

# New World CyberBase Limited

(Incorporated in Bermuda with limited liability)

(stock code:276)

## Setting the Pace **for Tomorrow**

INTERIM REPORT 2006/07



NewWorldCyberbase  
新世界數碼基地

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

		<b>Unaudited</b>	
		<b>Six Months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
			(restated)
<b>Continuing operations:</b>			
Turnover	2	<b>19,790</b>	10,236
Other (charges)/revenues		<b>(8,064)</b>	952
Staff cost, depreciation and other operating expenses		<b>(24,823)</b>	(12,651)
Reversal of impairment losses of long term receivable		<b>11,179</b>	–
Fair value gain/(loss) – financial assets at fair value through profit or loss		<b>7,413</b>	(11,354)
		<hr/>	<hr/>
Operating profit/(loss)	4	<b>5,495</b>	(12,817)
Finance costs	5	<b>(8,952)</b>	(3,851)
Share of profit of an associated company		<b>67</b>	–
		<hr/>	<hr/>
Loss before income tax		<b>(3,390)</b>	(16,668)
Income tax credit/(expense)	6	<b>673</b>	(394)
		<hr/>	<hr/>
Loss from continuing operations		<b>(2,717)</b>	(17,062)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Discontinued operations:</b>			
Loss from discontinued operations	3	–	(6,089)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Loss for the period</b>		<b>(2,717)</b>	(23,151)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

	<b>Unaudited</b>	
	<b>Six Months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		(restated)
<b>Attributable to:</b>		
Equity holders of the Company	<b>(2,717)</b>	(23,144)
Minority interests	<b>-</b>	(7)
	<b>(2,717)</b>	(23,151)
<b>(Loss)/profit per share for loss from continuing operations attributable to the equity holders of the Company during the period</b> 7		
- basic (HK cents)	<b>(0.16)</b>	(4.18)
- diluted (HK cents)	<b>0.11</b>	(4.12)
<b>Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the period</b> 7		
- basic (HK cents)	<b>-</b>	(1.49)
- diluted (HK cents)	<b>-</b>	(1.47)

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2006

		<b>Unaudited</b>	Audited
		<b>At 30 September</b>	At 31 March
		<b>2006</b>	2006
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>139,780</b>	143,992
Investment properties	8	<b>385,000</b>	385,000
Associated companies	9	<b>45,758</b>	—
Jointly controlled entity		<b>15,104</b>	15,104
Financial assets at fair value through profit or loss	10	<b>46,737</b>	43,674
Long term receivable	11	—	12,668
		<b>632,379</b>	600,438
<b>Current assets</b>			
Financial assets at fair value through profit or loss	10	<b>49,436</b>	27,946
Accounts receivable	12	<b>1,565</b>	4,475
Other receivables, prepayments and deposits		<b>4,372</b>	4,998
Amounts due from related companies		<b>8,764</b>	8,717
Tax prepaid		<b>55</b>	55
Cash and cash equivalents		<b>100,689</b>	171,485
		<b>164,881</b>	217,676
<b>Current liabilities</b>			
Creditors, deposits and accruals	13	<b>18,218</b>	16,520
Short-term loans	14	<b>126,939</b>	151,724
		<b>145,157</b>	168,244
<b>Net current assets</b>			
		<b>19,724</b>	49,432
<b>Total assets less current liabilities</b>			
		<b>652,103</b>	649,870

		<b>Unaudited</b>	Audited
		<b>At 30 September</b>	At 31 March
		<b>2006</b>	2006
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Convertible notes	15	<b>136,100</b>	175,528
Deferred income tax liabilities		<b>46,543</b>	47,216
		<b>182,643</b>	222,744
<b>Net assets</b>			
		<b>469,460</b>	427,126
<b>Financed by:</b>			
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	16	<b>35,484</b>	29,737
Reserves		<b>433,919</b>	397,332
		<b>469,403</b>	427,069
<b>Minority interests</b>		<b>57</b>	57
<b>Total equity</b>		<b>469,460</b>	427,126

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2006

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Convertible notes HK\$'000	Share premium HK\$'000	Con-tributed surplus HK\$'000	Employee share-based compensation reserves HK\$'000	Retained earnings/(accu-mulated losses) HK\$'000	Minority interests HK\$'000	
Balance at 1 April 2005	8,737	–	23,159	199,594	191	20,824	65	252,570
Issue of shares	1,160	–	12,760	–	–	–	–	13,920
Share issue expenses	–	–	(584)	–	–	–	–	(584)
Share-based compensation expenses	–	–	–	–	1,728	–	–	1,728
Loss for the period	–	–	–	–	–	(23,144)	(7)	(23,151)
Balance at 30 September 2005	<u>9,897</u>	<u>–</u>	<u>35,335</u>	<u>199,594</u>	<u>1,919</u>	<u>(2,320)</u>	<u>58</u>	<u>244,483</u>
Balance at 1 April 2006	<b>29,737</b>	<b>17,711</b>	<b>158,856</b>	<b>199,594</b>	<b>1,707</b>	<b>19,464</b>	<b>57</b>	<b>427,126</b>
Issue of shares	–	–	–	–	–	–	–	–
– exercise of share options	<b>80</b>	<b>–</b>	<b>1,211</b>	<b>–</b>	<b>(619)</b>	<b>–</b>	<b>–</b>	<b>672</b>
– conversion of convertible notes	<b>5,667</b>	<b>(5,474)</b>	<b>44,186</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>44,379</b>
Loss for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,717)</u>	<u>–</u>	<u>(2,717)</u>
Balance at 30 September 2006	<u><b>35,484</b></u>	<u><b>12,237</b></u>	<u><b>204,253</b></u>	<u><b>199,594</b></u>	<u><b>1,088</b></u>	<u><b>16,747</b></u>	<u><b>57</b></u>	<u><b>469,460</b></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

		<b>Unaudited</b>	
		<b>Six Months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities		<b>11,761</b>	(10,345)
Net cash used in investing activities		<b>(58,444)</b>	(1,248)
Net cash (used in)/generated from financing activities		<b>(24,113)</b>	13,876
(Decrease)/increase in cash and cash equivalents		<b>(70,796)</b>	2,283
Cash and cash equivalents at 1 April		<b>171,485</b>	41,208
Cash and cash equivalents at 30 September		<b>100,689</b>	43,491
Analysis of cash and cash equivalent balances:			
Cash and bank balances		<b>100,689</b>	37,855
Cash and bank balances classified as assets of disposal group held for sale	3	-	5,636
		<b>100,689</b>	43,491

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1 Basis of preparation

These unaudited condensed consolidated interim accounts (the "Interim Accounts") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 March 2006.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31 March 2006.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS" which term collectively includes HKASs and Interpretations) that are effective for accounting periods beginning on or after 1st January 2006. The adoption of these new and revised HKFRSs has no material impact on the Group's accounting policies.

The Group has not early adopted the following new standard, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC) – INT 9	Reassessment of embedded derivatives <sup>3</sup>
HK(IFRIC) – INT 10	Interim financial reporting and impairment <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006.

**2 Segment information**

*Primary reporting format – business segments*

The Group is organised into two main business segments:

Property investments

Aircraft charter

There are no sales or other transactions between business segments.

	<b>For the six months ended 30 September 2006</b>		
	<b>Property investments</b>	<b>Continuing Aircraft charter</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	<u>10,473</u>	<u>9,317</u>	<u>19,790</u>
Segment results	<u>6,576</u>	<u>(7,630)</u>	<u>(1,054)</u>
Unallocated corporate expenses			<b>(3,979)</b>
Other charges, net			<b>(8,064)</b>
Unallocated operating income			
– Reversal of impairment losses of long term receivable			<b>11,179</b>
– Fair value gain – financial assets at fair value through profit or loss			<u>7,413</u>
Operating profit			<b>5,495</b>
Finance costs			<b>(8,952)</b>
Share of profit of an associated company			<u>67</u>
Loss before income tax			<b>(3,390)</b>
Income tax credit			<u>673</u>
Loss for the period			<u><b>(2,717)</b></u>
Depreciation	–	<b>3,666</b>	<b>3,666</b>
Unallocated depreciation			<u>50</u>
			<u><b>3,716</b></u>
Capital expenditure	–	<b>229</b>	<b>229</b>
Unallocated capital expenditure			<u>411</u>
			<u><b>640</b></u>

For the six months ended 30 September 2005

	Property investments		Technology related services		Total	
	Continuing HK\$'000	Discontinued HK\$'000	Continuing HK\$'000	Discontinued HK\$'000	Continuing HK\$'000	Discontinued HK\$'000
Turnover	<u>10,236</u>	<u>177</u>	<u>–</u>	<u>14,004</u>	<u>10,236</u>	<u>14,181</u>
Segment results	<u>8,089</u>	<u>156</u>	<u>–</u>	<u>(6,335)</u>	8,089	(6,179)
Unallocated corporate (expenses)/income					(10,504)	66
Unallocated operating income/(expenses)						
– Other revenues					952	24
– Fair value loss – financial assets at fair value through profit or loss					(11,354)	–
Operating loss					(12,817)	(6,089)
Finance costs					(3,851)	–
Loss before income tax					(16,668)	(6,089)
Income tax expense					(394)	–
Loss for the period					<u>(17,062)</u>	<u>(6,089)</u>
Depreciation	–	–	–	522	–	522
Unallocated depreciation					96	–
					<u>96</u>	<u>522</u>
Capital expenditure	–	–	–	1,211	–	1,211
Unallocated capital expenditure					37	–
					<u>37</u>	<u>1,211</u>

The segment assets and liabilities at 30 September 2006 are as follows:

	<b>Property investments HK\$'000</b>	<b>Aircraft charter HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Total HK\$'000</b>
Assets	<u><b>391,019</b></u>	<u><b>162,659</b></u>	<u><b>243,582</b></u>	<u><b>797,260</b></u>
Liabilities	<u><b>6,379</b></u>	<u><b>1,660</b></u>	<u><b>319,761</b></u>	<u><b>327,800</b></u>

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

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

*Secondary reporting format – geographical segments*

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

Hong Kong:	Property investments and aircraft charter
Mainland China:	Technologies related services and property investments (Note 3)

There are no sales or other transactions between geographical segments.

	<b>For the six months ended 30 September</b>		<b>Capital expenditure</b>	
	<b>Turnover</b>		<b>Turnover</b>	
	<b>2006 HK\$'000</b>	2005 HK\$'000	<b>2006 HK\$'000</b>	2005 HK\$'000
Hong Kong – Continuing	<u><b>19,790</b></u>	10,236	<u><b>640</b></u>	37
Mainland China – Discontinued	<u>-</u>	14,181	<u>-</u>	1,211
	<u><b>19,790</b></u>	<u>24,417</u>	<u><b>640</b></u>	<u>1,248</u>

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
<b>Total assets</b>		
Hong Kong	<b>797,207</b>	818,061
Mainland China	<b>53</b>	53
	<u><b>797,260</b></u>	<u>818,114</u>

### 3 Discontinued operations

On 12 September 2005, the Group announced to dispose of its entire interest in the New World CyberBase Solutions (BVI) Limited and its subsidiaries to New World Mobiles Holdings Limited. The disposal was completed on 21 October 2005.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Turnover	-	14,181
Other revenues	-	24
Staff cost, depreciation and other operating expenses	-	(20,294)
	<u>-</u>	<u>(6,089)</u>
Loss before income tax	-	(6,089)
Income tax expenses	-	-
	<u>-</u>	<u>(6,089)</u>
Loss for the period	<u>-</u>	<u>(6,089)</u>
Net cash used in operating activities	-	(4,095)
Net cash used in investing activities	-	(1,179)
	<u>-</u>	<u>(5,274)</u>
Total net cash outflow	<u>-</u>	<u>(5,274)</u>

#### 4 Operating profit/(loss)

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
<b>Crediting</b>		
Gross rental income and management fee from investment properties	<b>10,473</b>	10,236
Gain on disposal of interest in subsidiaries	<b>2,703</b>	–
	<u><b>13,176</b></u>	<u>10,236</u>
<b>Charging</b>		
Depreciation	<b>3,716</b>	96
Operating lease rentals in respect of land and buildings	<b>428</b>	219
Direct outgoings in respect of investment properties	<b>3,381</b>	1,676
Provision for amount due from associated companies	<b>13,291</b>	1,112
Staff costs	<b>5,489</b>	2,200
	<u><b>26,305</b></u>	<u>5,303</u>

#### 5 Finance costs

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interest expense:		
– short-term bank loan	<b>3,583</b>	2,685
– short-term other loan	–	1,166
– convertible notes wholly repayable within five years	<b>5,369</b>	–
	<u><b>8,952</b></u>	<u>3,851</u>

**6 Income tax credit/(expense)**

Hong Kong profits tax and overseas profits tax have not been provided for as the Group has no estimated assessable profit for the period. (2005: Nil).

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Current income tax	-	-
Deferred income tax credit/(expense)	<b>673</b>	(394)
	<b>673</b>	(394)

**7 (Loss)/profit per share**

The calculation of basic (loss) per share is based on the (loss) for the period attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted profit/(loss) per share is based on the weighted average number of ordinary shares in issue during the period, as used in the calculation of basic loss 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 profit/(loss) per share is based on the following data:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings/(loss)</b>		
(Loss) from continuing operations attributable to the equity holders of the Company (net of minority interests), as used in the calculation of basic (loss) per share	<b>(2,717)</b>	(17,055)
Interest expense on convertible notes	<b>5,369</b>	–
Adjusted profit/(loss) from continuing operations attributable to the equity holders of the Company, as used in the calculation of diluted profit/(loss) per share	<b>2,652</b>	(17,055)
(Loss) from discontinued operations attributable to equity holders of the Company	–	(6,089)
	<b>Number of shares</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>(thousand)</b>	<b>(thousand)</b>
		(restated)
<b>Weighted average number of ordinary shares in issue</b>		
Weighted average number of ordinary shares in issue for basic (loss) per share	<b>1,654,908</b>	408,376
Effect of dilutive potential ordinary shares:		
Convertible notes	<b>827,778</b>	–
Share options	<b>2,559</b>	5,781
Weighted average number of ordinary shares in issue for diluted profit/(loss) per share	<b>2,485,245</b>	414,157

The weighted average number of ordinary shares for the period ended 30 September 2005 is adjusted to reflect the change in the number of ordinary shares as a result of the rights issue of the Company which completed on 13 February 2006 (Note 16(a)(ii)).

## 8 Capital expenditure

	<b>Investment properties</b> <i>HK\$'000</i>	<b>Property, plant and equipments</b> <i>HK\$'000</i>
Cost or valuation		
Net book value as at 1 April 2006	<b>385,000</b>	<b>143,992</b>
Additions	–	<b>640</b>
Disposal	–	<b>(179)</b>
Disposal of subsidiaries	–	<b>(957)</b>
Depreciation	–	<b>(3,716)</b>
	<hr/>	<hr/>
Net book value as at 30 September 2006	<b>385,000</b>	<b>139,780</b>
	<hr/> <hr/>	<hr/> <hr/>
Net book value as at 1 April 2005	388,900	2,415
Additions	–	1,248
Depreciation	–	(648)
Reclassification to assets of disposal group classified as held for sale ( <i>Note 3</i> )	(3,900)	(2,693)
	<hr/>	<hr/>
Net book value as at 30 September 2005	<b>385,000</b>	<b>322</b>
	<hr/> <hr/>	<hr/> <hr/>

## 9 Associated companies

	<b>30 September 2006</b> <i>HK\$'000</i>	31 March 2006 <i>HK\$'000</i>
Share of net assets ( <i>Note a</i> )	<b>67</b>	–
	<hr/>	<hr/>
Amounts due from associated companies ( <i>Note b</i> )	<b>58,982</b>	26,431
Less: Provision	<b>(13,291)</b>	(26,431)
	<hr/>	<hr/>
	<b>45,691</b>	–
	<hr/>	<hr/>
	<b>45,758</b>	–
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) The Group's share of net assets of the associated companies represents the Group's cost of investments plus its share of post-acquisition results and revenues 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.
- (b) The amounts due from associated companies are unsecured, interest free and repayable on demand.

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

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
<b>Non-current assets</b>		
Equity securities of companies listed in Hong Kong	<b>45,587</b>	42,524
Unlisted equity securities	<b>1,150</b>	1,150
	<b><u>46,737</u></b>	<u>43,674</u>
<b>Current assets</b>		
Equity securities of companies listed in Hong Kong	<b><u>49,436</u></b>	<u>27,946</u>

## 11 Long term receivable

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, whichever is the lower. The proceeds shall be settled not later than six months after the dissolution of DFJ, which was determined, subject to other terms in the partnership agreement of DFJ, to be in December 2009 or earlier.

The long term receivable was settled by the General Partner of DFJ at a proceed of approximately HK\$23,663,000 during the period. The carrying amount of the long term receivable at 31 March 2006 approximates its fair value.

**12 Trade receivables**

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

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Current to 30 days	<b>750</b>	3,609
31 to 60 days	<b>407</b>	205
61 to 90 days	<b>–</b>	228
Over 90 days	<b>408</b>	433
	<b><u>1,565</u></b>	<u>4,475</u>
Denominated in:		
HK\$	<b>432</b>	1,226
US\$	<b>1,133</b>	3,249
	<b><u>1,565</u></b>	<u>4,475</u>

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

**13 Creditors, deposits and accruals**

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

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Current to 30 days	<b>1,300</b>	2,520
31 to 60 days	<b>1,014</b>	645
61 to 90 days	<b>1,360</b>	890
Over 90 days	<b>222</b>	152
	<b><u>3,896</u></b>	<u>4,207</u>

The accounts payable were all denominated in HK\$.

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

#### 14 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:

		<b>30 September 2006</b>	31 March 2006
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Bank loan, secured	(a)	<b><u>126,939</u></b>	<u>151,724</u>

*Note:*

- (a) Secured bank loan, which carries interest at 0.65% over the bank's cost of fund (As at 31 March 2006: 1% over the Hong Kong Interbank Offer Rate), 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.

#### 15 Convertible notes

On 17 February 2006, the Company issued 2.5% 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 movement of convertible notes are as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
At the beginning of period	<b>175,528</b>	–
Interest expense	<b>5,369</b>	–
Interest paid	<b>(419)</b>	–
Partial conversion	<b>(44,378)</b>	–
	<hr/>	<hr/>
At the end of period	<b>136,100</b>	–
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the liability component of the convertible notes at 30 September 2006 amounted to HK\$130,420,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 9.0% p.a..

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

## 16 Share capital

### (a) Authorised and issued share capital

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.02 each	<b><u>300,000</u></b>	<u>300,000</u>
	Number of ordinary shares	
	Note at HK\$0.02 each	HK\$'000
Issued and fully paid:		
Balance at 1 April 2005	436,872,087	8,737
Issue of shares		
– Placing of shares (i)	58,000,000	1,160
– Rights issue (ii)	989,744,174	19,795
– Exercise of share options	<u>2,245,000</u>	<u>45</u>
Balance at 31 March 2006	1,486,861,261	29,737
Issue of shares		
– Exercise of share options	3,985,000	80
– Conversion of convertible notes	<u>283,333,331</u>	<u>5,667</u>
Balance at 30 September 2006	<b><u>1,774,179,592</u></b>	<b><u>35,484</u></b>

#### Notes:

- (i) 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.
- (ii) 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*

Movements of share options granted to directors and employees under the share option schemes of the Company during the period and their weighted average exercise prices are as follows:

	At 30 September 2006		At 31 March 2006	
	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 period/year	0.1692	15,306,420	0.2742	19,031,400
Granted	-	-	0.1636	828,900
Rights issue adjustment	N/A	-	N/A	2,060,020
Exercised	0.1685	(3,985,000)	0.1691	(2,245,000)
Lapsed/cancelled	0.1685	(500,414)	0.5457	(4,368,900)
At end of the period/year	0.1695	<u>10,821,006</u>	0.1692	<u>15,306,420</u>

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

Date of grant	Exercise price HK\$	Exercise period	Number of shares subject to options	
			30 September 2006	31 March 2006
01-03-2005	0.1695 (note)	01-03-2005 to 28-02-2012	10,807,106	14,617,520
15-02-2006	0.1636	15-02-2006 to 16-04-2009	13,900	688,900
			<u>10,821,006</u>	<u>15,306,420</u>

Note:

The exercise price was adjusted from HK\$0.1933 to HK\$0.1695 pursuant to the rights issue of the Company on 13 February 2006.

### 17 Contingent liabilities

In March 2004, a PRC government institute filed a claim to the PRC court against the Company and certain of its 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 its 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 30 September 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 30 September 2006.

### 18 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*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Technical service fee receivable from a subsidiary of Asia V-Sat Co., Ltd. ("AVSAT"), an associated company	<i>(i)</i>	–	603
Advance to certain subsidiaries of AVSAT	<i>(ii)</i>	–	509
Advance to BAAJM	<i>(iii)</i>	<b>7,145</b>	–
Advance to Moral Known	<i>(iv)</i>	<b>18,333</b>	–
Advance to Crestbright Properties	<i>(v)</i>	<b>16,500</b>	–
Advance to Crestbright Investments	<i>(vi)</i>	<b>17,003</b>	–
		<b>38,981</b>	<b>1,112</b>

- (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.
- (ii) Advance to certain subsidiaries of AVSAT was made for working capital purposes.
- (iii) Advance to BAA Jet Management Limited ("BAAJM") was made for working capital purposes.
- (iv) Advance to Moral Known Investments Limited ("Moral Known") was made for capital injection in PRC property development project.
- (v) Advance to Crestbright Properties Limited ("CrestBright Properties") was made for capital injection in PRC property development project.
- (vi) Advance to Crestbright Investments Limited ("Crestbright Investments") was made for investment in environmental projects in PRC.

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

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2006</b>	2005
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Reimbursement of rental and office administrative expenses from a subsidiary of International Entertainment Corporation ("IEC"), a related company with common director	<i>(i)</i>	<b>240</b>	240
Interest income from certain subsidiaries of IEC	<i>(ii)</i>	<b>249</b>	237

- (i) The reimbursement of rental expenses from 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 cost 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.

*(c) Key management personnel compensation*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	<b>1,465</b>	3,298
Employee share option benefits	–	628
Contributions to pension schemes	<b>15</b>	73
	<b>1,480</b>	3,999

*(d) Amounts due from related parties*

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Amounts due from related companies with common director	<b>8,764</b>	8,717

**19 Subsequent events**

On 11 October 2006, the Company announced that Jadesails Investments Limited and Quinway Company Limited, both are indirect wholly-owned subsidiaries of the Company, entered into an appointment agreement with Savills (Hong Kong) Limited (“Savills”) for the appointment of Savills as the sole sales agent in relation to the possible disposal of certain investment properties in Hong Kong by public tender (the “Disposal”). No formal agreement of the Disposal has been reached up to the date of this report.

On 4 December 2006, the Company announced that a wholly-owned subsidiary of the Company has, on 28 November 2006, accepted the share offer in respect of 6,000,000 shares in Hanny Holdings Limited (“Hanny”) at the offer price of HK\$3.8 per Hanny’s shares. Total consideration received by the Group was HK\$22.8 million and the Group is expected to record an unaudited gain on disposal of approximately HK\$6.5 million.

Four holders of convertible notes with aggregate principal amount of HK\$60 million gave notices to the Company on 20 December 2006 to convert the convertible notes at the conversion price of HK\$0.18 per share. As a result of the conversion, a total of 333,333,331 ordinary shares of HK\$0.02 each would be allotted and issued.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the six months ended 30 September 2006, the Group's turnover was approximately HK\$19.8 million, representing an increase of approximately 93.3% as compared to last corresponding period. The Group posted an operating profit of HK\$5.5 million while last corresponding period was recorded as operating loss of HK\$12.8 million.

The almost double in turnover was due to aircraft charter business only commenced in the second half of 2005/06 financial year. Therefore, there was no comparative figure for the corresponding financial period. By eliminating this factor, the turnover was comparable to last corresponding period.

The modest loss in the first half of the fiscal year 2006/07 was attributable to the loss in the start up aircraft charter business and the higher interest rate environment. A favorable external investment environment helped to contain the loss situation. A net fair value gain of HK\$7.4 million from our portfolio of listed and unlisted investments and the reversal of impairment losses of HK\$11.2 million from a long term receivable helped to partially offset the overall loss.

Loss attributable to shareholders was HK\$2.7 million (2005: Loss of HK\$23.1 million).

### Business review

During the first six months of the fiscal year, the business of the Group focused on two segments: property investment and aircraft charter business.

In the property sector, the Group continued to own the basement and ground floors of Bank of America Tower in Central, Hong Kong. This business segment continued to provide a stable and reliable stream of revenue to the Group. For the period under review, the property generated a revenue of HK\$10.5 million.

The Group currently owns a G200 private jet to carry on the aircraft charter business. Another brand new G450 aircraft will be delivered to the Group in the third quarter of 2007. The aircraft charter business generated a revenue of HK\$9.3 million for the first six months of 2006/07. In order to facilitate the continuing development of the private jet services business, the Group entered into a joint venture agreement with independent third parties including Shenzhen Airlines to form a joint venture company in PRC to provide aircraft charter and management services. Through this joint venture, it will facilitate the Group's expansion of its business in the private jet services in the PRC and Hong Kong. Apart from this, the Group also disposed of 59.9% interest in BAA Jet Management Limited (a former wholly-owned subsidiary engaging in aircraft charter and management business) with an aim to broaden its shareholders' base. It is envisaged that the new shareholder would bring in new business opportunities and fresh funding to nourish the business of this company.

As stated in the 2006 Annual Report, the Group realigned its business focus into investment holding and proactively looking into other business with good prospects. During the period, the Group has made investment in three new associated companies. Two of them are intended to develop property projects in Hangzhou, PRC. The remaining one is dedicated to environmental projects in PRC. Since all these projects are in their preliminary stage of development, more details will be provided when the time is ripe.

### **Future outlook**

In October 2006, the Group appointed an independent property agent as the sole sales agent to sale our investment properties by public tender. The outcome of the disposal of investment properties will only be confirmed in the first half of 2007. As an investment holding company, the Group holds strategic investments in a number of listed and unlisted companies. The Group will continue to review its investment portfolio to achieve a balanced and satisfied return for its shareholders. Furthermore, the Group will act decisively whenever new investment opportunities arise.

## Financial resources

### 1. Liquidity and financial resources

As at 30 September 2006, the Group's shareholders' fund amounted to HK\$469.5 million (31 March 2006: HK\$427.1 million) and the net asset value per share was HK\$0.26 (31 March 2006: HK\$0.29).

The Group's funding was derived from internal resources and corporate financing activities. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 30 September 2006 amounted to HK\$162.4 million (31 March 2006: HK\$155.8 million). In respect of the secured bank loan of approximately HK\$126.9 million as at 30 September 2006, it is subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the financial statements, however, does not represent the total bank loan amount has to be repaid within one year from 30 September 2006. Besides, the Group has been able to repay principal balances plus interests on time and the carrying value of the Group's investment properties pledged to secure the bank loan amounted to approximately HK\$385 million as at 30 September 2006 is well in excess of the balance of the secured loan. Therefore, the Directors consider that the Group does not face any immediate repayment pressure of a large portion of the secured bank loan.

As at 30 September 2006, the cash and bank balances were HK\$100.7 million (31 March 2006: 171.5 million). Undrawn banking facilities of the Group as at 30 September 2006 was approximately HK\$71.1 million (31 March 2006: HK\$12.8 million). Liquidity ratio as at 30 September 2006 was 1.14 (31 March 2006: 1.29).

During the six months period ended 30 September 2006, aggregate convertible notes with principal amount of HK\$51 million were converted into the ordinary shares of the Company at the conversion price of HK\$0.18 per share. As a result of the conversion, a total of 283,333,331 ordinary shares of HK\$0.02 each were allotted and issued. The aggregate outstanding principal of the Convertible Notes as at 30 September 2006 was HK\$149 million.

### 2. Gearing

As at 30 September 2006, the gearing ratio of the Group was 0.33 (31 March 2006: 0.4). The gearing ratio was calculated based on the Group's total borrowings to total assets.

### 3. *Financial risk management*

The Group mainly operates in Hong Kong with most of the transactions settled in HK\$ and United States dollar (US\$) and Renminbi. 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 and US\$. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

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. The Group's exposure to changes in interest rates is mainly attributable to its short-term loans and convertible notes. 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.

### 4. *Pledge of assets*

Investment properties with a carrying amount of HK\$385 million (31 March 2006: 385 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

### 5. *Contingent liabilities*

In 2004, a PRC governmental institute has bought a litigation against the Company and certain of its former subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents by the former subsidiaries in the PRC amounting to Rmb5 million (equivalent to approximately HK\$4.8 million). The litigation is still in progress up to the date of this report. While the outcome of such contingencies cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

### Employees scheme

As at 30 September 2006, the Group employed 11 full-time employees in Hong Kong. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

### INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for the six months ended 30 September 2006 (2005: Nil).

### DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 September 2006, the interests or short positions of the directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### 1 Long positions in the shares

Name of director	Capacity	Number of shares interested	Percentage of shareholding
Lo Lin Shing, Simon	Interest of a controlled corporation	375,072,301 (Note)	21.14%
Lau Wai Piu	Beneficial	1,200	0.00007%

Note: Such shares are held by Golden Infinity Co., Ltd. of which Mr. Lo Lin Shing, Simon is interested in its entire issued share capital. Accordingly, Mr. Lo is deemed to be interested in the 375,072,301 shares held by Golden Infinity Co., Ltd. under the SFO.

## 2 Long positions in the underlying shares

Name of director	Capacity	Number of underlying shares interested	Percentage of shareholding
Lo Lin Shing, Simon	Personal	4,961,157	0.28%
Yvette Ong	Personal	2,395,041	0.13%
To Hin Tsun, Gerald	Personal	1,710,744	0.10%
Peter Pun	Personal	496,116	0.03%
Lau Wai Piu	Personal	496,116	0.03%

Save as disclosed above and the section headed "Share option scheme", as at 30 September 2006, none of the directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/ OTHER PERSONS UNDER THE SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at 30 September 2006, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

### 1 Long position of substantial shareholders in the shares and/or underlying shares

Name of shareholder	Capacity	Number of shares	Number of underlying shares	Aggregate interest	Percentage of shareholding
Golden Infinity Co., Ltd.	Corporate	375,072,301	–	375,072,301	21.14%
Ku Ming Mei, Rouisa	Interest of spouse	375,072,301	4,961,157	380,033,458 (Note)	21.42%

Note: Madam Ku Ming Mei, Rouisa is the spouse of Mr. Lo Lin Shing, Simon and accordingly, she is deemed to be interested in 380,033,458 shares and underlying shares under the SFO.

## 2 Long position of other holders in the shares and/or underlying shares

Name of holder	Capacity	Number of shares	Number of (in respect of the unlisted equity derivatives) underlying shares	Aggregate interest	Approximate percentage of shareholding
			(Note 1)		
Better Year Investments Limited	Corporate	155,555,554	205,555,555	361,111,109	20.35%
Ng Chun Ping Brendan	Beneficial owner	2,000,000	) ) )		
	Interest of a controlled corporation	155,555,554 (Note 2)	205,555,555 (Note 3)	363,111,109	20.47%
Visionary Profits Limited	Corporate	93,826,812	261,111,111	354,937,923	20.01%
Han Yuanlin	Interest of a controlled corporation	93,826,812	261,111,111 (Note 4)	354,937,923	20.01%
Keswick Agents Limited	Corporate	–	166,666,666	166,666,666	9.39%
Law Ka Keung	Interest of a controlled corporation	–	166,666,666 (Note 5)	166,666,666	9.39%
China Sky Limited	Corporate	–	166,666,666	166,666,666	9.39%
Kam Ming Yan Patty	Interest of a controlled corporation	–	166,666,666 (Note 6)	166,666,666	9.39%
Dragon Noble Group Limited	Corporate	107,420,000 (Note 7)	–	107,420,000	6.05%
Cheng Kar Shun	Interest of a controlled corporation	107,420,000 (Note 7)	–	107,420,000	6.05%

*Notes:*

- (1) The underlying shares represent the new shares to be issued upon conversion of the 2.5% redeemable convertible notes due on 16 February 2009 (“Convertible Notes”) held by respective holders of the Convertible Notes at a conversion price of HK\$0.18 per share (subject to adjustment).
- (2) 155,555,554 shares are held by Better Year Investments Limited of which Mr. Ng Chun Ping Brendan is interested in its entire issued share capital. Accordingly, Mr. Ng is deemed to be interested in 155,555,554 shares held by Better Year Investments Limited under the SFO.
- (3) Mr. Ng Chun Ping Brendan is interested in the entire issued share capital of Better Year Investments Limited. By virtue of the SFO, Mr. Ng is deemed to be interested in the 205,555,555 underlying shares which may be issued upon the conversion of the remaining principal amount of HK\$37,000,000 Convertible Notes held by Better Year Investments Limited.
- (4) Mr. Han Yuanlin is interested in the entire issued share capital of Visionary Profits Limited. By virtue of the SFO, Mr. Han is deemed to be interested in the 261,111,111 underlying shares which may be issued upon the conversion of the remaining principal amount of HK\$47,000,000 Convertible Notes held by Visionary Profits Limited.
- (5) Mr. Law Ka Keung is interested in the entire issued share capital of Keswick Agents Limited. By virtue of the SFO, Mr. Law is deemed to be interested in the 166,666,666 underlying shares which may be issued upon the conversion of HK\$30,000,000 Convertible Notes held by Keswick Agents Limited.
- (6) Ms. Kam Ming Yan Patty is interested in the entire issued share capital of China Sky Limited. By virtue of the SFO, Ms. Kam is deemed to be interested in the 166,666,666 underlying shares which may be issued upon the conversion of HK\$30,000,000 Convertible Notes held by China Sky Limited.
- (7) Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon Noble Group Limited.

Save as disclosed above and those disclosed under “Directors’ interests and short positions”, the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 30 September 2006.

## SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 28 August 2002 (the "Share Option Scheme"), options were granted to certain directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK\$0.02 each in the capital of the Company.

Details of the movement in outstanding share options, which have been granted under the Share Option Scheme, during the period are as follows:

Name or category of participant	Date of grant	Exercise price HK\$	Exercise period	Vesting period (Note 1)	Number of shares subject to options			
					As at 1 April 2006	Cancelled/ lapsed during the period	Exercised during the period (Note 4)	As at 30 September 2006
<i>Directors</i>								
Lo Lin Shing, Simon	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	4,961,157	-	-	4,961,157
Yvette Ong	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	2,395,041	-	-	2,395,041
To Hin Tsun, Gerald	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	1,710,744	-	-	1,710,744
Peter Pun	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	496,116	-	-	496,116
Wei Chi Kuan, Kenny (Note 2)	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	496,116	(496,116)	-	-
Lau Wai Piu	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	496,116	-	-	496,116
Employees (including a director of a subsidiary)	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	1,034,216	(2,149)	(1,020,000)	12,067
	15-02-2006	0.1636	15-02-2006 to 16-04-2009	N/A	688,900	-	(675,000)	13,900
Other eligible participants	01-03-2005	0.1695	01-03-2005 to 20-10-2006 (Note 3)	01-03-2005 to 31-08-2005	3,028,014	(2,149)	(2,290,000)	735,865
					<u>15,306,420</u>	<u>(500,414)</u>	<u>(3,985,000)</u>	<u>10,821,006</u>

### Notes:

- (1) The vesting period of the outstanding share options granted under the Share Option Scheme on 1 March 2005 had been changed from "1 March 2005 to 28 February 2007" to "1 March 2005 to 31 August 2005" in accordance with the provisions of the Share Option Scheme.
- (2) Mr. Wei Chi Kuan, Kenny resigned as director of the company with effect from 8 September 2006.
- (3) Following the Company's disposal of (the "Disposal") the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCBS") to New World Mobile Holdings Limited on 21 October 2005, NWCBS ceased to be a subsidiary of the Company. The grantees under the NWCBS Group (i.e. the participants under this category) ceased to be the eligible persons as defined in the Share Options Scheme. On 21 October 2005, the Board had approved and permitted the participants under this category to exercise their options at any time on or before 20 October 2006 pursuant to the Board's absolute discretionary powers given under the provisions of the Share Option Scheme.
- (4) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the period was HK\$0.3542.

No share options were granted during the period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2006.

## **CORPORATE GOVERNANCE**

The Company recognizes the value and importance to achieving high standards of corporate governance to enhance corporate performance and accountability.

The Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 September 2006 in all material aspects, except the deviations from the code provisions A.1.3, A.4.1 and E.1.2.

**Code provision A.1.3**

Code provision A.1.3 stipulates that notice of at least 14 days should be given of a regular board meeting and reasonable notice should be given to all other board meetings. During the period, the Directors consented to shorter notices on two of the regular Board meetings.

**Code provision A.4.1**

The Company has not yet adopted code provision A.4.1 which provides that non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors (including independent non-executive directors) of the Company were not appointed for specific terms. Since the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

**Code provision E.1.2**

Although the Chairman of the Board did not attend the annual general meeting of the Company held on 7 September 2006 ("2006 AGM") because of an unexpected urgent business engagement, the Chief Executive Officer had chaired the 2006 AGM and answered questions thereat. The Chairman of the Audit and Remuneration Committees was also available to answer questions at the 2006 AGM.

**MODEL CODE FOR SECURITIES TRANSACTIONS  
BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by Directors. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code for the period ended 30 September 2006.

## DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES

### Financial assistance to affiliated companies

(a) In compliance with Rule 13.16 of Chapter 13 of the Listing Rules, details of the financial assistance given to the following affiliated companies of the Group as at 30 September 2006 which in aggregate has exceeded 8% (under the assets ratio as defined under Rule 14.07(1) of Chapter 14 of the Listing Rules) are set out below:

<b>Name of affiliated companies</b>	<b>Percentage of Group's attributable interests</b>	<b>Financial Assistance</b> <i>HK\$'000</i>
BAA Jet Management Limited ("BAAJM") (Note 1)	40.10%	8,805
Cyber China Inc. ("CCI") (Note 2)	50.00%	153,247
Everbest Business Limited ("Everbest") (Note 3)	50.00%	15,107
Modern Sparkles Investment Ltd. ("Modern Sparkles") (Note 4)	30.00%	16,500
Peak Elite Holdings Corp. ("Peak Elite") (Note 5)	33.33%	18,333
Westland Investments Limited ("Westland") (Note 6)	34.00%	17,003
		<u>228,995</u>

*Notes:*

- (1) The Group has provided shareholder's loan to BAAJM. The amount is interest free, unsecured and repayable on demand. Such amount was fully provided.
- (2) The Group has provided shareholder's loan to CCI. The amount is interest free, unsecured and repayable on demand. Such amount was fully provided.
- (3) The Group has provided shareholder's loan to Everbest. The amount is interest free, unsecured and represents the Group's equity contributions, in substance, to the jointly controlled entity.
- (4) The Group has provided shareholder's loan to Modern Sparkles. The amount is interest free, unsecured and repayable on demand.
- (5) The Group has provided shareholder's loan to Peak Elite. The amount is interest free, unsecured and repayable on demand.
- (6) The Group has provided shareholder's loan to Westland. The amount is interest free, unsecured and repayable on demand.

(b) In compliance with Rule 13.22 of Chapter 13 of the Listing Rules, the unaudited combined balance sheet of these affiliated companies as at 30 September 2006 is disclosed as follows:

	<i>HK\$'000</i>
<b>ASSETS</b>	
Non-current assets	
Property, plant and equipment	170
Investment in associated companies	326
	496
Current assets	
Debtors, prepayments and other deposits	28,687
Cash and bank balances	45,950
	74,637
Current Liabilities	
Creditors, deposits and accruals	(7,900)
Amount due to immediate holding company	(220,383)
	(228,283)
Net current liabilities	(153,646)
Total assets less current liabilities	(153,150)
Non-current liabilities	
Long term loans	(8,036)
Net liabilities	(161,186)
<b>CAPITAL AND RESERVES</b>	
Share capital	–
Reserves	(161,186)
	(161,186)

## **AUDIT COMMITTEE**

The audit committee currently comprises Mr. Peter Pun, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu (Chairman of the committee), the three independent non-executive directors of the Company.

The audit committee has reviewed the unaudited interim accounts of the Group for the six months ended 30 September 2006.

By Order of the Board  
**Lo Lin Shing, Simon**  
*Chairman*

Hong Kong, 20 December 2006

During the period, the Board comprises the following members:

### **Executive directors**

Lo Lin Shing, Simon (*Chairman*)

Yvette Ong (*Managing Director and Chief Executive Officer*)

### **Non-executive director**

To Hin Tsun, Gerald

### **Independent non-executive directors**

Peter Pun *OBE, JP*

Wei Chi Kuan, Kenny (resigned on 8 September 2006)

Tsui Hing Chuen, William, *JP* (appointed on 8 September 2006)

Lau Wai Piu