricted bank balances and cash deposits		<b>5,713</b>	(185)
Capital contribution from a minority shareholder to a subsidiary		<b>–</b>	1,320
<b>Net cash inflow from financing</b>	<i>27(c)</i>	<b>42,223</b>	20,635
<b>Increase in cash and cash equivalents</b>		<b>33,849</b>	1,089
<b>Cash and cash equivalents at beginning of year</b>		<b>7,359</b>	6,270
<b>Cash and cash equivalents at end of year</b>	<i>27(d)</i>	<b>41,208</b>	7,359

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 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 Institute of Certified Public Accountants (“HKICPA”). 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 considered that the Group would be able to obtain adequate financial resources, in particular, the directors expect that the short term loan from a wholly owned subsidiary of a former substantial shareholder of the Company, and from a bank, will be renewed on their respective renewal dates subsequent to the date of this report, to support the Group to continue the operational existence for the foreseeable future. Under these circumstances, the directors consider that it is reasonable to prepare the accounts on a going concern basis notwithstanding that at 31 March 2005, the current liabilities of the Group exceeded its current assets by HK\$149,572,000.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

With effect from 1 April 2004, the Group has early adopted HKFRS 3 “Business Combinations”, HKAS 36 “Impairment of Assets” and HKAS 38 “Intangible Assets”.

The early adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in a change in the accounting policy for goodwill and intangible assets. Until 31 March 2004, goodwill and intangible assets were:

- Amortised on a straight line basis over the maximum of 20 years; and
- Assessed for impairment if there are any such indications at each balance sheet date.

In accordance with the provisions of HKFRS 3, HKAS 36 and HKAS38:

- The Group ceased amortisation of goodwill from 1 April 2004;
- With effect from 1 April 2004, goodwill is tested annually for impairment, as well as when there are indications of impairment; and
- Intangible assets can have indefinite useful lives.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has no significant impact on the accounts.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 1. Basis of preparation *(Continued)*

The accounting standards early adopted by the Group do not require retrospective application and HKFRS 3 requires simultaneous adoption with HKAS 36 and HKAS 38. There was no impact on the opening accumulated losses as at 1 April 2004 from the adoption of HKFRS 3, HKAS 36 and HKAS 38.

The Group has not early adopted other new HKFRSs except for those mentioned above in the accounts for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 2. Principal accounting policies

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

### (a) Consolidation

To comply with Chinese laws and regulations that prohibit or restrict foreign ownership of companies that provide wireless value-added telecommunications services (the "VAS"), which includes wireless internet services and internet content services, the Group conducts substantially all of its VAS operations through 上海易圖通信信息技術有限公司 and 南京逆火軟件有限公司 (collectively the "Entities"). The Entities are either legally owned by certain citizens of the People's Republic of China (the "PRC") or PRC local company whose equity interests are legally owned by citizens of the PRC (collectively "the Registered Shareholders").

Certain contractual arrangements have been made among Shanghai New Era Link Telecom Technology Co., Ltd ("Shg TDT"), a subsidiary of the Company, the Entities and the Registered Shareholders so that the decision-making rights on operating and financing activities of the Entities are ultimately controlled by Shg TDT. Shg TDT is also entitled to substantially all of the risks and rewards generated by the Entities under these arrangements. In particular, the Registered Shareholders are required under their contractual arrangements with the Group to transfer these interests in the Entities to Shg TDT or Shg TDT's designee upon Shg TDT's request at a pre-agreed nominal consideration. The direct equity interests of these arrangements in the Entities have been pledged by the Registered Shareholders to the Group. As a result, the Entities are accounted for as subsidiaries of the Group for accounting purposes.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

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

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

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 the carrying amount of 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.

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



# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

### (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) Property, plant and equipment

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

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 unexpired lease terms
Leasehold improvements	over unexpired lease terms
Computer equipment	33 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.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

### (d) 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 qualified 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.

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.

### (e) Intangible assets

#### (i) 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.

In accordance with HKFRS 3, goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and joint ventures, and subject to impairment review annually as well as when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of net identifiable assets of the acquired company, the difference is recognised directly to the consolidated profit and loss account.

Amortisation of goodwill, which was in previous years amortised over the estimated useful life of not more than 20 years, ceased from 1 April 2004 and the related accumulated amortisation was eliminated against the cost of goodwill at 1 April 2004.

The gain or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

### 2. Principal accounting policies (Continued)

#### (e) Intangible assets (Continued)

##### (ii) Licences

Licences arising from business combinations were initially recognised and measured at fair value upon acquisition and amortised using the straight-line method over their remaining estimated useful lives of three to five years.

#### (f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### (g) Other investments

Other investments are investments which are held for long term strategic purposes. Other investments are stated at cost less accumulated 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.

#### (h) 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.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 2. Principal accounting policies (Continued)

### (i) 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 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.

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.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 2 Principal accounting policies *(Continued)*

### (i) Employee benefits *(Continued)*

#### (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.

### (j) 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 and associates, 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.

### (k) 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.

### (l) Translation of foreign currencies

Transactions in foreign currencies are translated at average 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 balance sheet date. Exchange differences are dealt with in the profit and loss account.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 2 Principal accounting policies *(Continued)*

### (l) Translation of foreign currencies *(Continued)*

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 for the year. Exchange differences arising in these cases are dealt with as a movement in reserves.

### (m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

### (n) Revenue recognition

#### (i) *Technology related services*

The Group derives revenues from the provision of VAS and outsourcing services including software development and call centre services. The Group recognises its revenues net of applicable business taxes and other related taxes.

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

Wireless VAS revenues are derived principally from providing mobile phone users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or on a per message basis ("Service Fees"). These services are predominantly delivered through the platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

#### (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.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 2. Principal accounting policies (Continued)

### (n) Revenue recognition (Continued)

#### (iii) Interest income

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

#### (iv) Dividend Income

Dividend income is recognised when the right to receive payment is established.

## 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:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Gross rental income and management fee	19,103	18,348
Technology related services	18,967	11,302
	<b>38,070</b>	29,650
Other revenues		
Interest income	718	822
Dividend income	798	—
	<b>1,516</b>	822
<b>Total revenues</b>	<b>39,586</b>	30,472

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 segments as the secondary reporting format.

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 and intangible assets, including additions resulting from acquisitions through purchase of subsidiaries.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

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 and property investments

There are no sales between geographical segments.



# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 3. Revenues and turnover (Continued)

### Primary reporting format – business segments

	Property investments		Technology related services		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	19,103	18,348	18,967	11,302	38,070	29,650
Segment results	43,527	11,712	(16,544)	(23,699)	26,983	(11,987)
Unallocated corporate expenses					(5,431)	(6,250)
Unallocated operating income/ (expenses)						
– Other revenues					1,516	822
– Provision for long term receivable					–	(5,534)
– Provision for amounts due from associated companies					(5,812)	–
– Reversal of/(provision for) impairment losses of other investments, net					2,075	(435)
Operating profit/(loss)					19,331	(23,384)
Finance costs					(4,255)	(3,987)
Profit/(loss) before taxation					15,076	(27,371)
Taxation					(11)	–
Profit/(loss) for the year					15,065	(27,371)
Minority interests					91	1,164
Profit/(loss) attributable to shareholders					15,156	(26,207)
Segment assets	399,743	363,323	17,554	17,452	417,297	380,775
Unallocated assets					60,497	35,853
Total assets					477,794	416,628
Segment liabilities	3,701	3,038	10,818	2,824	14,519	5,862
Unallocated liabilities					194,160	182,878
Total liabilities					208,679	188,740
Capital expenditure	–	–	4,786	1,534	4,786	1,534
Unallocated capital expenditure					18	585
					4,804	2,119
Depreciation	–	–	890	480	890	480
Amortisation of intangible assets	–	–	202	–	202	–
Impairment loss of intangible assets	–	–	2,928	–	2,928	–
Unallocated depreciation					219	340
					4,239	820
Other non-cash expenses #	–	–	–	479	–	479

# Non-cash expenses represented write-off of plant and equipment in 2004.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 3. Revenues and turnover (Continued)

### Secondary reporting format – geographical segments

	Turnover		Segment assets		Capital expenditure	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	18,776	18,348	456,483	399,257	18	585
The Mainland China	19,294	11,302	21,311	17,371	4,786	1,534
	<b>38,070</b>	29,650	<b>477,794</b>	416,628	<b>4,804</b>	2,119

## 4. Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	2005 HK\$'000	2004 HK\$'000
<b>Crediting</b>		
Gross rental income and management fee	19,103	18,348
Gain on disposal of plant and equipment	–	152
<b>Charging</b>		
Auditors' remuneration	512	509
Operating lease rental in respect of land and buildings	1,283	2,408
Direct outgoings in respect of investment properties	3,594	3,444
Impairment loss of goodwill	–	1
Impairment loss of intangible assets (Note 12)	2,928	–
Write-off of plant and equipment	–	479
Development expenses	–	1,610

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	11,361	13,404
Retirement benefit costs – defined contribution plan	(462)	131
Social security costs	1,167	1,374
	<b>12,066</b>	<b>14,909</b>

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\$96,000 (2004: HK\$333,000) less forfeited employer's contributions utilised of HK\$558,000 (2004: HK\$202,000). 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 the employment prior to vesting fully in those contributions. The Group ceased voluntary contributions from 1 January 2004. No contribution was payable to the funds at the year end. At 31 March 2005, there was no unutilised forfeited contributions (2004: Nil).

### 6. 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:

	2005 HK\$'000	2004 HK\$'000
Fees		
– executive directors	–	–
– non-executive directors	261	210
Basic salaries, housing allowances, other allowances and benefits in kind	2,224	2,250
Contributions to pension schemes	12	89
	<b>2,497</b>	<b>2,549</b>

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2005	2004
HK\$Nil – HK\$1,000,000	5	5
HK\$2,000,001 – HK\$2,500,000	1	1
	<b>6</b>	<b>6</b>

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

### (a) Directors' emoluments (Continued)

Emoluments paid to the independent non-executive directors amounted to HK\$251,000 for the year (2004: HK\$200,000).

During the year, no director waived directors' emoluments.

During the year, 9,255,000 options (after rights issue adjustment) (Note 23(b)) were granted to the directors under the share option scheme (the "Existing Option Scheme") adopted on 28 August 2002 approved by the shareholders at a special general meeting on 28 August 2002. The closing market price per share at the date before the options were granted was HK\$0.30 (2004: No options were granted in 2004).

### (b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year included one director (2004: one) whose emolument is reflected in the analysis presented above. The emoluments of the remaining four (2004: four) highest paid individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,952	4,167
Discretionary bonus	340	230
Contributions to pension schemes	46	149
	<b>3,338</b>	4,546

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2005	2004
HK\$Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	–	1
	<b>4</b>	4

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 7. Finance costs

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loan		
– wholly repayable within five years	<b>2,799</b>	–
– not wholly repayable within five years	–	2,297
Interest on other loan wholly repayable within five years	<b>1,456</b>	1,690
	<b>4,255</b>	3,987

## 8. 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 (2004: Nil).

The amount of tax charged to the consolidated profit and loss account represents:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current taxation:		
– Hong Kong profits tax	–	–
– Under provision of Hong Kong profits tax in previous year	<b>11</b>	–
	<b>11</b>	–

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

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit/(loss) before taxation	<b>15,076</b>	(27,371)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	<b>2,638</b>	(4,790)
Tax effect on income not subject to tax	<b>(6,265)</b>	(555)
Tax effect on expenses not deductible for taxation purposes	<b>1,568</b>	1,284
Tax effect on tax loss not recognised	<b>2,059</b>	4,061
Under provision in previous year	<b>11</b>	–
Tax charge	<b>11</b>	–

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 8. Taxation (Continued)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 31 March 2005, unrecognised tax losses of the Group amounted to HK\$196,088,000 (2004: HK\$185,393,000). 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\$105,710,000 (2004: HK\$94,982,000) which will expire within five years.

## 9. Profit/(loss) attributable to shareholders

Profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$29,565,000 (2004: loss of HK\$32,803,000) (Note 24(b)).

## 10. Earnings/(loss) per share

The calculation of the basic and diluted earnings/(loss) per share is based on the profit attributable to shareholders of HK\$15,156,000 (2004: loss of HK\$26,207,000). The basic earnings per share is based on the weighted average number of 343,195,811 (2004: 334,679,786) shares in issue during the year. The weighted average number of shares in 2004 is adjusted to reflect the changes in the number of ordinary shares as a result of the capital reorganisation and the rights issue (Note 23 (a)) of the Company during the year.

The diluted earnings per share for the year ended 31 March 2005 is based on 343,195,811 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 311,261 shares deemed to be issued at no consideration if all outstanding options with dilutive effect had been exercised.

No diluted loss per share is presented for the year ended 31 March 2004 as the exercise prices of the outstanding share options and subscription options were greater than the average market price of the Company's share during that year. There was no dilutive effect on the basic loss per share.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 11. Property, plant and equipment

	Investment properties HK\$'000	Other properties HK\$'000	Leasehold improve- ments 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 2004	356,000	5,518	654	6,986	2,065	1,058	372,281
Additions	-	-	5	1,666	3	-	1,674
Disposals	-	-	-	(246)	-	-	(246)
Transfer from other properties							
to investment properties	3,346	(5,518)	-	-	-	-	(2,172)
Surplus on revaluation	29,554	-	-	-	-	-	29,554
<b>At 31 March 2005</b>	<b>388,900</b>	<b>-</b>	<b>659</b>	<b>8,406</b>	<b>2,068</b>	<b>1,058</b>	<b>401,091</b>
Accumulated depreciation							
At 1 April 2004	-	2,172	201	6,421	1,722	455	10,971
Charge for the year	-	-	395	426	156	132	1,109
Disposals	-	-	-	(132)	-	-	(132)
Transfer from other properties							
to investment properties	-	(2,172)	-	-	-	-	(2,172)
<b>At 31 March 2005</b>	<b>-</b>	<b>-</b>	<b>596</b>	<b>6,715</b>	<b>1,878</b>	<b>587</b>	<b>9,776</b>
Net book value							
<b>At 31 March 2005</b>	<b>388,900</b>	<b>-</b>	<b>63</b>	<b>1,691</b>	<b>190</b>	<b>471</b>	<b>391,315</b>
At 31 March 2004	356,000	3,346	453	565	343	603	361,310
The analysis of cost or valuation at 31 March 2005 of the above assets is as follows:							
At cost	-	-	659	8,406	2,068	1,058	12,191
At professional valuation – 2005	388,900	-	-	-	-	-	388,900
	<b>388,900</b>	<b>-</b>	<b>659</b>	<b>8,406</b>	<b>2,068</b>	<b>1,058</b>	<b>401,091</b>

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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

- (a) The Group's investment properties were revalued on an open market value basis at 31 March 2005 by RHL Appraisal Ltd., an independent qualified valuer.
- (b) Investment properties with a carrying amount totalling HK\$385,000,000 (2004: HK\$310,000,000) have been pledged to secure banking facilities to the extent of HK\$134,439,000 (2004: HK\$124,000,000) granted to the Group.
- (c) The tenure of the Group's properties is as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Investment properties in Hong Kong on leases between 10 to 50 years	<b>385,000</b>	356,000
Investment properties/other properties outside Hong Kong on leases of between 10 to 50 years	<b>3,900</b>	5,518
	<b>388,900</b>	361,518

## 12. Intangible assets

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Additions	<b>3,130</b>	–
Amortisation	<b>(202)</b>	–
Impairment loss	<b>(2,928)</b>	–
Net book value as at 31 March	<b>–</b>	–

Intangible assets represent operating licences on wireless VAS services in the PRC. They were valued by the directors and are stated at fair value on acquisition during the year and amortised over the remaining estimated useful lives of three to five years.

As at 31 March 2005, the directors carried out a review for impairment of the intangible assets. Having considered the saturation of the 2G telecommunication market, the directors considered there is a need for an impairment of the intangible assets in connection with the investment in the Entities. The directors determined the amount of the impairment charge of HK\$2,928,000 by using a discounted future cash flow methodology. The discount rate applied to the cash flows was 6% per annum.



# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 13. Subsidiaries

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	477,068	477,068
Less: Provision	(310,400)	(310,400)
	166,668	166,668
Amounts due from subsidiaries ( <i>Note a</i> )	1,425,763	1,426,316
Less: Provision	(1,369,893)	(1,342,695)
	55,870	83,621
Amounts due to subsidiaries	(45,208)	(44,745)
	10,662	38,876
	177,330	205,544

Notes:

- (a) Except for an aggregate amount of HK\$34,904,000 (2004: HK\$53,570,000) due from certain subsidiaries which carries interest at 9% per annum (2004: 9% per annum), the balances of amount due from 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

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets ( <i>Note a</i> )	–	–
Amounts due from associated companies ( <i>Note b</i> )	39,031	38,007
Less: Provision	(39,031)	(33,219)
	–	4,788
	–	4,788

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 14. Associated companies (Continued)

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 2005, 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.

## 15. Other investments

Other investments are analysed as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Listed investments in				
Hong Kong, at cost (Note)	49,264	21,767	–	–
Less: Provision	(27,765)	(12,218)	–	–
	21,499	9,549	–	–
Unlisted investments, at cost	255,268	306,735	–	250
Less: Provision	(254,453)	(297,359)	–	–
Less: Written off	–	(435)	–	(250)
	815	8,941	–	–
Loans to investee companies	1,749	539	–	–
Less: Provision	(1,749)	–	–	–
	–	539	–	–
	22,314	19,029	–	–
Market value of listed investments	47,823	68,951		

Note:

Listed investments include an investment in promoter shares of HK\$14,700,000 (net of provision) in a company listed on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited ("GEM"). There are restrictions on these promoter shares which cannot be freely traded.

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

### 16. Long term receivable

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Sales proceeds from disposal of investment in DFJ	<b>23,663</b>	23,663
Less: Provision	<b>(18,540)</b>	(18,540)
	<b>5,123</b>	5,123

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 of America principally engaged in the investments in securities.

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\$23,663,000, or the market value the portfolio upon dissolution of the fund, whichever is the lower. 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.

### 17. Accounts receivable

The Group's credit terms on the provision of services mainly range from 30 to 90 days. The ageing analysis of trade receivables of the Group is as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Trade receivables		
Current to 30 days	<b>2,095</b>	427
31 to 60 days	<b>1,315</b>	279
61 to 90 days	<b>1,245</b>	212
Over 90 days	<b>531</b>	—
	<b>5,186</b>	918

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

### 18. Amounts due from related companies

The amounts primarily represent loans granted to Anbo Global Company Limited, Cyber On-Air (Asia) Limited and Cyber On-Air Limited, which are wholly owned subsidiaries of International Entertainment Corporation ("IEC") (formerly known as Cyber On-Air Group Company Limited), a company listed on the GEM, in which Mr. Lo Lin Shing, Simon, the Chairman and the executive director of the Company is also the executive director of IEC. IEC has guaranteed the Group for the repayment of these loans.

The loans are unsecured and repayable on or before 30 June 2005. Included in the loans comprise a gross amount of HK\$10,600,000 which bears interest at 2% over the Hong Kong Interbank Offer Rate ("HIBOR") and a gross amount of HK\$1,200,000 which bears interest at prime rate.

### 19. Bank balances and cash

As at 31 March 2005, bank balances of certain subsidiaries of the Group in the amount of approximately HK\$540,000 (2004: Nil) has been frozen under PRC court order in relation to the Group's contingent liabilities as detailed in Note 25 (b).

As at 31 March 2004, included in bank balances and cash was an amount of HK\$6,253,000 which has been pledged as security for banking facilities granted to the Group.

### 20. Creditors, deposits and accruals

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

	2005 HK\$'000	2004 HK\$'000
Trade payables		
Current to 30 days	2,142	526
31 to 60 days	6	860
61 to 90 days	—	26
Over 90 days	384	538
	<b>2,532</b>	1,950

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

### 21. Short term loans

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Bank loan, secured	<i>(a)</i>	<b>134,439</b>	–
Other loan, unsecured	<i>(b)</i>	<b>48,763</b>	48,763
		<b>183,202</b>	48,763

*Notes:*

- (a) Secured bank loan, which carries interest at 1.25% over HIBOR, was secured by the Group's investment properties with carrying value amounted to HK\$385,000,000 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 interests in connection with the loan.
- (b) Other loan is obtained from a wholly owned subsidiary of a former substantial shareholder of the Company. The loan carries interest at 2% over the HIBOR with maturity date extended from 1 October 2004 to 31 March 2006.

### 22. Long term bank loan

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Secured bank loan not wholly repayable within five years	–	124,000
Amounts due within one year included under current liabilities	–	(12,500)
	–	111,500

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

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
– within one year	–	12,500
– in the second year	–	14,000
– in the third to fifth year	–	36,750
– after the fifth year	–	60,750
	–	124,000

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 23. Share capital

### (a) Authorised and issued share capital

	<i>Note</i>	Number of ordinary shares at HK\$0.02 each	HK\$'000
Authorised:			
At 1 April 2003, 1 April 2004 and 31 March 2005		15,000,000,000	300,000
Issued and fully paid:			
At 1 April 2003 and 1 April 2004		5,824,961,161	116,499
Capital reorganisation	<i>(i)</i>	(5,533,713,103)	(110,674)
Issue of shares – rights issue	<i>(ii)</i>	145,624,029	2,912
At 31 March 2005		436,872,087	8,737

#### Notes:

- (i) 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) the nominal value of each of the 5,824,961,161 then issued ordinary shares of the Company was reduced by HK\$0.019, from HK\$0.02 to HK\$0.001, whereby the Company's then issued share capital of HK\$116,499,223 was reduced by HK\$110,674,262 to HK\$5,824,961 (the "Capital Reduction");
  - (b) the credit in the amount of HK\$110,674,262 arising from the Capital Reduction was credited to the contributed surplus account of the Company (Note 24(a));
  - (c) every 20 then issued shares of HK\$0.001 each were consolidated into one new share of HK\$0.02 each (the "Share Consolidation"). On such basis, there were 291,248,058 shares of HK\$0.02 each in issue;
  - (d) 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 (Note 24(a)); and
  - (e) a total amount of HK\$2,669,972,843 in the contributed surplus account was applied to set off against the accumulated losses of the Company (Note 24(a)).
- (ii) On 9 March 2005, the Company completed a rights issue of 145,624,029 shares at a subscription price of HK\$0.2 per share. Accordingly, 145,624,029 shares of HK\$0.02 each were issued at a premium of HK\$0.18 each. The premium on issue of shares of approximately HK\$26,212,000 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 2005

## 23. Share capital (Continued)

### (b) Share options

- (i) Under the share option scheme adopted by the Company on 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. The Terminated Option Scheme is valid for a term of ten years commencing on the adoption date. The Terminated Option Scheme was terminated on 28 August 2002 upon the adoption of the Existing Option Scheme.

The outstanding share options granted under the Terminated Option Scheme and Existing Option Scheme are exercisable during their respective option period of seven years subject to such conditions as the directors and employees of the Company may have determined.

Details of the movement of share options outstanding as of 31 March 2005 granted under the Terminated Option Scheme and the Existing Option Scheme were as follows:

Date of grant	Exercise price			Exercise period	Number of shares subject to options					
	As at date of grant	As adjusted by reorganisation	As adjusted by rights issue		As at 1 April 2004	Granted during the year	Capital re-organisation adjustment	Rights issue adjustment	Lapsed during the year	As at 31 March 2005
	HK\$	HK\$	HK\$							
			(Note 1)							
<b>Directors</b>										
17-04-2002	0.0520	1.04	0.6933	17-04-2002 to 16-04-2009	30,000,000	-	(28,500,000)	750,000	-	2,250,000
01-03-2005	0.2900	-	0.1933	01-03-2005 to 28-02-2012	-	6,170,000	-	3,085,000	-	9,255,000
					30,000,000	6,170,000	(28,500,000)	3,835,000	-	11,505,000
<b>Employees (including a director of certain subsidiaries)</b>										
16-11-2000	0.1552	-	-	16-11-2000 to 15-11-2007	4,350,000	-	-	-	(4,350,000)	-
	(Note 2)									
17-04-2002	0.0520	1.04	0.6933	17-04-2002 to 16-04-2009	25,908,000	-	(13,721,800)	276,300	(11,633,600)	828,900
01-03-2005	0.2900	-	0.1933	01-03-2005 to 28-02-2012	-	4,465,000	-	2,232,500	-	6,697,500
					30,258,000	4,465,000	(13,721,800)	2,508,800	(15,983,600)	7,526,400
					60,258,000	10,635,000	(42,221,800)	6,343,800	(15,983,600)	19,031,400

#### Notes:

- Exercise price was adjusted by rights issue in 2005.
- The exercise price had been adjusted to HK\$0.1552 since 12 April 2002 after the completion of rights issue in 2002.

No share options were exercised during the year.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 23. Share capital (Continued)

### (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. Such options are exercisable during a period from 4 February 2002 up to and including 31 December 2005 at the subscription price of (i) HK\$3.0# per share from 4 February 2002 up to and including 31 December 2004; and (ii) HK\$4.0# per share from 1 January 2005 up to and including 31 December 2005.

None of these options were exercised during the year.

# The subscription prices are adjusted by the Share Consolidation (Note 23(a)).

## 24. Reserves

### (a) Group

	Share premium HK\$'000	Contributed surplus HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
At 1 April 2003	1,718,244	1,040,649	(2,621,297)	137,596
Loss for the year	–	–	(26,207)	(26,207)
At 31 March 2004	1,718,244	1,040,649	(2,647,504)	111,389
At 1 April 2004	1,718,244	1,040,649	(2,647,504)	111,389
Contributed surplus arising from Capital Reduction (Note 23 (a))	–	110,674	–	110,674
Transfer to contributed surplus (Note 23 (a))	(1,718,244)	1,718,244	–	–
Transfer to accumulated losses (Note 23 (a))	–	(2,669,973)	2,669,973	–
Issue of shares (Note 23 (a))	26,212	–	–	26,212
Share issue expenses	(3,053)	–	–	(3,053)
Profit for the year	–	–	15,156	15,156
<b>At 31 March 2005</b>	<b>23,159</b>	<b>199,594</b>	<b>37,625</b>	<b>260,378</b>



# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 24. Reserves (Continued)

### (b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	(Accumu- lated losses) HK\$'000	Total HK\$'000
At 1 April 2003	1,718,244	1,040,649	(2,637,170)	121,723
Loss for the year	–	–	(32,803)	(32,803)
<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>
At 1 April 2004	1,718,244	1,040,649	(2,669,973)	88,920
Contributed surplus arising from capital reduction (Note 23(a))	–	110,674	–	110,674
Transfer to contributed surplus (Note 23(a))	(1,718,244)	1,718,244	–	–
Transfer to accumulated losses (Note 23(a))	–	(2,669,973)	2,669,973	–
Issue of shares (Note 23(a))	26,212	–	–	26,212
Share issue expenses	(3,053)	–	–	(3,053)
Loss for the year	–	–	(29,565)	(29,565)
<b>At 31 March 2005</b>	<b>23,159</b>	<b>199,594</b>	<b>(29,565)</b>	<b>193,188</b>

At 31 March 2005, the Company has distributable reserves of HK\$170,029,000 (2004: Nil), including contributed surplus of HK\$199,594,000 which is distributable subject to conditions set out below:

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 25. Contingent liabilities

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
(a) Guarantees in respect of credit facilities granted to subsidiaries	–	–	183,202	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 RMB5,000,000 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 RMB5,000,000 in connection with the above claim. During the year, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of approximately RMB573,000 (equivalent to approximately HK\$540,000) only. The directors consider that such court order will not materially and adversely affect the financial position or operating results 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 for the year ended 31 March 2005.

## 26. Commitments

### (a) Capital commitments

	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for in respect of other investments	–	2,106
	–	2,106

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

### 26. Commitments (Continued)

#### (b) Commitments under operating leases

At 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Not later than one year	<b>1,445</b>	555
Later than one year and not later than five years	<b>860</b>	214
	<b>2,305</b>	769

#### (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 operating leases are as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Not later than one year	<b>14,129</b>	10,694
Later than one year and not later than five years	<b>17,587</b>	7,207
	<b>31,716</b>	17,901

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 27. Consolidated cash flow statement

### (a) Reconciliation of profit/(loss) before taxation to net cash outflow from operations

	<b>2005</b>	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	<b>15,076</b>	(27,371)
Interest income	<b>(718)</b>	(822)
Interest expense	<b>4,255</b>	3,987
Dividend income	<b>(798)</b>	–
Depreciation and amortisation	<b>1,311</b>	820
Impairment loss of intangible assets	<b>2,928</b>	–
Surplus on revaluation of investment properties	<b>(29,554)</b>	–
(Reversal of)/provision for impairment losses of other investments, net	<b>(2,075)</b>	435
Recovery of doubtful debts, net	<b>(657)</b>	–
Provision for amounts due from associated companies	<b>5,812</b>	–
Impairment loss of goodwill	–	1
Provision for long term receivable	–	5,534
Write-off of plant and equipment	–	479
Gain on disposal of plant and equipment	–	(152)
Operating loss before working capital changes	<b>(4,420)</b>	(17,089)
Increase in amounts due from associated companies	<b>(1,024)</b>	(4,788)
Increase in accounts receivable, other receivables, prepayments and deposits, and amounts due from related companies	<b>(4,367)</b>	(1,669)
Increase in creditors, deposits and accruals	<b>7,063</b>	15
Net cash outflow from operations	<b>(2,748)</b>	(23,531)

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 27. Consolidated cash flow statement (Continued)

### (b) Acquisition of subsidiaries

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Debtors, deposits and prepayments	246	9
Bank balances and cash (Note (i))	120	1
Creditors, deposits and accruals	(666)	(6)
	<b>(300)</b>	4
Intangible assets	<b>3,130</b>	1
	<b>2,830</b>	5
Satisfied by:		
Cash consideration	<b>2,830</b>	5
Consideration payable (Note (ii))	<b>(283)</b>	(5)
	<b>2,547</b>	–
Bank balance and cash acquired	<b>(120)</b>	(1)
Net outflow/(inflow) of cash and cash equivalent in respect of acquisition of subsidiaries	<b>2,427</b>	(1)

Notes:

- (i) The net inflow of cash and cash equivalents in respect of the acquisition of the subsidiaries, representing bank balances and cash acquired, amounted to approximately HK\$120,000 (2004: HK\$1,000).
- (ii) The acquisition of subsidiaries during the year was satisfied by cash consideration of HK\$2,830,000, of which HK\$283,000 is payable at 31 March 2005.
- (iii) The subsidiaries acquired during the year contributed HK\$1,080,000 to the Group's net operating cash outflows.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 27. Consolidated cash flow statement (Continued)

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

	Share capital (including share premium) HK\$'000	Short term and long term loans HK\$'000	Minority interests HK\$'000	Restricted bank balances and cash deposits HK\$'000	Total HK\$'000
Balance 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)
Balance at 31 March 2004	1,834,743	172,763	156	(6,253)	2,001,409
Net cash inflow from financing	26,071	10,439	–	5,713	42,223
Capital reorganisation	(1,828,918)	–	–	–	(1,828,918)
Minority interests' share of losses	–	–	(91)	–	(91)
<b>Balance at 31 March 2005</b>	<b>31,896</b>	<b>183,202</b>	<b>65</b>	<b>(540)</b>	<b>214,623</b>

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

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Bank balances and cash	<b>41,748</b>	13,612
Less: Restricted bank balances	<b>540</b>	6,253
	<b>41,208</b>	7,359

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 28. Related party transactions

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

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Technical service fee receivable from an associated company	<i>(a)</i>	<b>1,510</b>	2,210
Advances to associated companies	<i>(b)</i>	–	2,578
Reimbursement of rental and office administrative expenses from a related company	<i>(c)</i>	<b>495</b>	155
Interest income from related companies	<i>(d)</i>	<b>446</b>	336
Professional fee payable to Tai Fook Capital Ltd	<i>(e)</i>	<b>355</b>	–
Underwriting commission paid to Golden Infinity Co., Ltd.	<i>(f)</i>	<b>668</b>	–

*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 centre 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) Advances to certain subsidiaries of Asia V-Sat Co. Ltd., an associated company of the Group was made for working capital purposes in 2004.
- (c) The rental expenses reimbursed from IEC, 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) The interest income was charged on loans granted to certain subsidiaries of IEC at mutually agreed terms (Note 18).

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 28. Related party transactions (Continued)

- (e) Professional fee payable to Tai Fook Capital Limited, the subsidiary of Tai Fook Securities Group Limited, in which Mr. Lo Lin Shing, Simon, the Chairman and an executive director of the Company, is also the deputy chairman and a substantial shareholder of Tai Fook Securities Group Limited. The professional fee was charged at mutually agreed terms.
- (f) Underwriting commission for rights issue exercise (Note 23(a)(ii)) was paid to Golden Infinity Co., Ltd., a company which is wholly and beneficially owned by Mr. Lo Lin Shing, Simon, the chairman and an executive director of the Company. The commission was charged at mutually agreed terms.

## 29. Subsequent events

On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK\$0.24 per share (the "Placing"). Accordingly, the issued share capital of the Company has been increased from HK\$8,737,000 to HK\$9,897,000 by an allotment of 58,000,000 new shares of HK\$0.02 each at a premium of HK\$0.22 per share. These new shares rank pari passu in all respect with the existing shares. Details of the Placing have been published in an announcement of the Company dated 21 April 2005. The net proceeds from the Placing was approximately HK\$13 million.

## 30. Approval of accounts

The accounts were approved by the board of directors on 15 July 2005.

## 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	Effective 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
<sup>1</sup> Cyber Network Technology Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
<sup>1</sup> Gamerian Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding



# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 31. Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Effective interest held	Principal activities
Jadesails Investments Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment
<sup>*</sup> Jetco Technologies Limited	Hong Kong	1,250,000 shares of HK\$1.00 each	100%	Investment holding and property investment
<sup>1</sup> Joyworth Investments Limited	British Virgin Islands	1 share of US\$1.00	100%	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
<sup>2*</sup> Shanghai New Era Link Telecom Technology Co., Ltd.	People's Republic of China	HK\$10,000,000	80%	Technology development in network and communications and provision of related consultancy services in PRC
<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

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

## 31. Particulars of principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Particulars of issued/registered share capital	Effective interest held	Principal activities
<sup>3*</sup> 上海易圖通信息技術有限公司	People's Republic of China	RMB10,000,000	80%	Provision of internet content services and telecommunication value-added services in PRC
<sup>3*</sup> 南京逆火軟件有限公司	People's Republic of China	RMB3,000,000	80%	Provision of internet content services and telecommunication value-added services in PRC

<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.

<sup>3</sup> Equity interest are either held by individual nominees or PRC local company whose equity interests are held by individual nominees on behalf of the Group.

\* Subsidiaries not audited by PricewaterhouseCoopers. The aggregate net assets of these subsidiaries represent approximately 10% of the Group's total assets.

## 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%	Dormant