

# Consolidated Income Statement

For the year ended 31 March 2006

	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
<b>Continuing operations:</b>			
Turnover	5	24,052	18,776
Other income	5	1,954	1,462
Staff costs	8	(7,966)	(3,938)
Depreciation		(842)	(219)
Surplus on revaluation of investment properties		-	29,000
Reversal of impairment losses of other investments, net		-	2,075
Reversal of impairment losses of long term receivable		7,545	-
Fair value loss – financial assets at fair value through profit or loss		(19,422)	-
Other operating expenses		(17,875)	(7,278)
Operating (loss)/profit	7	(12,554)	39,878
Finance costs	10	(7,430)	(4,255)
Share of loss of jointly controlled entity		(3)	-
(Loss)/profit before income tax		(19,987)	35,623
Income tax expense	11	(811)	(5,876)
(Loss)/profit from continuing operations		(20,798)	29,747
<b>Discontinued operations:</b>			
Profit/(loss) from discontinued operations	6	19,407	(20,738)
<b>(Loss)/profit for the year</b>		<b>(1,391)</b>	9,009
<b>Attributable to:</b>			
Equity holders of the Company		(1,383)	9,100
Minority interests		(8)	(91)
		(1,391)	9,009
<b>(Loss)/earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company for the year</b>			
	13		
– basic (HK cents)		(3.83)	10.21
– diluted (HK cents)		(2.84)	10.20
<b>Earnings/(loss) per share for profit/(loss) from discontinued operations attributable to the equity holders of the Company for the year</b>			
	13		
– basic (HK cents)		3.58	(7.10)
– diluted (HK cents)		2.86	(7.09)

# Consolidated Balance Sheet

As at 31 March 2006

	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	143,992	2,415
Investment properties	15	385,000	388,900
Associated companies	17	–	–
Jointly controlled entity	18	15,104	–
Other investments	19	–	22,314
Financial assets at fair value through profit or loss	20	43,674	–
Long term receivable	21	12,668	5,123
		<b>600,438</b>	418,752
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	27,946	–
Accounts receivable	22	4,475	5,186
Other receivables, prepayments and deposits		4,998	3,567
Amounts due from related companies	23	8,717	8,468
Tax prepaid		55	73
Pledged bank deposits	24	–	540
Cash and cash equivalents	25	171,485	41,208
		<b>217,676</b>	59,042
<b>Current liabilities</b>			
Creditors, deposits and accruals	26	16,520	25,412
Short-term loans	27	151,724	183,202
		<b>168,244</b>	208,614
<b>Net current assets/(liabilities)</b>		<b>49,432</b>	(149,572)
<b>Total assets less current liabilities</b>		<b>649,870</b>	269,180
<b>Non-current liabilities</b>			
Convertible notes	28	175,528	–
Deferred income tax liabilities	29	47,216	42,934
		<b>222,744</b>	42,934
<b>Net assets</b>		<b>427,126</b>	226,246

# Consolidated Balance Sheet

As at 31 March 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i> (Restated)
<b>Financed by:</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	30	<b>29,737</b>	8,737
Reserves	31	<b>397,332</b>	217,444
		<b>427,069</b>	226,181
<b>Minority interests</b>		<b>57</b>	65
<b>Total equity</b>		<b>427,126</b>	226,246

**Lo Lin Shing, Simon**  
*Director*

**Yvette Ong**  
*Director*

# Balance Sheet

As at 31 March 2006

	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Subsidiaries	16	166,668	166,668
<b>Current assets</b>			
Financial assets at fair value through profit or loss	20	27,946	–
Amounts due from subsidiaries	16	215,972	55,870
Other receivables		1,482	1,444
Cash and cash equivalents	25	162,749	26,667
		<b>408,149</b>	83,981
<b>Current liabilities</b>			
Amounts due to subsidiaries	16	48,414	45,208
Other payables		3,977	3,516
		<b>52,391</b>	48,724
<b>Net current assets</b>		<b>355,758</b>	35,257
<b>Total assets less current liabilities</b>		<b>522,426</b>	201,925
<b>Non-current liabilities</b>			
Convertible notes	28	175,528	–
Deferred income tax liabilities	29	3,495	–
		<b>179,023</b>	–
<b>Net assets</b>		<b>343,403</b>	201,925
<b>Financed by:</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	30	29,737	8,737
Reserves	31	313,666	193,188
		<b>343,403</b>	201,925

Lo Lin Shing, Simon  
Director

Yvette Ong  
Director

# Consolidated Statement Of Changes In Equity

For the year ended 31 March 2006

	Attributable to equity holders of the Company				
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balance at 1 April 2004, as previously reported as equity	116,499	2,758,893	(2,647,504)	–	227,888
Balance at 1 April 2004, as previously reported separately as minority interests	–	–	–	156	156
Effect of adoption of HK(SIC)-Int 21	–	–	(37,069)	–	(37,069)
Balance at 1 April 2004, as restated	116,499	2,758,893	(2,684,573)	156	190,975
Distributable reserves arising from capital reduction (Note 30(a)(i))	(110,674)	110,674	–	–	–
Transfer to accumulated losses (Note 30(a)(i))	–	(2,669,973)	2,669,973	–	–
Rights issue of shares (Note 30(a)(iii))	2,912	26,212	–	–	29,124
Share issue expenses	–	(3,053)	–	–	(3,053)
Profit for the year, as previously reported	–	–	15,156	(91)	15,065
Effect of changes in accounting policies (Note 2.1)	–	191	(6,056)	–	(5,865)
Profit for the year, as restated	–	–	9,100	–	9,100
Balance at 31 March 2005, as restated	8,737	222,944	(5,500)	65	226,246
Balance at 1 April 2005, as per above	8,737	222,944	(5,500)	65	226,246
Opening adjustments for adoption of HKASs 32 and 39 (Note 2.1)	–	–	26,324	–	26,324
Balance at 1 April 2005, as restated	8,737	222,944	20,824	65	252,570
Convertible notes – equity component (Note 28)	–	21,468	–	–	21,468
Deferred tax on equity component of convertible notes (Note 29)	–	(3,757)	–	–	(3,757)
Share-based compensation expenses	–	1,760	–	–	1,760
Issue of shares (Note 30)	21,000	141,761	–	–	162,761
Share issue expenses	–	(6,285)	–	–	(6,285)
Lapse of share options	–	(23)	23	–	–
Loss for the year	–	–	(1,383)	(8)	(1,391)
Balance at 31 March 2006	29,737	377,868	19,464	57	427,126

# Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Cash flow from operating activities</b>			
Cash used in operations	34(a)	(13,979)	(1,724)
Interest paid		(5,934)	(2,676)
Interest received		1,954	718
Hong Kong profits tax paid		(268)	(11)
Net cash used in operating activities		(18,227)	(3,693)
<b>Cash flows from investing activities</b>			
Proceeds from disposal of plant and equipment		–	114
Additions of plant and equipment		(145,640)	(1,674)
New loans to investee companies		–	(468)
Advances to associated companies		(1,112)	(1,024)
Advance to jointly controlled entity		(15,107)	–
Dividend received		–	798
Acquisition of subsidiaries	34(b)	–	(2,427)
Disposal of subsidiaries	34(c)	(10,675)	–
Net cash used in investing activities		(172,534)	(4,681)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		162,761	29,124
Share issue expenses		(6,285)	(3,053)
Drawdown of short-term loans		22,285	150,039
Repayment of short-term loans		(53,763)	(139,600)
Release of restricted bank balances and cash deposits		540	5,713
Issue of convertible notes		195,500	–
Net cash generated from financing activities	34(d)	321,038	42,223
<b>Net increase in cash and cash equivalents</b>		<b>130,277</b>	<b>33,849</b>
Cash and cash equivalents at beginning of year		41,208	7,359
<b>Cash and cash equivalents at end of year</b>	25	<b>171,485</b>	<b>41,208</b>

# Notes to the Financial Statements

For the year ended 31 March 2006

## 1 General information

New World CyberBase Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in property investments, aircraft charter and the provision of technology related services. The Group has discontinued the provision of technology related services upon disposal of subsidiaries as set out in Note 6.

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business is 21st Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 11 July 2006.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

(a) *The adoption of new/revised HKFRS*

With effect from 1 April 2004, the Group had early adopted HKFRS 3 “Business Combinations”, HKAS 36 “Impairment of Assets and HKAS 38 “Intangible Assets” in preparing the financial statements for the year ended 31 March 2005. Starting from 1 April 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations



# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### (a) *The adoption of new/revised HKFRS (Continued)*

The adoption of new/revised HKASs 1, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28, 31 and 33 do not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.
- HKASs 7, 8, 10, 16, 17, 23, 27, 28, 31 and 33 have no material effect on the Group's accounting policies.
- HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets at fair value through profit or loss. In prior years, other investments were stated at cost less accumulated impairment losses.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are dealt with in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HK(SIC)-Int 21 has resulted in a change in accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *(a) The adoption of new/revised HKFRS (Continued)*

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective from 1 April 2005, the Group charged the cost of share options to the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods (Note 2.14(b)).

The adoption of HKFRS 5 has resulted in a change in accounting policy for discontinued operations. An operation is classified as discontinued when the criteria to be classified as "held for sale" have been met or the Group has disposed of the operation. The application of HKFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of the discontinued operations.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All the standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and
- HKFRS 5 – prospective application after the adoption date.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (a) The adoption of new/revised HKFRS (Continued)

The effect of the changes in accounting policies on the results for the current and prior year is as follows:

	Year ended 31 March 2005			Year ended 31 March 2006			
	HK(SIC)-			HKAS 32	HK(SIC)-		
	Int 21	HKFRS 2	HKFRS 5	and 39	Int 21	HKFRS 2	HKFRS 5
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reclassified turnover to discontinued operations	-	-	(19,294)	-	-	-	(14,548)
Reclassified other income to discontinued operations	-	-	(54)	-	-	-	(26)
Reclassified staff cost, depreciation and other operating expenses to discontinued operations	-	-	40,086	-	-	-	22,096
Reclassified gain on disposal of subsidiaries to discontinued operations	-	-	-	-	-	-	(26,929)
Net results reclassified as (loss)/profit from discontinued operations	-	-	(20,738)	-	-	-	19,407
Increase in staff costs	-	(191)	-	-	-	(1,760)	-
Fair value loss – financial assets at fair value through profit or loss	-	-	-	(19,422)	-	-	-
Reversal of impairment losses of long term receivable	-	-	-	7,545	-	-	-
Increase in income tax expense	(5,865)	-	-	-	(787)	-	-
Decrease in profit/increase in loss for the year	(5,865)	(191)	-	(11,877)	(787)	(1,760)	-
Decrease in basic earnings per share (HK cents)	(2.01)	(0.07)	-	(2.19)	(0.15)	(0.32)	-

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### (a) The adoption of new/revised HKFRS (Continued)

The cumulative effects of the changes in accounting policies on the consolidated balance sheet at 31 March 2005 and 1 April 2005 are as follows:

	At 31 March 2005 (Originally stated) HK\$'000	Effect of adoption of HKAS 1 and 40 HK\$'000	Effect of adoption of HK(SIC)- Int 21 HK\$'000	Effect of adoption of HKFRS 2 HK\$'000	At 31 March 2005 (Restated) HK\$'000	Effect of adoption of HKAS 32 and 39 HK\$'000	At 1 April 2005 (Restated) HK\$'000
Property, plant and equipment	391,315	(388,900)	-	-	2,415	-	2,415
Investment properties	-	388,900	-	-	388,900	-	388,900
Other investments	22,314	-	-	-	22,314	(22,314)	-
Financial assets at fair value through profit or loss	-	-	-	-	-	48,638	48,638
Long term receivable	5,123	-	-	-	5,123	-	5,123
Deferred income tax liabilities	-	-	(42,934)	-	(42,934)	-	(42,934)
Other liabilities, net	(149,572)	-	-	-	(149,572)	-	(149,572)
Minority interests	(65)	65	-	-	-	-	-
Net assets	269,115	65	(42,934)	-	226,246	26,324	252,570
Share capital	8,737	-	-	-	8,737	-	8,737
Retained earnings/ (accumulated losses)	37,625	-	(42,934)	(191)	(5,500)	26,324	20,824
Other reserves	222,753	-	-	191	222,944	-	222,944
Minority interests	-	65	-	-	65	-	65
Total equity	269,115	65	(42,934)	-	226,246	26,324	252,570

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

(b) *Standards, amendments and interpretations to published standards that are not yet effective*

No early adoption of the following new Standards, Amendments and Interpretations, which are relevant to its operations, that have been issued and are mandatory for accounting periods beginning on or after 1 January 2006 or later periods.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2

The Group has already commenced an assessment of the impact of these new Standards, Amendments and Interpretations but is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Consolidation *(Continued)*

#### *(a) Subsidiaries (Continued)*

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 net 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 income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 dividend received and receivable.

#### *(b) Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Consolidation *(Continued)*

#### (c) *Joint ventures*

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to jointly control and none of the participating parties has unilateral control over the economic activity. The Group's investments in jointly controlled entity are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entity's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.4 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

## 2 Summary of significant accounting policies *(Continued)*

### 2.4 Foreign currency translation *(Continued)*

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

#### *(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies *(Continued)*

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over the estimated useful lives, as follows:

Leasehold improvements	over unexpired lease terms
Computer equipment	3 years
Furniture, fixtures and office equipment	5-10 years
Motor vehicles	5 years
Aircraft and engines	12-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

### 2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

## 2 Summary of significant accounting policies *(Continued)*

### 2.6 Investment properties *(Continued)*

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

### 2.7 Intangible assets

#### (a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, if any.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (Note 2.8). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### (b) *Licenses*

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

### 2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least 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 or depreciation 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies (Continued)

### 2.9 Financial assets

From 1 April 2004 to 31 March 2005:

The Group classified its investments, other than subsidiaries, associated companies and jointly controlled entities, as other investments.

(a) *Other investments*

Investments which were held for long term strategic purposes were stated at cost less accumulated impairment losses at the balance sheet date.

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 income statement. The impairment loss is written back to the income statement when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in accounts and other receivables in the balance sheet.

## 2 Summary of significant accounting policies *(Continued)*

### 2.9 Financial assets *(Continued)*

#### *(c) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

#### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category (including interest and dividend income) are included in the income statement in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies *(Continued)*

### 2.9 Financial assets *(Continued)*

The fair values of quoted investments are based on current quoted bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### 2.10 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### 2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

### 2.12 Borrowings

Bank and other loans are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2 Summary of significant accounting policies *(Continued)*

### 2.13 Deferred income tax

Deferred income tax 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 consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and the jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.14 Employee benefits

#### *(a) 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. 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 income statement 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 employee's monthly salaries. The Group's contributions under such schemes are charged to the income statement 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 Financial Statements

For the year ended 31 March 2006

## 2 Summary of significant accounting policies *(Continued)*

### 2.14 Employee benefits *(Continued)*

#### *(b) Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### 2.15 Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle that obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.16 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases are charged or credited to the income statement on a straight-line basis over the period of the lease.

### 2.17 Borrowings costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

## 2 Summary of significant accounting policies *(Continued)*

### 2.18 Revenue recognition

(i) *Rental and management fee income*

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

(ii) *Charter flight income*

Charter flight income is recognised when transportation services are rendered.

(iii) *Technology related services*

The Group derives revenues from the provision of wireless value-added telecommunications services (the "VAS") and outsourcing services including software development and call centre services. The Group recognises its revenue net of applicable business taxes and related taxes.

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

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 (the "Service Fees"). These services are predominantly delivered through platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

(iv) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

### 2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



# Notes to the Financial Statements

For the year ended 31 March 2006

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest-rate risk. The use of financial derivatives to hedge certain risk exposures is governed by the Group's financial management policies. The Group does not use derivative financial instruments for speculative purposes.

(a) *Foreign exchange risk*

The Group mainly operates in Hong Kong with most of the transactions settled in HK\$ and United States dollar ("US\$"). The Group also had certain operations in the PRC which had been disposed of during the year. The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to Renminbi ("RMB") and US\$. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

(b) *Price risk*

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(c) *Credit risk*

The Group has no significant concentrations of credit risk. The Group regularly reviews the credit terms and credit limits granted to individual customer, and it has policies in place to ensure that sales are made to customers with an appropriate credit history.

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through its operations and an adequate amount of committed credit facilities. The management aims to maintain flexibility in funding by keeping committed credit lines available.

(e) *Interest rate risk*

The Group's income and operating cash flow are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in Note 25. The Group's exposure to changes in interest rates is mainly attributable to its short-term loans and convertible notes, details of which have been disclosed in Notes 27 and 28, respectively. Short-term loans carry interest at floating rates expose the Group to cash flow interest rate risk. Convertible notes issued at fixed rate expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 3 Financial risk management *(Continued)*

### 3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's current financial assets (other than financial instruments), including cash and cash equivalents, accounts receivable, other receivables, prepayments and deposits, and current financial liabilities, including creditors, deposits and accruals and short-term loans, approximate their fair values due to their short maturities.

The face value less any estimated impairment provision (as appropriate) for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

### (a) Investment properties

The fair values of investment properties are determined annually by independent qualified valuers on an open market in existing use basis. In making the judgement, consideration has been given to assumptions that are mainly on market conditions existing at the balance sheet date and appropriate capitalisation rates of rental income.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 4 Critical accounting estimates and judgements *(Continued)*

### (b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations.

The estimated useful life of the engines for the aircraft is determined by independent qualified valuers assuming the engines have normal utilisation of the same or similar type of engines and good maintenance program. Different judgements or estimates could significantly affect the estimated useful life and impact the result of operations.

Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (c) Convertible notes

The fair value of convertible notes is estimated by independent professional valuer based on actual transactions of the financial instruments in the market or transactions of similar financial instruments generally represent the best estimate of the market value.

### (d) Share-based payment

The fair values of options granted are estimated by independent professional valuer based on the various assumptions on volatility, life of options, dividend yield and annual risk-free interest rate, excluding the impact of non-market vesting conditions, which generally represent the best estimate of the fair values of the options at the date of granting the options.

### (e) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision of income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### (f) Long term receivable

The fair value of long term receivable is estimated by the Directors based on the discounted present value of the expected future cash flows derived from the long term receivable. To determine the discounted present value, the Directors are required to estimate the future cash flows expected to arise from the settlement of the amount, after taking into account the risks specific to the asset and a suitable discount rate, which are based on management's assumptions and estimates. Detailed sensitivity analyses have been prepared and management is of the view that the carrying amount of the long term receivable is not materially different from its fair value.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 5 Turnover, other income and segment information

The Group is principally engaged in property investments, aircraft charter and the provision of technology related services. The Group has ceased the provision of technology related services following the disposal of subsidiaries as set out in Note 6.

Revenues recognised during the year are as follows:

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 (Restated)
Turnover		
Gross rental income and management fee	<b>19,493</b>	18,776
Charter flight income	<b>4,559</b>	–
	<b>24,052</b>	18,776
Other income		
Interest income	<b>1,954</b>	664
Dividend income	–	798
	<b>1,954</b>	1,462
Total	<b>26,006</b>	20,238

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.

### Primary reporting format – business segments

The Group is organised into three (2005: two) main business segments:

Property investments

Aircraft charter (*note a*)

Technology related services (*note b*)

Notes:

(a) *The aircraft charter segment is newly operated by the Group during the year.*

(b) *The Group disposed of its entire interest in the technology related services segment during the year, details of which have been disclosed in Note 6.*

There are no sales or other transactions between business segments.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 5 Turnover, other income and segment information (Continued)

### Primary reporting format – business segments (Continued)

The segment results for the year ended 31 March 2006 are as follows:

	Continuing		Discontinued		Total	
	Property investments HK\$'000	Aircraft charter HK\$'000	Property investments HK\$'000	Technology related services HK\$'000	Continuing HK\$'000	Discontinued HK\$'000
Turnover	19,493	4,559	197	14,351	24,052	14,548
Segment results	14,165	(2,739)	164	(7,849)	11,426	(7,685)
Unallocated corporate (expenses)/income					(14,057)	1,249
Unallocated operating income/(expenses)						
– Other income					1,954	26
– Fair value loss – financial assets at fair value through profit or loss					(19,422)	-
– Reversal of impairment losses of long term receivable					7,545	-
– Provision for amounts due from associated companies					-	(1,112)
– Gain on disposal of subsidiaries					-	26,929
Operating (loss)/profit					(12,554)	19,407
Finance costs					(7,430)	-
Share of loss of jointly controlled entity					(3)	-
(Loss)/profit before income tax					(19,987)	19,407
Income tax expense					(811)	-
(Loss)/profit for the year					(20,798)	19,407
Depreciation	-	667	-	611	667	611
Unallocated depreciation					175	-
					842	611
Capital expenditure	-	144,399	-	1,188	144,399	1,188
Unallocated capital expenditure					53	-
					144,452	1,188

# Notes to the Financial Statements

For the year ended 31 March 2006

## 5 Turnover, other income and segment information (Continued)

### Primary reporting format – business segments (Continued)

The segment results for the year ended 31 March 2005 are as follows:

	Continuing		Discontinued		Total	
	Property investments HK\$'000	Technology related services HK\$'000	Property investments HK\$'000	Technology related services HK\$'000	Continuing	Discontinued
					HK\$'000	HK\$'000
Turnover	18,776	–	327	18,967	18,776	19,294
Segment results	42,765	–	762	(16,273)	42,765	(15,511)
Unallocated corporate (expenses)/income					(6,424)	531
Unallocated operating income/(expenses)						
– Other income					1,462	54
– Provision for amounts due from associated companies					–	(5,812)
– Reversal of impairment losses of other investments, net					2,075	–
Operating profit/(loss)					39,878	(20,738)
Finance costs					(4,255)	–
Profit/(loss) before income tax					35,623	(20,738)
Income tax expense					(5,876)	–
Profit/(loss) for the year					29,747	(20,738)
Depreciation	–	–	–	890	–	890
Unallocated depreciation					219	–
					219	890
Amortisation of intangible assets	–	–	–	202	–	202
Impairment loss of intangible assets	–	–	–	2,928	–	2,928
Capital expenditure	–	–	–	4,786	–	4,786
Unallocated capital expenditure					18	–
					18	4,786

Segment assets consist primarily of property, plant and equipment, investment properties, operating cash and other current assets. Segment liabilities comprise operating liabilities and exclude items such as short term loans, convertible notes and deferred income tax liabilities.

Capital expenditure represents additions to plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 5 Turnover, other income and segment information (Continued)

### Primary reporting format – business segments (Continued)

The segment assets and liabilities at 31 March 2006 are as follows:

	Property investments HK\$'000	Aircraft charter HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets	389,235	168,049	260,830	818,114
Liabilities	4,389	4,097	382,502	390,988

The segment assets and liabilities at 31 March 2005 are as follows:

	Property investments HK\$'000	Technology related services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets	399,743	17,554	60,497	477,794
Liabilities	3,701	10,818	237,029	251,548

### Secondary reporting format – geographical segments

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

Hong Kong: Property investments and aircraft charter  
The Mainland China: Technology related services and property investments

There are no sales between geographical segments.

	For the year ended 31 March			
	Turnover		Capital expenditure	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong – Continuing	24,052	18,776	144,452	18
Mainland China – Discontinued	14,548	19,294	1,188	4,786
	38,600	38,070	145,640	4,804

# Notes to the Financial Statements

For the year ended 31 March 2006

## 5 Turnover, other income and segment information (Continued)

### Secondary reporting format – geographical segments (Continued)

	<b>31 March 2006 HK\$'000</b>	31 March 2005 HK\$'000
Total assets		
Hong Kong	<b>818,061</b>	456,483
Mainland China	<b>53</b>	21,311
	<b>818,114</b>	477,794

Turnover is allocated based on the countries or locations in which the customers are located. Total assets and capital expenditure are allocated based on where the assets are located.

## 6 Discontinued operations

During the year, the Group disposed of its entire interest in New World CyberBase Solutions (BVI) Limited and its subsidiaries (collectively the “NWCBVI Group”) to New World Mobile Holdings Limited (“NWM”), a company incorporated in Cayman Islands and listed on the Stock Exchange of Hong Kong Limited. The disposal was approved by the independent shareholders of the Company at the Special General Meeting on 18 October 2005 and completed on 21 October 2005.



# Notes to the Financial Statements

For the year ended 31 March 2006

## 6 Discontinued operations (Continued)

An analysis of the results and cash flows of the discontinued operations is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	<b>14,548</b>	19,294
Other income	<b>26</b>	54
Staff costs	<b>(6,178)</b>	(8,128)
Depreciation	<b>(611)</b>	(890)
Amortisation of intangible assets	–	(202)
Impairment loss of intangible assets	–	(2,928)
Provision for amounts due from associated companies	<b>(1,112)</b>	(5,812)
Surplus on revaluation of investment properties	–	554
Recovery of doubtful debts, net	–	657
Other operating expenses	<b>(14,195)</b>	(23,337)
Loss before income tax	<b>(7,522)</b>	(20,738)
Income tax expense	–	–
	<b>(7,522)</b>	(20,738)
Gain on disposal of subsidiaries ( <i>Note 34(c)</i> )	<b>26,929</b>	–
Profit/(loss) from discontinued operations	<b>19,407</b>	(20,738)
Net cash used in operating activities	<b>(10,156)</b>	(14,881)
Net cash (used in)/generated from investing activities	<b>(1,221)</b>	1,745
Net cash generated from financing activities	<b>11,371</b>	22,910
Total net cash (outflow)/inflow	<b>(6)</b>	9,774

No tax charge or credit arose from the disposal of NWCBVI Group. The carrying amounts of the assets and liabilities of NWCBVI Group at the date of disposal are disclosed in Note 34(c).

# Notes to the Financial Statements

For the year ended 31 March 2006

## 7 Operating (loss)/profit

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

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
<b>Crediting</b>		
Gross rental income and management fee	<b>19,493</b>	18,776
<b>Charging</b>		
Auditors' remuneration	<b>650</b>	512
Operating lease rental in respect of land and buildings	<b>499</b>	225
Direct operating expenses arising from investment properties that generate rental income	<b>3,177</b>	3,336
Direct operating expenses arising from investment properties that did not generate rental income	<b>127</b>	161

## 8 Staff costs (including directors' remuneration)

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Wages and salaries	<b>6,085</b>	4,209
Retirement benefit costs – defined contribution plan	<b>121</b>	(462)
Share options granted to directors and employees	<b>1,760</b>	191
	<b>7,966</b>	3,938

The retirement benefit costs under MPF Scheme charged to the income statement represent gross contributions payable by the Group to the MPF Scheme of HK\$121,000 (2005: gross contributions of HK\$96,000 less forfeited employer's contributions utilised of HK\$558,000). No contribution was payable to the funds at the year end. At 31 March 2006, there was no unutilised forfeited contributions (2005: Nil).

# Notes to the Financial Statements

For the year ended 31 March 2006

## 9 Directors' and senior management's emoluments

### (a) Directors' emoluments

The remuneration of each of the Directors for the year ended 31 March 2006 is as follows:

Name of Director	Fees HK\$'000	Salary HK\$'000	Other benefits HK\$'000	Share option benefits HK\$'000	Employer's contribution to MPF Scheme HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Lo Lin Shing, Simon	-	-	530	553	-	1,083
Yvette Ong	-	1,834	181	267	12	2,294
<i>Non-executive director</i>						
To Hin Tsun, Gerald	10	-	-	191	-	201
<i>Independent non-executive directors</i>						
Peter Pun	100	-	-	55	-	155
Wei Chi Kuan, Kenny	100	-	-	55	-	155
Lau Wai Piu	100	-	-	55	-	155
	<b>310</b>	<b>1,834</b>	<b>711</b>	<b>1,176</b>	<b>12</b>	<b>4,043</b>

The remuneration of each of the Directors for the year ended 31 March 2005 is as follows:

Name of Director	Fees HK\$'000	Salary HK\$'000	Other benefits HK\$'000	Share option benefits HK\$'000 (Restated)	Employer's contribution to MPF Scheme HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Lo Lin Shing, Simon	-	-	-	56	-	56
Yvette Ong	-	2,160	64	27	12	2,263
<i>Non-executive director</i>						
To Hin Tsun, Gerald	10	-	-	19	-	29
<i>Independent non-executive directors</i>						
Peter Pun	100	-	-	6	-	106
Wei Chi Kuan, Kenny	100	-	-	6	-	106
Lau Wai Piu	51	-	-	6	-	57
	<b>261</b>	<b>2,160</b>	<b>64</b>	<b>120</b>	<b>12</b>	<b>2,617</b>

During the years, no Director waived any directors' emoluments.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 9 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 (2005: one) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2005: four) highest paid individuals during the year are as follows:

	2006 HK\$'000	2005 HK\$'000 (Restated)
Basic salaries, other allowances and benefits in kind	2,814	2,952
Discretionary bonus	457	340
Contributions to pension schemes	48	46
Share option benefits	266	25
	<b>3,585</b>	3,363

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2006	2005
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	1
	<b>4</b>	4

- (c) During the year, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 10 Finance costs

	2006 HK\$'000	2005 HK\$'000
Interest expense:		
– short-term bank loan	6,542	2,799
– short-term other loan	–	1,456
– convertible notes wholly repayable within five years (Note 28)	1,496	–
	<b>8,038</b>	4,255
Less: Write-back of interest payable for other loan, net	<b>(608)</b>	–
	<b>7,430</b>	4,255

# Notes to the Financial Statements

For the year ended 31 March 2006

## 11 Income tax expense

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profit for the year (2005: Nil). Taxation on overseas profits has not been provided for as the Group has no estimated assessable profit for the year (2005: Nil).

The amount of tax charged to the consolidated income statement represents:

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 (Restated)
Current income tax:		
– Hong Kong profits tax	<b>286</b>	–
– Under provision for Hong Kong profits tax in prior year	–	11
Deferred income tax ( <i>Note 29</i> )	<b>525</b>	5,865
	<b>811</b>	5,876

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

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 (Restated)
(Loss)/profit before income tax from continuing operations	<b>(19,987)</b>	35,623
Loss before income tax from discontinued operations ( <i>Note 6</i> )	<b>(7,522)</b>	(20,738)
	<b>(27,509)</b>	14,885
Calculated at a taxation rate of 17.5% (2005: 17.5%)	<b>(4,814)</b>	2,605
Tax effect on income not subject to tax	<b>(1,545)</b>	(1,093)
Tax effect on expenses not deductible for tax purposes	<b>3,693</b>	1,601
Tax effect on tax loss not recognised	<b>3,477</b>	2,752
Under provision in prior year	–	11
Income tax expense	<b>811</b>	5,876

## 12 Loss attributable to equity holders of the Company

Loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$34,469,000 (2005: HK\$29,756,000 as restated) (Note 31(b)).

# Notes to the Financial Statements

For the year ended 31 March 2006

## 13 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to the equity holders of the Company (net of minority interests) and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted (loss)/earnings per share is based on the weighted average number of ordinary shares in issue during the year, as used in the calculation of basic (loss)/earnings per share and the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted (loss)/earnings per share is based on the following data:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
<b>Earnings</b>		
(Loss)/profit from continuing operations attributable to the equity holders of the Company (net of minority interests), as used in the calculation of basic (loss)/earnings per share	<b>(20,790)</b>	29,838
Interest expense on convertible notes	<b>1,496</b>	–
(Loss)/profit from continuing operations attributable to the equity holders of the Company, as used in the calculation of diluted (loss)/earnings per share	<b>(19,294)</b>	29,838
Profit/(loss) from discontinued operations attributable to equity holders of the Company	<b>19,407</b>	(20,738)
	<b>Number of shares</b>	
	<b>2006</b> <i>(thousand)</i>	2005 <i>(thousand)</i>
<b>Weighted average number of ordinary shares in issue</b>		
Weighted average number of ordinary shares in issue for basic (loss)/earnings per share	<b>542,316</b>	292,193
Effect of dilutive potential ordinary shares:		
Convertible notes	<b>130,898</b>	–
Share options	<b>6,098</b>	311
Weighted average number of ordinary shares in issue for diluted (loss)/earnings per share	<b>679,312</b>	292,504

The weighted average number of ordinary shares for the year ended 31 March 2005 is adjusted to reflect the change in the number of ordinary shares as a result of the rights issue of the Company during the year as set out in Note 30 (a)(iv).

# Notes to the Financial Statements

For the year ended 31 March 2006

## 14 Property, plant and equipment – Group

	Other properties <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Aircraft <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>							
At 1 April 2004	5,518	654	6,986	2,065	1,058	–	16,281
Additions	–	5	1,666	3	–	–	1,674
Disposals	–	–	(246)	–	–	–	(246)
Transfer from other properties to investment properties ( <i>Note 15</i> )	(5,518)	–	–	–	–	–	(5,518)
At 31 March 2005 and 1 April 2005	–	659	8,406	2,068	1,058	–	12,191
Additions	–	668	1,027	377	–	143,568	145,640
Exchange difference	–	9	84	21	13	–	127
Disposal of subsidiaries ( <i>Note 34(c)</i> )	–	(716)	(6,174)	(1,327)	(674)	–	(8,891)
<b>At 31 March 2006</b>	<b>–</b>	<b>620</b>	<b>3,343</b>	<b>1,139</b>	<b>397</b>	<b>143,568</b>	<b>149,067</b>
<b>Accumulated depreciation</b>							
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 ( <i>Note 15</i> )	(2,172)	–	–	–	–	–	(2,172)
At 31 March 2005 and 1 April 2005	–	596	6,715	1,878	587	–	9,776
Charge for the year	–	174	429	100	109	641	1,453
Exchange difference	–	11	56	19	9	–	95
Disposal of subsidiaries ( <i>Note 34(c)</i> )	–	(603)	(4,055)	(1,098)	(493)	–	(6,249)
<b>At 31 March 2006</b>	<b>–</b>	<b>178</b>	<b>3,145</b>	<b>899</b>	<b>212</b>	<b>641</b>	<b>5,075</b>
<b>Net book value</b>							
<b>At 31 March 2006</b>	<b>–</b>	<b>442</b>	<b>198</b>	<b>240</b>	<b>185</b>	<b>142,927</b>	<b>143,992</b>
At 31 March 2005	–	63	1,691	190	471	–	2,415

# Notes to the Financial Statements

For the year ended 31 March 2006

## 15 Investment properties

	Group	
	2006 HK\$'000	2005 HK\$'000
Beginning of the year	388,900	356,000
Transfer from other properties (Note 14)	-	3,346
Disposal of subsidiaries (Note 34(c))	(3,900)	-
Increase in fair value	-	29,554
End of the year	<b>385,000</b>	388,900

The Group's investment properties were revalued on an open market value basis at 31 March 2006 by RHL Appraisal Ltd., an independent professional qualified valuer.

Investment properties with a carrying amount totalling HK\$385,000,000 (2005: HK\$385,000,000) have been pledged to secure banking facilities to the extent of HK\$151,724,000 (2005: HK\$134,439,000) granted to the Group (Note 27).

The Group's interests in investment properties are analysed as follows:

	2006 HK\$'000	2005 HK\$'000
In Hong Kong, held on lease of between 10 to 50 years	385,000	385,000
Outside Hong Kong, held on lease of between 10 to 50 years	-	3,900
	<b>385,000</b>	388,900



# Notes to the Financial Statements

For the year ended 31 March 2006

## 16 Subsidiaries

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	477,068	477,068
Less: Provision	(310,400)	(310,400)
	<b>166,668</b>	166,668
Amounts due from subsidiaries (note (a))	1,531,622	1,425,763
Less: Provision	(1,315,650)	(1,369,893)
	<b>215,972</b>	55,870
Amounts due to subsidiaries (note (b))	<b>(48,414)</b>	(45,208)

Notes:

- (a) Except for an aggregate amount of HK\$10,167,540 (2005: HK\$34,904,000) due from certain subsidiaries which carries interest at 9% (2005: 9%) per annum, the balances with subsidiaries are unsecured, interest free and repayable on demand.
- (b) A list of the principal subsidiaries is set out in Note 37 to the financial statements.

## 17 Associated companies

	Group	
	2006 HK\$'000	2005 HK\$'000
Share of net assets (note a)	-	-
Amounts due from associated companies (note b)	26,431	39,031
Less: Provision	(26,431)	(39,031)
	-	-
	-	-

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 2006, 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 unsecured, interest free and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 17 Associated companies (Continued)

The following is the details of the associated companies at 31 March 2006:

Name	Place of incorporation	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

## 18 Jointly controlled entity – Group

	2006 HK\$'000	2005 HK\$'000
Share of net liabilities	(3)	–
Amount due from jointly controlled entity	15,107	–
	15,104	–

The amount due from the jointly controlled entity, which is unsecured and interest free, represents the Group's equity contribution to the jointly controlled entity.

The following is the details of the jointly controlled entity at 31 March 2006:

Name	Place of incorporation	Particulars of issued share capital	Interest held	Principal activities
Everbest Business Limited	British Virgin Islands	2 shares of US\$1.00 each	50%	Aircraft charter (not yet started its operations during the period)

# Notes to the Financial Statements

For the year ended 31 March 2006

## 18 Jointly controlled entity – Group (Continued)

The following is an extract of the operating results and financial position of Everbest Business Limited (incorporated on 18 October 2005) based on a set of unaudited management accounts for the period ended 31 March 2006 prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

	<b>Everbest Business Limited</b>	<b>Group's attributable interests</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets:</b>		
Non-current assets – prepayment for purchase of aircraft	30,215	15,107
<b>Liabilities:</b>		
Non-current liabilities – shareholders' loans	(30,215)	(15,107)
Current liabilities	(6)	(3)
	(30,221)	(15,110)
<b>Net liabilities</b>	(6)	(3)
<b>Operating results:</b>		
Income	–	–
Expenses	(6)	(3)
Loss for the period	(6)	(3)
<b>Capital commitments:</b>		
Contracted but not provided for in respect of property, plant and equipment – aircraft	212,598	106,299

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities of the jointly controlled entity itself.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 19 Other investments – Group

Other investments are analysed as follows:

	2005 HK\$'000
Listed investments in Hong Kong, at cost	49,264
Less: Provision	(27,765)
	21,499
Unlisted investments, at cost	255,268
Less: Provision	(254,453)
	815
Loans to investee companies	1,749
Less: Provision	(1,749)
	–
Total	22,314

## 20 Financial assets at fair value through profit or loss

	Group 2006 HK\$'000	Company 2006 HK\$'000
<b>Non-current assets</b>		
Equity securities of companies listed in Hong Kong	42,524	–
Unlisted equity securities	1,150	–
	43,674	–
<b>Current assets</b>		
Equity securities of a company listed in Hong Kong	27,946	27,946

# Notes to the Financial Statements

For the year ended 31 March 2006

## 21 Long term receivable

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Balance at 31 March	<b>12,668</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 interest 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 of the portfolio upon the dissolution of the fund, which 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.

At 31 March 2005, the long term receivable was carried at cost less impairment losses. During the year, the Directors reassessed the fair value of the long term receivable based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset, and are of the opinion that at 31 March 2006, the carrying amount of the long term receivable approximates its fair value.

## 22 Accounts receivable

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

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current to 30 days	<b>3,609</b>	2,095
31 to 60 days	<b>205</b>	1,315
61 to 90 days	<b>228</b>	1,245
Over 90 days	<b>433</b>	531
	<b>4,475</b>	5,186
Denominated in:		
HK\$	<b>1,226</b>	1,207
US\$	<b>3,249</b>	–
RMB	<b>–</b>	3,979
	<b>4,475</b>	5,186

The carrying value of accounts receivable approximates their fair values due to the short term maturity.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 23 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"), a company of which Mr. Lo Lin Shing, Simon ("Mr. Lo"), the chairman and an executive director of the Group, is also an executive director.

The loans are secured by a corporate guarantee from IEC, repayable on demand and bear interest at commercial rates. The carrying value of the amounts due from related companies approximates their fair values due to the short term maturity.

## 24 Pledged bank deposits

As at 31 March 2005, bank balances of certain subsidiaries of the Group in the amount of approximately HK\$540,000 was frozen under PRC court order in relation to a claim filed by a PRC government institute for the infringement of rights to derive benefits from using the city mapping information contents in the PRC. The relevant subsidiaries were disposed of by the Group during the year.

## 25 Cash and cash equivalents

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank balances and cash	7,932	13,508	2,737	1,667
Time deposits with initial term of less than three months	163,553	27,700	160,012	25,000
	171,485	41,208	162,749	26,667
Denominated in:				
HK\$	171,339	31,289	162,749	26,667
RMB	–	9,919	–	–
US\$	146	–	–	–
	171,485	41,208	162,749	26,667

The weighted average effective interest rate on short-term bank deposits, with maturity ranging from one week to one month, was 4.0% (2005: 1.9%) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 26 Creditors, deposits and accruals

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

	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Current to 30 days	<b>2,520</b>	2,142
31 to 60 days	<b>645</b>	6
61 to 90 days	<b>890</b>	–
Over 90 days	<b>152</b>	384
	<b>4,207</b>	2,532
Denominated in:		
HK\$	<b>4,207</b>	755
RMB	–	1,777
	<b>4,207</b>	2,532

The carrying value of the accounts payable approximates their fair values due to the short term maturity.

## 27 Short-term loans

The Group's short-term loans are denominated in HK\$ and the carrying amounts of these loans approximate their fair values. The short-term loans are analysed as follows:

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
Bank loan, secured	<i>(a)</i>	<b>151,724</b>	134,439
Other loan, unsecured	<i>(b)</i>	–	48,763
		<b>151,724</b>	183,202

Notes:

- (a) Secured bank loan, which carries interest at 1% (2005: 1.25%) over the Hong Kong Interbank Offer Rate ("HIBOR"), was secured by the Group's investment properties with carrying value amounted to HK\$385 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 interests in connection with the loan.
- (b) Other loan at 31 March 2005 represented a loan obtained from a wholly-owned subsidiary of a former substantial shareholder of the Company. The loan carried interest at 2% over the HIBOR. The loan was fully settled during the year.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 28 Convertible notes

On 17 February 2006, the Company issued 2.5% redeemable convertible notes at a nominal value of HK\$200 million. These convertible notes have maturity period of three years from the issue date at their nominal value of HK\$200 million or can be converted into 1 ordinary share of the Company of HK\$0.02 each for every HK\$0.18 convertible note at the holder's option.

The fair values of the liability component and the equity conversion component were determined by an independent professional qualified valuer at issuance of the convertible notes.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves net of deferred income taxes.

The convertible notes recognised in the balance sheet are calculated as follows:

	<b>2006</b> <b>HK\$'000</b>
Face value of convertible notes issued (net of commission)	<b>195,500</b>
Equity component transferred to other reserves ( <i>Note 31</i> )	<b>(21,468)</b>
Liability component on initial recognition	<b>174,032</b>
Interest expense ( <i>Note 10</i> )	<b>1,496</b>
Liability component at 31 March 2006	<b>175,528</b>

The fair value of the liability component of the convertible notes at 31 March 2006 amounted to HK\$174,349,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 7.5%.

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of 7.3% to the liability component.



# Notes to the Financial Statements

For the year ended 31 March 2006

## 29 Deferred income tax liabilities

Deferred income tax is calculated in full on temporary differences under the liability method using the taxation rate which is expected to apply at the time of reversal of the temporary differences.

The components of the deferred income tax account recognised in the balance sheet (prior to offsetting of balances within the same tax jurisdiction) and the movements during the year are as follows:

	Group		Total	Company
	Investment properties	Convertible notes		Convertible notes
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004, as previously reported	–	–	–	–
Effect of adoption of HK(SIC)-Int 21	37,069	–	37,069	–
At 1 April 2004, as restated	37,069	–	37,069	–
Charged to the income statement (Note 11)	5,865	–	5,865	–
At 31 March 2005	42,934	–	42,934	–
Charged/(credited) to the income statement (Note 11)	787	(262)	525	(262)
Charged to equity (Note 31)	–	3,757	3,757	3,757
At 31 March 2006	43,721	3,495	47,216	3,495

The deferred income tax liabilities are to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31 March 2006, unrecognised tax losses of the Group amounted to HK\$35,891,000 (2005: HK\$196,088,000). 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 in prior year which will expire within five years.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 30 Share capital

### (a) Authorised and issued share capital

	<b>31 March 2006 HK\$'000</b>	31 March 2005 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.02 each	<b>300,000</b>	300,000

	<i>Note</i>	<b>Number of ordinary shares at HK\$0.02 each</b>	<i>HK\$'000</i>
Issued and fully paid:			
Balance at 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
Balance at 31 March 2005		436,872,087	8,737
Issue of shares			
– Placing of shares	<i>(iii)</i>	58,000,000	1,160
– Rights issue	<i>(iv)</i>	989,744,174	19,795
– Exercise of share options		2,245,000	45
Balance at 31 March 2006		1,486,861,261	29,737

Notes:

- (i)* On 23 August 2004, the following resolutions approving the capital reorganisation were duly passed at a special general meeting of the Company:
- 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");
  - 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;
  - 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;

# Notes to the Financial Statements

For the year ended 31 March 2006

## 30 Share capital (Continued)

### (a) Authorised and issued share capital (Continued)

Notes: (Continued)

- 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
  - 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.
- (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 HK\$26,212,000 was credited to the share premium account. These new shares rank *pari passu* in all respect with the existing shares.
- (iii) On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK\$0.24 per share. Accordingly, 58,000,000 shares of HK\$0.02 each were issued at a premium of HK\$0.22 each. The premium on issue of shares of HK\$12,760,000 was credited to the share premium account. These new shares rank *pari passu* in all respect with the existing shares.
- (iv) On 13 February 2006, the Company completed a rights issue of 989,744,174 shares at a subscription price of HK\$0.15 per share. Accordingly, 989,744,174 shares of HK\$0.02 each were issued at a premium of HK\$0.13 each. The premium on issue of shares of approximately HK\$128,667,000 was credited to the share premium account. These new shares rank *pari passu* in all respect with the existing shares.

### (b) Share options

Under the share option schemes adopted by the Company on 22 September 2000 (the "Terminated Option Scheme") and 28 August 2002 (the "Existing Option Scheme"), options were granted to certain directors and employees of the Company entitling them to subscribe for shares of the Company. The Terminated Option Scheme was terminated on 28 August 2002 upon the adoption of the Existing Option Scheme.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 30 Share capital (Continued)

### (b) Share options (Continued)

Movements of share options outstanding and their weighted average exercise prices are as follows:

	2006		2005	
	Weighted average exercise price per share HK\$	Number of share options	Weighted average exercise price per share HK\$	Number of share options
At beginning of the year	0.2742	19,031,400	0.0594	60,258,000
Granted	0.1636	828,900	0.2900	10,635,000
Capital reorganisation adjustment	N/A	–	N/A	(42,221,800)
Rights issue adjustment	N/A	2,060,020	N/A	6,343,800
Exercised	0.1691	(2,245,000)	N/A	–
Lapsed/cancelled	0.5457	(4,368,900)	0.0801	(15,983,600)
At end of the year	0.1692	15,306,420	0.2742	19,031,400

Options exercised during the year ended 31 March 2006 resulted in 2,245,000 ordinary shares (2005: Nil) being issued at the weighted average exercise price of HK\$0.1691 (2005: Nil) each. The related weighted average share price at the time of exercise was HK\$0.3121 (2005: Nil) per share.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options outstanding at the end of the year have the following exercise period and exercise price:

Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options	
			2006	2005
17-04-2002	0.6933	17-04-2002 to 16-04-2009	–	3,078,900
01-03-2005	0.1695 (note)	01-03-2005 to 28-02-2012	14,617,520	15,952,500
15-02-2006	0.1636	15-02-2006 to 16-04-2009	688,900	–
			15,306,420	19,031,400

# Notes to the Financial Statements

For the year ended 31 March 2006

## 30 Share capital (Continued)

### (b) Share options (Continued)

Note:

The exercise price was adjusted from HK\$0.1933 to HK\$0.1695 pursuant to the rights issue of the Company during the year as set out in Note 30 (a)(iv).

The fair values of options granted determined using the Binomial Valuation Model were as follow:

	Date of grant of share option	
	1 March 2005	15 February 2006
Option value (at grant date)	HK\$1,215,000	<b>HK\$32,000</b>
Option value (upon completion of the rights issue on 9 March 2005)	HK\$1,919,000	<b>N/A</b>
Significant inputs into the valuation model:		
Exercise price (at grant date)	HK\$0.29	<b>HK\$0.1636</b>
Exercise price (upon completion of the rights issue on 9 March 2005)	HK\$0.1695	<b>N/A</b>
Share price at grant date and on 9 March 2005	HK\$0.29	<b>N/A</b>
Share price at grant date	N/A	<b>HK\$0.162</b>
Expected volatility (note)	70%	<b>66%</b>
Risk-free interest rate	3.9%	<b>4.2%</b>
Expected life of options	7 years	<b>3.17 years</b>
Expected dividend yield	N/A	<b>N/A</b>

Note:

The volatility measured at the standard deviation of expected share price return is based on statistical analysis of daily share prices over the last 6 months before the respective dates of grant.

### (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. These options have been lapsed during the year.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 31 Reserves

### (a) Group

	Convertible notes HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Employee share-based compensation reserves HK\$'000	Exchange translation HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 April 2004, as previously reported	-	1,718,244	1,040,649	-	-	(2,647,504)	111,389
Effect of adoption of HK(SIC)-Int 21	-	-	-	-	-	(37,069)	(37,069)
Balance at 1 April 2004, as restated	-	1,718,244	1,040,649	-	-	(2,684,573)	74,320
Distributable reserves arising from capital reduction (Note 30(a)(i))	-	-	110,674	-	-	-	110,674
Transfer to distributable reserves (Note 30(a)(i))	-	(1,718,244)	1,718,244	-	-	-	-
Transfer to accumulated losses (Note 30(a)(i))	-	-	(2,669,973)	-	-	2,669,973	-
Rights issue of shares (Note 30(a)(iii))	-	26,212	-	-	-	-	26,212
Share issue expenses	-	(3,053)	-	-	-	-	(3,053)
Profit for the year, as previously reported	-	-	-	-	-	15,156	15,156
Effect of changes in accounting policies – Share-based compensation expenses (Note 2.1)	-	-	-	191	-	(6,056)	(5,865)
Profit for the year, as restated	-	-	-	-	-	9,100	9,100
Balance at 31 March 2005, as restated	-	23,159	199,594	191	-	(5,500)	217,444
Balance at 1 April 2005, as per above	-	23,159	199,594	191	-	(5,500)	217,444
Opening adjustment for adoption of HKASs 32 and 39 (Note 2.1)	-	-	-	-	-	26,324	26,324
Balance at 1 April 2005, as restated	-	23,159	199,594	191	-	20,824	243,768
Convertible notes – equity component (Note 28)	21,468	-	-	-	-	-	21,468
Deferred tax on equity component of convertible notes (Note 29)	(3,757)	-	-	-	-	-	(3,757)
Share-based compensation expenses	-	-	-	1,760	-	-	1,760
Issue of shares	-	-	-	-	-	-	-
– placing of shares (Note 30(a)(iii))	-	12,760	-	-	-	-	12,760
– rights issue (Note 30(a)(iv))	-	128,667	-	-	-	-	128,667
– exercise of share options (Note 30(b))	-	555	-	(221)	-	-	334
Share issue expenses	-	(6,285)	-	-	-	-	(6,285)
Lapse of share options	-	-	-	(23)	-	23	-
Currency translation difference	-	-	-	-	32	-	32
Disposal of subsidiaries	-	-	-	-	(32)	-	(32)
Loss for the year	-	-	-	-	-	(1,383)	(1,383)
<b>Balance at 31 March 2006</b>	<b>17,711</b>	<b>158,856</b>	<b>199,594</b>	<b>1,707</b>	<b>-</b>	<b>19,464</b>	<b>397,332</b>

# Notes to the Financial Statements

For the year ended 31 March 2006

## 31 Reserves (Continued)

### (b) Company

	Convertible notes HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Employee share-based compensation reserves HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 April 2004	-	1,718,244	1,040,649	-	(2,669,973)	88,920
Distributable reserves arising from capital reduction (Note 30(a)(i))	-	-	110,674	-	-	110,674
Transfer to distributable reserves (Note 30(a)(i))	-	(1,718,244)	1,718,244	-	-	-
Transfer to accumulated losses (Note 30(a)(i))	-	-	(2,669,973)	-	2,669,973	-
Rights issue of shares (Note 30(a)(ii))	-	26,212	-	-	-	26,212
Share issue expenses	-	(3,053)	-	-	-	(3,053)
Loss for the year, as previously reported	-	-	-	-	(29,565)	(29,565)
Effect of change in accounting policy – share- based compensation expenses (Note 2.1)	-	-	-	191	(191)	-
Loss for the year, as restated	-	-	-	-	(29,756)	-
<b>Balance at 31 March 2005, as restated</b>	<b>-</b>	<b>23,159</b>	<b>199,594</b>	<b>191</b>	<b>(29,756)</b>	<b>193,188</b>
Balance at 1 April 2005, as per above	-	23,159	199,594	191	(29,756)	193,188
Convertible notes – equity component (Note 28)	21,468	-	-	-	-	21,468
Deferred tax on equity component of convertible notes (Note 29)	(3,757)	-	-	-	-	(3,757)
Share-based compensation expenses	-	-	-	1,760	-	1,760
Issue of shares						
– placing of shares (Note 30(a)(iii))	-	12,760	-	-	-	12,760
– rights issue (Note 30(a)(iv))	-	128,667	-	-	-	128,667
– exercise of share options (Note 30(b))	-	555	-	(221)	-	334
Share issue expenses	-	(6,285)	-	-	-	(6,285)
Lapse of share options	-	-	-	(23)	23	-
Loss for the year	-	-	-	-	(34,469)	(34,469)
<b>Balance at 31 March 2006</b>	<b>17,711</b>	<b>158,856</b>	<b>199,594</b>	<b>1,707</b>	<b>(64,202)</b>	<b>313,666</b>

At 31 March 2006, the Company has distributable reserves of HK\$135,392,000 (2005: HK\$169,838,000 as restated), 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 Financial Statements

For the year ended 31 March 2006

## 32 Contingent liabilities

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
(a) Guarantees in respect of credit facilities granted to subsidiaries	-	-	151,724	183,202

- (b) In March 2004, a PRC government institute filed a claim to the PRC court against the Company and certain of the former 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 (equivalent to approximately HK\$4.8 million) and an injunction for further usage of such information. By an order issued by the respective PRC court, the Company and certain of the former subsidiaries were required to freeze their asset value to the extent of the same amount in connection with the above claim. The litigation is still in progress as at 31 March 2006. The Directors consider that such court order will not materially and adversely affect the financial position or operating results of the Group. Accordingly, no provision has been made in the financial statements for the year ended 31 March 2006.

## 33 Commitments

### (a) Commitments under operating leases

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2006 HK\$'000	2005 HK\$'000
Not later than one year	977	1,445
Later than one year and not later than five years	312	860
	<b>1,289</b>	2,305

### (b) 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:

	2006 HK\$'000	2005 HK\$'000
Not later than one year	12,733	14,129
Later than one year and not later than five years	6,778	17,587
	<b>19,511</b>	31,716



# Notes to the Financial Statements

For the year ended 31 March 2006

## 34 Notes to consolidated cash flow statement

### (a) Reconciliation of (loss)/profit for the year to cash used in operations

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
(Loss)/profit for the year	<b>(1,391)</b>	9,009
Income tax expense	<b>811</b>	5,876
Share of loss of a jointly controlled entity	<b>3</b>	–
Dividend income	<b>–</b>	(798)
Interest income	<b>(1,954)</b>	(718)
Interest expense	<b>7,430</b>	4,255
Depreciation	<b>1,453</b>	1,109
Exchange loss on translation of property, plant and equipment	<b>(32)</b>	–
Amortisation of intangible assets	<b>–</b>	202
Fair value loss – financial assets at fair value through profit or loss	<b>19,422</b>	–
Gain on disposal of subsidiaries	<b>(26,929)</b>	–
Impairment loss of intangible assets	<b>–</b>	2,928
Provision for amounts due from associated companies	<b>1,112</b>	5,812
Recovery of doubtful debts, net	<b>–</b>	(657)
Reversal of impairment losses of long term receivable	<b>(7,545)</b>	–
Reversal of impairment losses of other investments, net	<b>–</b>	(2,075)
Share-based compensation expenses	<b>1,760</b>	191
Surplus on revaluation of investment properties	<b>–</b>	(29,554)
Operating loss before working capital changes	<b>(5,860)</b>	(4,420)
Increase in accounts receivable, other receivables, prepayments and deposits, and amounts due from related companies	<b>(7,113)</b>	(4,367)
(Decrease)/increase in creditors, deposits and accruals	<b>(1,006)</b>	7,063
Cash used in operations	<b>(13,979)</b>	(1,724)

# Notes to the Financial Statements

For the year ended 31 March 2006

## 34 Notes to consolidated cash flow statement (Continued)

### (b) Acquisition of subsidiaries

	2005 HK\$'000
Net assets acquired:	
Debtors, deposits and prepayments	246
Bank balances and cash (Note (i))	120
Creditors, deposits and accruals	(666)
	(300)
Intangible assets (Note (ii))	3,130
	2,830
Satisfied by:	
Cash consideration	2,830
Consideration payable	(283)
	2,547
Bank balance and cash acquired	(120)
Cash outflow on acquisition of subsidiaries	2,427

There were no acquisitions of subsidiaries in the year ended 31 March 2006.

Notes:

- (i) The net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary, representing bank balances and cash acquired, amounted to HK\$120,000.
- (ii) The intangible assets represent operating licenses on VAS services in the PRC. An impairment charge of HK\$2,928,000 was recognised in the income statement for the year ended 31 March 2005 pursuant to the impairment review carried out by the Directors.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 34 Notes to consolidated cash flow statement (Continued)

### (c) Disposal of subsidiaries

	2006 HK\$'000
Net assets disposed of:	
Property, plant and equipment (Note 14)	2,642
Investment properties (Note 15)	3,900
Accounts receivable	3,014
Other receivables, prepayments and deposits	3,130
Bank balances and cash	10,675
Creditors, deposits and accruals	(7,886)
	15,475
Gain on disposal of subsidiaries (Note 6)	26,929
	42,404
Satisfied by:	
Sales consideration settled in shares	42,404
Cash outflow on disposal of subsidiaries	10,675

There were no disposals of subsidiaries in the year ended 31 March 2005.

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

	Share capital (including share premium) HK\$'000	Short term loans HK\$'000	Convertible notes HK\$'000	Minority interests HK\$'000	Restricted bank balances HK\$'000	Total HK\$'000
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)
Balance at 31 March 2005	31,896	183,202	–	65	(540)	214,623
Net cash inflow/(outflow) from financing	156,476	(31,478)	195,500	–	540	321,038
Exercise of share options	221	–	–	–	–	221
Minority interests' share of losses	–	–	–	(8)	–	(8)
<b>Balance at 31 March 2006</b>	<b>188,593</b>	<b>151,724</b>	<b>195,500</b>	<b>57</b>	<b>–</b>	<b>535,874</b>

# Notes to the Financial Statements

For the year ended 31 March 2006

## 35 Related party transactions

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

### (a) Transactions with associated companies

	Note	2006 HK\$'000	2005 HK\$'000
Technical service fee charged to a subsidiary of Asia V-Sat Co. Ltd. ("AVSAT"), an associated company	(i)	603	1,510
Advances to certain subsidiaries of AVSAT	(ii)	509	–

Notes:

- (i) *Technical service fee was charged to a subsidiary of AVSAT for the provision of project management services and technical consultancy services in connection of the call centre operations, which is based on 50% of the contract amounts entered into between the associated company and the external customers at mutually agreed terms. The amounts have been included in the results of discontinued operations under HKFRS 5.*
- (ii) *Advances to certain subsidiaries of AVSAT were made for working capital purposes. The amounts are unsecured, interest free and repayable on demand.*

### (b) Transactions with related companies with common director

	Note	2006 HK\$'000	2005 HK\$'000
Reimbursement of rental and office administrative expenses from a subsidiary of IEC	(i)	487	495
Interest income from certain subsidiaries of IEC	(ii)	482	446
Professional fee paid to Tai Fook Capital Limited ("TFCL")	(iii)	703	355
Commission paid to Tai Fook Securities Company Limited ("TFSC")	(iv)	4,500	–
Underwriting commission paid to Golden Infinity Co., Ltd. ("Golden Infinity")	(v)	2,057	668

# Notes to the Financial Statements

For the year ended 31 March 2006

## 35 Related party transactions (Continued)

### (b) Transactions with related companies with common director (Continued)

Notes:

- (i) The reimbursement of rental expenses from the subsidiary of IEC for sharing the Group's office premises and utilities were calculated in proportion to the office space occupied. Administrative expenses were charged on actual incurred basis taking into account the headcount and/or office space occupied.
- (ii) The interest income was charged on loans granted on certain subsidiaries of IEC at mutually agreed terms.
- (iii) Professional fee was paid to TFCL, a subsidiary of Tai Fook Securities Group Limited ("TFSG"), a company of which Mr. Lo is also the deputy chairman and a substantial shareholder. The professional fee was charged at mutually agreed terms.
- (iv) Placing agent commission on convertible notes was paid to TFSC, a subsidiary of TFSG. The commission was charged at mutually agreed terms.
- (v) Underwriting commissions were paid to Golden Infinity, a company wholly owned by Mr. Lo, in connection with the Company's rights issues based on mutually agreed terms.

### (c) Key management personnel compensation

	2006 HK\$'000	2005 HK\$'000
Basic salaries, other allowances and benefits in kind	4,376	5,516
Discretionary bonus	394	340
Share option benefits	568	59
Contributions to pension schemes	91	134
	<b>5,429</b>	6,049

### (d) Balances with related parties

	2006 HK\$'000	2005 HK\$'000
Amount due from Cyber On-Air (Asia) Limited	7,000	7,000
Amount due from Anbo Global Company Limited	1,000	1,000
Amount due from Cyber On-Air Limited	500	500
Others	217	(32)
	<b>8,717</b>	8,468

Details of the balances with related parties were disclosed in Note 23.

## 36 Subsequent events

- (a) On 4 July 2006, the Directors made a public announcement disclosing the following transactions:–
- (i) Business Aviation Asia Limited (“BAA”), an indirect wholly-owned subsidiary of the Group, disposed of its 59.9% interest in the issued share capital of BAA Jet Management Limited (“BAA Jet Management”), a wholly-owned subsidiary of BAA to The Offshore Group Holdings Limited (“Offshore Group”), an independent third party; and
  - (ii) BAA, Offshore Group and BAA Jet Management entered into a shareholders’ loan agreement for which the shareholders of BAA Jet Management agree to provide an aggregate amount of shareholders loan to BAA Jet Management to the extent of HK\$10 million in proportion to their shareholdings in BAA Jet Management for its additional working capital.
- (b) On 6 July 2006, the Directors made a public announcement disclosing that BAA entered into a joint venture agreement with two independent third parties for the establishment of a joint venture company (the “Joint Venture Company”). The Joint Venture Company is a sino-foreign joint venture proposed to be incorporated in the PRC and owned as to 49% by BAA. The registered capital of the Joint Venture Company will be RMB100 million which shall be contributed by the joint venture partners in cash in proportion to their respective shareholdings in the Joint Venture Company. The Joint Venture Company will be principally engaged in the provision of aircraft charter and management services.

# Notes to the Financial Statements

For the year ended 31 March 2006

## 37 Particulars of principal subsidiaries

Details of the Group's principal subsidiaries at 31 March 2006 are as follows:

Name	Place of incorporation	Particulars of issued/registered share capital	Effective interest held	Principal activities
BAA Jet Management Limited (formerly known as "Executive Jet Management Asia Limited")	Hong Kong	1 share of HK\$1.00	100%	Provision of aircraft charter services
Beaubourg Holdings Inc.	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
<sup>1</sup> Blue Velvet Venture Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
Business Aviation Asia Limited	Hong Kong	1 share of HK\$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
Glory Key Investments Ltd.	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
<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
Quinway Company Limited	Hong Kong	10,000 shares of HK\$1.00 each	100%	Property investment

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