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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New World CyberBase Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



NEW WORLD CYBERBASE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

**VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF A COAL MINE IN WESTERN MONGOLIA
WITH AT LEAST 300 MILLION TONNES OF RESERVES
(COMPRISING 200 MILLION TONNES OF PROVED RESERVES
AND 100 MILLION TONNES OF PROBABLE RESERVES)
UPON COMPLETION**

**CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES BY GOLDEN INFINITY CO., LTD.**

**SUBSCRIPTIONS OF NEW SHARES BY DRAGON NOBLE GROUP LIMITED
AND CHOW TAI FOOK NOMINEE LIMITED**

PLACING OF NEW SHARES

PROPOSED CHANGE OF COMPANY NAME

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



Grand Vinco Capital Limited

A notice convening a special general meeting of the Company to be held at East Room, Level 23, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on 18 April 2007, at 2:30 p.m. is set out on pages 43 to 45 of this circular. If you are not able to attend and/or vote at the meeting, you are strongly urged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

22 March 2007

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	means the acquisition by the Company of the Coal Mine constituted under the Mining Licences and the Exploration Licence pursuant to the Acquisition Agreement along with any Mining Assets
“Acquisition Agreement “	means the Acquisition Agreement dated 30 January 2007 entered into between the Company, the Purchaser, the Guarantor and the Seller’s Group in relation to the Acquisition
“Agreed Interest”	means a simple interest rate of 5% per annum based on the actual number days elapsed in a 365-day year basis
“associates”	has the meaning ascribed to it under the Listing Rules as modified by Chapter 14A in respect of the Golden Subscription
“Announcement”	means the announcement published on 8 February 2007 by the Company in relation to the Acquisition, the Subscriptions and the Placing
“Board”	means the board of Directors of the Company
“Business Day”	means a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong during their normal business hours
“Coal Mine”	means the coal mine located in Khovd province in Mongolia as delineated by the Mining Licences and the Exploration Licence
“Commercial Exploitation”	means the commercial exploitation of the Mining Rights of the Coal Mine
“Company”	means New World CyberBase Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	means completion of the Acquisition when the Coal Mine’s Reserves are demonstrated under Exploration to be at least 300 million tonnes of Reserves comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves and upon satisfaction of the other Conditions Precedent
“Conditions Precedent”	means the conditions precedent to Completion of the Acquisition as set out under the Acquisition Agreement

DEFINITIONS

“Consideration”	means the sum of HK\$1.2 billion to be satisfied as to (i) HK\$270 million by allotment and issue of Consideration Shares, (ii) HK\$142.5 million by the Convertible Bond (with a 3% per annum coupon rate with 3-year maturity) and (iii) HK\$787.5 million by the Loan Note (with a 5% per annum coupon rate with 3-year maturity) as deferred payment
“Consideration Shares”	means 1,125,000,000 new Shares to be allotted and issued to the Seller for the partial settlement of the Consideration pursuant to the terms of the Acquisition Agreement
“Convertible Bond”	means the convertible bond for the partial settlement of the Consideration pursuant to the terms of the Acquisition Agreement
“CTF”	Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong with limited liability and controlled by Mr. Cheng Yu Tung and members of his family
“CTF Subscription”	means the subscription of CTF Subscription Shares by CTF contemplated under the CTF Subscription Agreement
“CTF Subscription Agreement”	means the subscription agreement entered on 30 January 2007 between the Company and CTF for subscription of the CTF Subscription Shares by CTF
“CTF Subscription Shares”	means 200,000,000 new Shares to be allotted to CTF under the CTF Subscription Agreement
“Design”	means the design and schematics over the Coal Mine in accordance with the advice of the Technical Adviser
“Directors”	means directors of the Company
“Dragon”	means Dragon Noble Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Cheng Kar Shun
“Dragon Subscription”	means the subscription of Dragon Subscription Shares by Dragon contemplated under the Dragon Subscription Agreement
“Dragon Subscription Agreement”	means the subscription agreement entered on 30 January 2007 between the Company and Dragon for the subscription of the Dragon Subscription Shares by Dragon
“Dragon Subscription Shares”	means 200,000,000 new Shares to be allotted to Dragon under the Dragon Subscription Agreement

DEFINITIONS

“Enlarged Group”	means the Group after the Acquisition
“Exploration”	means the exploration activities over the Coal Mine in accordance with the advice of the Technical Adviser
“Exploration Company”	means China Coal Geology 129 exploration team (中國煤炭地質總局一二九勘探隊) which provides the drilling and other aspects of the Exploration in relation to the Coal Mine in accordance with the advice of the Technical Adviser
“Exploration Expenses”	means the expenses incurred by the Company in the carrying out the Exploration
“Exploration Licence”	means the current exploration licence of the Mining Company and related Exploration Rights
“Exploration Rights”	includes all exploration and related rights under the Exploration Licence and the Minerals Law including without limitation the right to conduct exploration for Coal Resource relating to the relevant part of the Coal Mine and which Exploration Rights will eventually be converted to Mining Rights upon compliance with the Mineral Laws
“Golden”	Golden Infinity Co., Ltd, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Lo
“Golden Subscription”	means the subscription of Golden Subscription Shares by Golden contemplated under the Golden Subscription Agreement
“Golden Subscription Agreement”	means the subscription agreement entered on 30 January 2007 between the Company and Golden for subscription of the Golden Subscription Shares by Golden
“Golden Subscription Shares”	means 780,000,000 new Shares to be allotted to Golden under the Golden Subscription Agreement
“Group”	means the Company and its subsidiaries
“Group Members”	means any or all of the members of the Group
“Guarantor”	means Mr. Liu Cheng Lin, as the sole beneficial owner of the Seller’s Group

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“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Holding Company”	means Mongolian Natural Resources Investment Group (Hong Kong) Company Limited, a company incorporated in Hong Kong and wholly owned by the Seller
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	means the independent board committee of the Company formed by the Company to advise the Independent Shareholders as to whether the terms of the Golden Subscription are fair and reasonable in the interests of the Company and the Shareholders as a whole
“Independent Shareholders”	means Shareholders other than Golden, Mr. Lo and their respective associates
“Initial Conversion Price”	HK\$0.285 per Share (subject to adjustments)
“Inferred Resources”	means in accordance with International Standards, the prospecting based on site inferred resources of the Coal Mine as advised by the Technical Adviser
“International Standards”	means the Guidelines to the United Nation International Framework Classification for Reserves/Resources adopted by UN ECE Committee on Sustainable Energy, Eleventh session, 21-22 November 2001 as modified from time to time
“Issue Price”	means HK\$0.24 per Share, being the issue price of the Consideration Shares pursuant to the terms of the Acquisition Agreement
“Last Trading Day”	means 25 January 2007, being the last trading day of the Shares on the Stock Exchange prior to the Suspension
“Latest Completion Date”	means twelve (12) months from the date of the Acquisition Agreement, that is 30 January 2008 (unless extended with all parties’ agreement under the Acquisition Agreement)
“Latest Practicable Date”	means 19 March 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange

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“Loan Note”	the loan note with principal amount of HK\$787.5 million to be issued with three years maturity from the date of Completion of the Acquisition and an interest rate of 5% per annum for the partial settlement of the Consideration pursuant to the terms of the Agreement
“Minerals Law”	means the Minerals Law of Mongolia adopted on 8 July 2006 as amended, modified or replaced, from time to time
“Mining Assets”	all tangible assets and property relating to the Coal Mine owned by the Mining Company
“Mining Company”	means Mongolian Natural Resources Investment Group (MNRIG LLC), a company incorporated in Mongolia with limited liability and a wholly-owned subsidiary of the Holding Company
“Mining Period”	means the period which the Coal Mine can be mined under the Mining Licences of approximately 70 years
“Mining Rights”	includes all mining and related rights under the Mining Licences and the Minerals Law including without limitation the (a) right to mine the relevant Resources and Reserves relating to the Coal Mine and (b) the right to sell the mined Resources and Reserves and products at international market price, at international markets
“Mining Licences”	means the current mining licences of the Mining Company and related Mining Rights
“Mongolia”	mean the independent sovereign state of Monogolia
“Mr. Lo”	Mr. Lo Lin Shing, Simon, the Chairman, an executive Director and a substantial Shareholder
“New Shares”	means a total of 2,280,000,000 new Shares to be allotted to under the Subscription Agreements and the Placement Agreement to raise fund for the payment of the Exploration Expenses and Commercial Exploitation after Completion
“Non-Competition Period”	means a period of 5 year from the date of the Acquisition Agreement
“Percentage” and “%”	means per cent
“Placees”	means the placees pursuant to placement under the Placement Agreement

DEFINITIONS

“Placement Agreement”	means the placing agreement entered on 30 January 2007 between the Company and the Placing Agent for the placing of the Placing Shares to Placees
“Placing”	means the placing of the Placing Shares by the Placing Agent under the Placement Agreement
“Placing Agent”	means, Taifook Securities Company Limited, the placing agent specified in the Placement Agreement
“Placing Shares”	means 1,100,000,000 new Shares to be allotted to the Placees under the Placement Agreement
“Pledge”	means the pledge over the Mining Licences and the Exploration Licence constituting the Coal Mine though a pledge of the shares of the Holding Company by the Seller in favour of the Purchaser, containing a share charge
“PRC”	means the People’s Republic of China
“Probable Reserves”	means in accordance with International Standards, the general exploration based probable reserves of the Coal Mine following prefeasibility study and economic viability analysis as advised by the Technical Adviser
“Proved Reserves”	means in accordance with International Standards, the detailed exploration based proved reserves of the Coal Mine following feasibility study and mining report as advised by the Technical Adviser
“Purchaser”	means Winning Mind Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Reconnaissance Resources”	means in accordance with International Standards, the reconnaissance based on site reconnaissance resources of the Coal Mine as advised by the Technical Adviser
“Reserves”	means the Proved Reserves and the Probable Reserves
“Resources”	means the Inferred Resources and the Reconnaissance Resources
“RHL”	RHL Appraisal Ltd, an independent professional property valuer

DEFINITIONS

“SGM”	means the special general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the Acquisition, the Subscriptions, the Placing and the proposed change of the Company’s name
“Seller”	means Puraway Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Guarantor
“Seller’s Group”	means the Seller, the Holding Company and the Mining Company which the Seller wholly owns the Holding Company and the Holding Company wholly owns the Mining Company and the Seller’s Group being wholly owned by the Guarantor
“Seller’s Group Members”	means any or all members of the Seller’s Group
“Seller’s Windfall Payment”	means a windfall payment by the Company to the Seller where the Company in its sole and absolute discretion determines to engage in Commercial Exploitation of any further resources, aside from the 300 million tonnes of Reserves for Completion of the Acquisition of the Coal Mine
“Share(s)”	means ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	means holder(s) of the Share(s)
“Shenyang Design Institute”	means the Shenyang Design Institute of China, which provides the design and schematics for mining operations design to the Coal Mine
“Subscribers”	means CTF, Dragon and Golden
“Subscription Agreements”	means the CTF Subscription Agreement, the Dragon Subscription Agreement and the Golden Subscription Agreement
“Subscription Shares”	means the new shares to be issued under the Subscriptions
“Subscriptions”	means the CTF Subscription, the Dragon Subscription and the Golden Subscription
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Suspension”	means the suspension of the trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Friday, 26 January 2007 up to 9:30 a.m. on Thursday, 8 February 2007

DEFINITIONS

“Technical Adviser”	means John T. Boyd Company, a company with the appropriate qualification to provide the technical advice for the acquisition, design and exploration of nature resources
“Technical Report”	means the technical report prepared by the Technical Adviser and set out in Appendix IV to this circular
“Vinco”	Grand Vinco Capital Limited, a licensed corporation registered under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders

In this circular, for purpose of illustration only, amount quoted in RMB have been converted into Hong Kong dollars at the rate of RMB1 to HK\$1. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all. Names of companies without English names are for reference only, namely the Mining Company, the Exploration Company and the Shenyang Design Institute.

LETTER FROM THE BOARD



NEW WORLD CYBERBASE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

Executive Directors:

Mr. Lo Lin Shing, Simon

Ms. Yvette Ong

Non-executive Director:

Mr. To Hin Tsun, Gerald

Independent non-executive Directors:

Mr. Peter Pun, *OBE, JP*

Mr. Tsui Hing Chuen William, *JP*

Mr. Lau Wai Piu

Registered Office:

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal place of business:

Rooms 1502-5

New World Tower 1

16-18 Queen's Road Central

Hong Kong

22 March 2007

To the Shareholders

Dear Sir or Madam

**VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF A COAL MINE IN WESTERN MONGOLIA
WITH AT LEAST 300 MILLION TONNES OF RESERVES
(COMPRISING 200 MILLION TONNES OF PROVED RESERVES
AND 100 MILLION TONNES OF PROBABLE RESERVES)
UPON COMPLETION**

**CONNECTED TRANSACTION
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**SUBSCRIPTIONS OF NEW SHARES BY DRAGON NOBLE GROUP LIMITED
AND CHOW TAI FOOK NOMINEE LIMITED**

PLACING OF NEW SHARES

PROPOSED CHANGE OF COMPANY NAME

INTRODUCTION

On 8 February 2007, the Board announced that on 30 January 2007, the Company and the Purchaser (a wholly subsidiary of the Company) entered into the Acquisition Agreement with the Guarantor and the Seller's Group (wholly owned by the Guarantor), under which, the Seller conditionally agreed to sell (through the Mining Company), and the Purchaser, conditionally agreed to purchase (from the Mining

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Company), the Coal Mine and the Mining Assets at the Consideration in the sum of HK\$1.2 billion, based on HK\$4.00 per tonne for the 300 million tonnes of Reserves (for procuring the Acquisition). The Company shall pay (i) HK\$270 million by Consideration Shares, (ii) HK\$142.5 million by the Convertible Bond (with a 3% per annum coupon rate with 3-year maturity) and (iii) HK\$787.5 million by the Loan Note (with a 5% per annum coupon rate with 3-year maturity) as deferred payment. The Coal Mine is located in Khovd province, western Mongolia.

On 14 February 2007, the Board announced its proposal of changing the name of the Company from “New World CyberBase Limited” to “Mongolia Energy Corporation Limited”. Upon the change of name becoming effective, the Company will adopt the new Chinese name “蒙古能源有限公司” for identification purpose only.

The purpose of this circular is to give you (i) further details of the Acquisition, the Subscriptions, the Placing and the proposed change of the Company’s name; (ii) the recommendation of the Independent Board Committee regarding the Golden Subscription to the Independent Shareholders; (iii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Golden Subscription; and (iv) the notice of the SGM and the proxy form.

A. THE ACQUISITION AGREEMENT

1. THE PARTIES AND THE DATE

The Acquisition Agreement was entered into between the Company, the Purchaser (a wholly owned subsidiary of the Company), the Guarantor and the Seller’s Group (wholly owned by the Guarantor), on 30 January 2007. The Purchaser will take actual ownership and possession of the Coal Mine upon Completion through the Purchaser’s nominee (namely, a company established in Mongolia in accordance with the Minerals Law).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Guarantor and the Seller’s Group Member is a third party independent of the Group and not connected persons of the Group.

2. ASSET TO BE ACQUIRED

The Coal Mine is located in Khovd province, western Mongolia approximately 1,500 km west-southwest of Ulaanbaatar (or Ulan Bator). As at the Latest Practicable Date, as advised by the Mongolian legal counsel, the Seller owns the Mining Licences and Exploration Licence (through the Mining Company), granted by the Mongolian government which have in between the date of the Announcement and the Latest Practicable Date been re-issued on an extended term of 70 years (save and except the Mining License 1414A which is in the process of being transferred to the Mining Company). The Purchaser will acquire the Coal Mine from the Seller by acquiring, without any premium save for the Consideration, the Mining Licences and the Exploration Licence (from

LETTER FROM THE BOARD

the Mining Company) along with any Mining Assets. The details of the Mining Licences and the Exploration Licence are summarized in the table below:

Licence (Licence no.)	Location	Mine area (hectares)*	Licence date	Licence valid period
Mining Licence (11887A)	Dapbu, Kobg	203	23 January, 2007	70 years
Mining Licence (6525A)	Dapbu, Kobg	46	28 December, 2006	70 years
Mining Licence (4322A)	Dapbu, Kobg	54	28 December, 2006	70 years
Mining Licence (1640A)	Dapbu, Kobg	40	28 December, 2006	70 years
Mining Licence (11888A)	Dapbu, Kobg	1,742	23 January, 2007	70 years
Mining Licence (1414A)	Dapbu, Kobg	28	expected to be on or prior to 21 May 2007	expected to be approximately 70 years
Mining Licence (11889A)	Dapbu, Kobg	486	23 January, 2007	70 years
Mining Licence (11890A)	Dapbu, Kobg	28	23 January, 2007	70 years
Exploration Licence (11515X)	Dapbu, Kobg	31,638	28 December, 2006	9 years

* Based on the confirmation from the Technical Adviser

(Note: 1 hectare = 10,000 square metres. That is an area of 100m x 100m)

All Mining Licences and the Exploration Licence have been re-issued to the Mining Company in between the date of the Announcement and the Latest Practicable Date and have been deposited with the Company except the Mining Licence 1414A. The Mining Licences in the name of the Mining Company are for an initial period of 30 years and extendable by two successive 20-year periods in accordance with the Minerals Law. The Exploration Licence in the name of the Mining Company is initially granted for 3 years and extendable by two successive 3-year periods in accordance with the Minerals Law (to provide time prior to the grant of a mining licence for preliminary exploration work to be conducted to the satisfaction of the Mongolian government prior to the grant of a mining licence). The Mining Licence 1414A is in the process of being transferred to the name of the Mining Company. As advised by Mongolian legal counsel, there are no regulatory approvals required for any transfer of the Mining Licence 1414A to the Mining Company. As such, the Company, has agreed, as at the Latest Practicable Date, to provide the Mining Company 60 days from the date of this circular, to transfer the Mining Licence 1414A simply to comply with the requisite formalities under Mongolian laws and the Company perceives no issue, based on Mongolian legal advice, whatsoever with the transfer of the Mining Licence 1414A. The Company will inform the Shareholders of the Company by way of announcement in case the Mining Licence 1414A is not transferred to the Mining Company within 60 days of this circular.

3. SUMMARY OF THE ACQUISITION

Subject to the fulfillment of the Conditions Precedent described below and as and when the Reserves of the Coal Mine, as supported by the advice of the Technical Adviser, are demonstrated to be 300 million tonnes pursuant to the Exploration to be carried out by the Purchaser, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves, the Company has (through the Purchaser) agreed to acquire and the Seller has agreed to sell (through procuring the Mining Company) the Coal Mine for a total Consideration of HK\$1.2 billion.

4. THE CONSIDERATION AND ITS BASIS

The Consideration for the Acquisition is HK\$1.2 billion and will be paid on Completion by the Company to the Seller. The amount of HK\$1.2 billion was arrived at based on HK\$4.00 per tonne for 300 million tonnes of Reserves as at Completion for procuring the Acquisition. The price of HK\$4.00 per tonne was arrived after commercial negotiations between the parties and has taken into account the need of the Company to incur the Exploration Expenses.

The Consideration will be paid on Completion in the following manner: (i) HK\$270 million to be satisfied by the allotment and issue of the Consideration Shares, (ii) HK\$142.5 million by the Convertible Bond (with a 3% per annum coupon rate with 3-year maturity) and (iii) HK\$787.5 million by the Loan Note (with a 5% per annum coupon rate with 3-year maturity) as deferred payment.

The Directors are of the opinion that the Consideration is fair and reasonable after taking into account that the international market price of coal, which depending on the type and grade of coal could range from between US\$50 to US\$150 per tonne, based on current market price and that the entering into of the Acquisition Agreement is in the interest of the Group and the Shareholders as a whole. The Exploration will determine the type and grade of coal the Coal Mine contains.

Further, the Company draws, as a commercial decision, a level of comfort, from the advice of the Technical Adviser that there could be Resources of up to 180 million tonnes based on a part of the Coal Mine and the recommendation of the Technical Adviser to conduct further Exploration (which the Technical Adviser advises, in relation to the Coal Mine, that there is an obvious, and quantifiable, coal resource). The Shenyang Design Institute views that with the Inferred Resource of about 30 million tonnes identified by the Technical Adviser, that this should be sufficient for an initial 2 million tonnes coal mining operations as the Commercial Exploitation of this area with the Inferred Resources supports the decision of the Board to fund the Exploration Expenses to the Purchaser based on the pledge of the Mining Licences and the Exploration Licence constituting the Coal Mine (through the Pledge of the Holding Company).

(i) The Consideration Shares

The Consideration Shares will comprise 1,125,000,000 new Shares of the Company to be allotted and issued by the Company to the Seller at the Issue Price of HK\$0.24 per Consideration Share which represents:

- (i) a discount of approximately 11.11% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.08% over the average closing price of HK\$0.2284 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a premium of approximately 7.53% over the average closing price of HK\$0.2232 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 19.23% over the average closing price of approximately HK\$0.2013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

As at the Latest Practicable Date, the Consideration Shares to be issued represent approximately 43.02% of the existing issued share capital of the Company and approximately 17.26% of the Company's issued share capital as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price.

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

(ii) The Convertible Bond

Approximately HK\$142.5 million of the Consideration is deferred and is to be satisfied by the Convertible Bond with 3% interest coupon per annum. The Convertible Bond will mature on the third anniversary from the date of the issue of the Convertible Bond.

The Convertible Bond will be converted to 500,000,000 Shares of the Company to be allotted and issued by the Company to the Seller at the Initial Conversion Price of HK\$0.285 per Share which represents:

- (i) a premium of approximately 5.56% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.78% over the average closing price of HK\$0.2284 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 27.69% over the average closing price of HK\$0.2232 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 41.58% over the average closing price of approximately HK\$0.2013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Shares under the Convertible Bond, if fully converted, represent approximately 19.12% of the existing issued capital of the Company and represent approximately 7.67% of the Company's issued share capital as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price. The terms of the Convertible Bond to be issued as at Completion is set out under the Acquisition Agreement as follows:

1. Issuer: The Company.
2. Holder: The Seller.
3. Purpose: As deferred consideration to the Seller for part of the Consideration under the Acquisition, to be issued on Completion of the Acquisition.
4. Type: The Convertible Bond ("**Securities**") will be a Hong Kong dollar denominated non-transferable 3% convertible bond due three years from Completion.
5. Shares to be issued upon exercise of the Convertible Bond: Ordinary shares of in the capital of the Company.
6. Issue size: HK\$142.5 million in HK\$10,000,000 denominations.
7. Coupon: The coupon for the Convertible Bond is 3% per annum, payable upon maturity (see below).
8. Conditions precedent:
 - (i) The Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares in the capital of the Company which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond.
 - (ii) The Company having satisfied or obtained any and all relevant statutory and regulatory requirements, approvals and consents in relation to the issue of the Convertible Bond or the Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond.

LETTER FROM THE BOARD

- (iii) The Company having obtained approvals by its Shareholders, where necessary, in relation to the issue of the Convertible Bond or the Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond.
 - (iv) The Company having obtained the consents of each holder of any outstanding convertible notes and/or promissory notes, or warrant instruments issued by the Company, where necessary, in relation to the issue of the Convertible Bond or the Shares which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bond.
 - (v) The Company having completed the Acquisition, the Placing, the Subscriptions, and the Consideration Shares having been issued under the Acquisition.
9. Status of the Securities: The Convertible Bond constitutes senior, direct, unsubordinated and unconditional obligations of the Company.
10. Maturity date and redemption amount at maturity: Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Bond shall be redeemed on the date (the “**Maturity Date**”) falling on the third anniversary of the issue date of the Convertible Bond, for the outstanding principal amount of the Convertible Bond, plus any accrued and unpaid interest.
11. Early redemption: The Company has no right to make early redemption without the consent of the Seller.
12. Conversion: At any time from and including the issue date of the Convertible Bond to and including the Maturity Date, the Seller will have the right to convert all the Convertible Bond or part thereof into the Shares at the Initial Conversion Price of HK\$0.285 per Share (as adjusted by reasons of consolidation, merger or otherwise of the share capital base or on otherwise just and equitable basis).
13. Governing law: The laws of Hong Kong without regard to the conflicts of law principles thereof.

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The Convertible Bond is non-transferrable without the consent of the Company and is not to be listed on the Stock Exchange or any other exchange and no application to list the Convertible Bond will be made to the Stock Exchange or any other exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon exercise of the Convertible Bond.

(iii) The Loan Note

Approximately HK\$787.5 million of the Consideration is to be satisfied by the issuance of the Loan Note with an interest rate of 5% per annum. The Loan Note will mature on the third anniversary from the date of Completion of the Acquisition.

The principal terms of the Loan Note are set out below:

Principal amount:	HK\$787.5 million.
Maturity:	The third anniversary from the date of Completion of the Acquisition.
Transferability:	The Loan Note is not transferable.
Interest rate:	A simple interest rate of 5% per annum.
Security:	No security will be provided by the Company in respect of its obligations under the Loan Note.
Repayment:	At the sole discretion of the Company, the Loan Note may be repaid earlier. Otherwise payment of principal and interest of the Loan Note is upon its maturity.

5. CONDITIONS PRECEDENT

Completion of the Acquisition is conditional upon:

- (i) the Mining Licences and the Exploration Licence which are lawfully held in the name of the Mining Company being transferred to the Purchaser's nominee, a company established in Mongolia;
- (ii) the Coal Mine having 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves as certified by the Technical Adviser;
- (iii) the Shareholders' approval (at the SGM of the Company) in the form of passing of relevant resolutions at the SGM approving the Acquisition and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares and the Convertible Bond;

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- (iv) the Shareholders' approval (at the SGM of the Company) in the form of passing of relevant resolutions at the SGM approving the Subscriptions (other than the Golden Subscription) and the Placing, and the Independent Shareholders' approval in the case of the Golden Subscription;
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the New Shares, the Consideration Shares and new Shares under an exercise of the Convertible Bond;
- (vi) the Company having obtained the Technical Report as required under the Listing Rules, where applicable, and such further technical and/or feasibility study reports required by the Purchaser;
- (vii) all requisite consents and agreements as advised by the various legal counsels or otherwise required for the Acquisition are obtained including release of the Pledge;
- (viii) the transfer of the Mining Assets and related physical possession of the Coal Mine to the Purchaser;
- (ix) legal opinions to the satisfaction of the Purchaser from Mongolia, Hong Kong and British Virgin Islands legal counsels;
- (x) the Purchaser's due diligence on such matters relating to the Coal Mine and the Acquisition to its satisfaction in good faith; and
- (xi) such further documents and/or information required by the Purchaser by reasons of circumstances arising after the entry into the Acquisition Agreement and requested in writing three (3) Business Days prior to the Completion.

As at the Latest Practicable Date, condition numbered (vi) had been fulfilled.

6. COMPLETION OF ACQUISITION

Completion of the Acquisition shall take place when the Reserves of the Coal Mine are demonstrated to be 300 million tonnes under the Exploration, with 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves as certified by the Technical Adviser and the other Conditions Precedent are satisfied. Completion is to take place within 12 months of the Acquisition Agreement by the Latest Completion Date. The Company has no current plans to change any Board members or solely by reason of Completion of the Acquisition.

As regards the operation of the Coal Mine, the Company intends to rely on professionals, especially the Technical Adviser to advise it on carrying out the mining project including to serve as the interphase for all design and exploration aspects of the mining project under the Exploration. Further, the Company has secured the appointment of senior management with a registered mining engineering degree who will assist in the mining project on the condition that the Acquisition is approved by the Shareholders.

7. GUARANTEE BY THE GUARANTOR

The Guarantor unconditionally and irrevocably guarantees to the Company the due and punctual payment and performance by the Seller's Group Member of its obligations under the Acquisition Agreement and the transaction documents and undertakes to indemnify and keep indemnified the Company against all losses, damages, costs and expenses of whatsoever nature which the Company may suffer or incur by reason of any default or delay on the part of each Seller's Group Member in the payment or performance of any of its obligations under the Acquisition Agreement and the transaction documents. The Guarantor further undertakes to the Company to procure each Seller's Group Member's performance of its obligations under the Acquisition Agreement and the transaction documents as and when they fall due and in case of default to assume the performance obligations of each Seller's Group Member.

8. PERFORMANCE GUARANTEE BY THE COMPANY

The Company undertakes to the Guarantor to procure each Group Member's performance of its obligations under the Acquisition Agreement and the transaction documents as and when they fall due and in case of default to assume the performance obligations of each Group Member.

9. SELLER'S WINDFALL PAYMENT

By a letter dated 18 January 2007 from the Mining Institute under the Ministry of Trade and Industry of Mongolia to the Mining Company, the Mining Institute has confirmed that Russian expert's geological assessment of the Coal Mine is that the Coal Mine has Resources of 2.4 billion tonnes. By a letter dated 23 January 2007, the Ministry of Fuel and Energy has indicated that it supports the mining project which will bring power to the region of the mining operations.

After Completion, the Purchaser currently intends to continue Exploration of the Coal Mine belonging to the Purchaser. In case further reserves (in excess of the 300 million tonnes of Reserves for Completion) are demonstrated, the Purchaser shall then consider whether to exploit the further reserves with the advice of the Technical Adviser and having regard to the then market conditions. If the Purchaser, in its sole and absolute discretion decides to do so, the Purchaser shall pay the Seller, the Seller's Windfall Payment of HK\$12 per tonne for the further reserves, as and when the Purchaser intends to put such further reserves into Commercial Exploitation (which is expected to be in integral multiples of 50 million tonnes of further reserves). For the avoidance of doubt, there is no actual or contingent obligation for the Purchaser to exploit the further reserves or to pay the Seller any Seller's Windfall Payment over the Coal Mine belonging to the Purchaser. There are currently no technical assessments on the quantity of further reserves subject to Seller's Windfall Payment.

Shareholders will be informed by way of announcements of the Company as and when the Purchaser decides to exploit such further reserves.

10. NON-COMPETITION

Each Seller's Group Member agrees that during the Non-Competition Period (of 5 years from the date of the Acquisition Agreement), it shall not directly or indirectly compete with the Company, the Purchaser or the Purchaser's nominee in relation to coal mining exploration and exploitation in Mongolia and the PRC which actually or potentially competes with any Group Member's Exploration and Commercial Exploitation activities at the Coal Mine.

B. THE SUBSCRIPTIONS

On 30 January 2007, the Company entered into the Subscription Agreements. The 1,180,000,000 Shares to be issued under the Subscriptions represent approximately 45.13% of the existing issued share capital of the Company and approximately 18.10% of issued share capital as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price. The estimated net proceeds from the Subscriptions are approximately HK\$313 million. The Board considers that the Subscriptions prices set out below are fair and reasonable, including the above market price paid under the Golden Subscription by Mr. Lo, which was arrived at with a view to assisting the Company in its funding needs.

The Golden Subscription

On 30 January 2007, the Company entered into the Golden Subscription Agreement with Golden, an investment holding company, pursuant to which Golden has agreed to subscribe for and the Company has agreed to issue 780,000,000 Golden Subscription Shares at the issue price of HK\$0.285 per share. As at the Latest Practicable Date, the Golden Subscription Shares represent approximately 29.83% of the existing issued share capital of the Company and approximately 11.96% of the issued share capital of the Company as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price.

As Golden is a substantial Shareholder and is wholly owned by Mr. Lo, the Chairman and an executive Director, the Golden Subscription constitutes a connected transaction for the Company under the Listing Rules. As such, the Golden Subscription will require Independent Shareholders' approval (at the SGM of the Company).

The subscription price of the Golden Subscription represents:

- (i) a premium of approximately 5.56% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.78% over the average closing price of HK\$0.2284 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

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- (iii) a premium of approximately 27.69% over the average closing price of HK\$0.2232 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 41.58% over the average closing price of approximately HK\$0.2013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

The CTF Subscription and the Dragon Subscription

On 30 January 2007, the Company has also entered into the CTF Subscription Agreement and the Dragon Subscription Agreement with each of CTF and Dragon, pursuant to which each of CTF and Dragon has agreed to subscribe for and the Company has agreed to issue 200,000,000 CTF Subscription Shares and 200,000,000 Dragon Subscription Shares at the issue price of HK\$0.24 per share.

As at the Latest Practicable Date, Dragon and its associates are interested in 143,420,000 Shares (representing approximately 5.48% of the existing issued share capital of the Company) and CTF and its associates are interested in 20,000,000 Shares (representing approximately 0.76% of the existing issued share capital of the Company). Save for the above, each of CTF, Dragon and their ultimate beneficial owners are independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules), and are not connected persons of the Company.

As at the Latest Practicable Date, the CTF Subscription Shares represent approximately 7.65% of the existing issued share capital of the Company and approximately 3.07% of the issued share capital of the Company as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at Initial Conversion Price. The Dragon Subscription Shares represent approximately 7.65% of the existing issued share capital of the Company and approximately 3.07% of the issued share capital of the Company as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price.

Mr. Cheng Yu Tung and Dr. Cheng Kar Shun, the ultimate beneficial owner of CTF and Dragon respectively, are father-and-son.

The subscription price of the CTF Subscription and Dragon Subscription represents:

- (i) a discount of approximately 11.11% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.08% over the average closing price of HK\$0.2284 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

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- (iii) a premium of approximately 7.53% over the average closing price of HK\$0.2232 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 19.23% over the average closing price of approximately HK\$0.2013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day.

Completion of the Subscriptions

The completion of each of the Subscriptions is conditional upon satisfaction of the following conditions precedent:

- (i) satisfaction of the Conditions Precedent under the Acquisition Agreement and Completion of the Acquisition or that the Completion thereof shall imminently take place;
- (ii) satisfaction of the conditions precedent under the Placement Agreement and completion of the Placing or that the completion thereof shall imminently take place;
- (iii) as the case may be, the Independent Shareholders' approval (at the SGM) in the form of passing of relevant resolutions at the SGM approving the Golden Subscription;
- (iv) as the case may be, the Shareholders' approval (at the SGM) in the form of passing of relevant resolutions at the SGM approving the CTF Subscription;
- (v) as the case may be, the Shareholders' approval (at the SGM) in the form of passing of relevant resolutions at the SGM approving the Dragon Subscription;
- (vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the new Shares under the Subscriptions; and
- (vii) all requisite consents and agreements as advised by the various legal counsels or otherwise required for the Subscriptions.

The above conditions precedent are to be satisfied within 12 months of the Acquisition Agreement, failing which, the Subscriptions shall be cancelled (unless in relation to each Subscription Agreement extended with all parties' agreement under the relevant Subscription Agreement). As at the Latest Practicable Date, none of the conditions have been fulfilled.

As set out under the conditions precedent for the Subscriptions, an application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be issued under the Subscriptions. The Subscription Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

C. THE PLACING

On 30 January 2007, the Company entered into the Placement Agreement with the Placing Agent in relation to the appointment of the Placing Agent for the placing of 1,100,000,000 Placing Shares at the issue price of HK\$0.24 per Share to not less than six Placees and their respective ultimate beneficial owners, who will be independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules), and are not connected persons of the Company. No Placing Shares will be placed to any of the Subscribers or their respective associates. As at the Latest Practicable Date, the Placing Shares represent approximately 42.07% of the existing issued share capital of the Company. Assuming there will be no further change in the issued share capital of the Company, the Placing Shares represent approximately 16.87% of the issued share capital of the Company as enlarged by the Placing, issue of Consideration Shares, the Subscriptions and conversion in full of the Convertible Bond at the Initial Conversion Price. The estimated net proceeds from the Placing are approximately HK\$253 million.

Mr. Lo Lin Shing, Simon, is the Chairman and an executive Director of the Company. Mr. Lo is also the deputy chairman and beneficially interested in approximately 13% of the issued share capital of the Taifook Securities Group Limited (“**TFSG**”), the holding company of the Placing Agent, the shares of which are listed on the Stock Exchange. Save for the aforesaid, the Placing Agent is an independent third party not connected with the Company and its connected persons (as defined in the Listing Rules), and are not connected persons of the Company. The Placing Agent will receive a placing commission of 2.0% on the gross proceeds from the Placing, the commission of which will be payable by the Company upon Completion. The Board considers that the Placing price and placing commission to be paid by the Placing Agent, based on a fully underwritten basis, are fair and reasonable.

The completion of the Placing is conditional upon satisfaction of the following conditions precedent:

- (i) satisfaction of the Conditions Precedent under the Acquisition Agreement and Completion of the Acquisition or that the Completion thereof shall imminently take place;
- (ii) satisfaction of the conditions precedent under the Subscriptions and completion of the Subscriptions or that the completion thereof shall imminently take place;
- (iii) the Shareholders’ approval (at the SGM) in the form of passing of relevant resolutions at the SGM approving the Placing;
- (iv) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the new Shares under the Placing; and
- (v) all requisite consents and agreements as advised by the various legal counsels or otherwise required for the Placing.

The above conditions precedent are to be satisfied within 12 months of the Acquisition Agreement, failing which, the Placing shall be cancelled (unless extended with all parties’ agreement under the Placement Agreement). As at the Latest Practicable Date, none of the conditions had been fulfilled.

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An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be issued under the Placing. The Placing Shares, when issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

The total estimated net proceeds from the Placing and the Subscriptions are approximately HK\$566 million (being the sum of HK\$313 million from the Subscriptions and approximately HK\$253 million from the Placing), of which approximately HK\$170 million will be used for the Commercial Exploitation after Completion and approximately HK\$396 million for the general working capital of the Company.

D. EXPLORATION TO BE CARRIED OUT BY THE COMPANY

The Technical Adviser has based on the available geological information over 180 hectares of the Coal Mine and a site visit to this area, advised that this area as extended could have Resources of up to 180 million tonnes comprising Inferred Resources of about 30 million tonnes and Reconnaissance Resources of up to 150 million tonnes. The total area of the Coal Mine is over 34,000 hectares. The Technical Adviser recommended Exploration over the Coal Mine to determine the Reserves over the Coal Mine (which the Technical Adviser advises that there is an obvious, and quantifiable, coal resource).

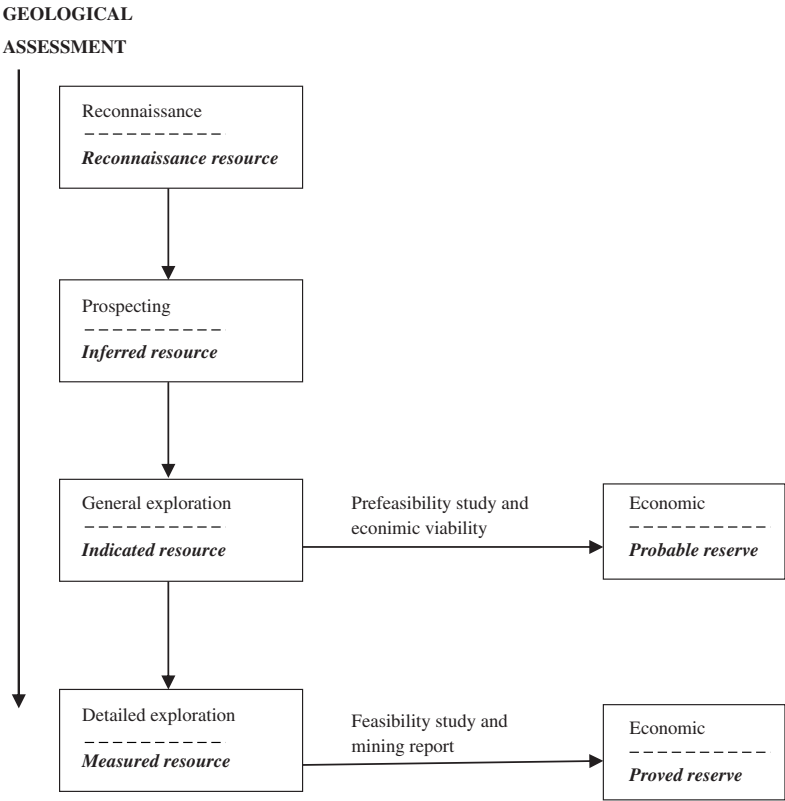
The area of focus of Exploration (from the approval of the Shareholders (at the SGM) up to Completion) is the area with the 180 million tonnes of Resources and its vicinity. The Technical Adviser will conduct surface mapping to identify where to place drill rigs to drill holes over this general area with permian rock formation. The Exploration Company will carry out the drilling work with drilling rigs arranged by it. The current and rough estimate mentioned by the Technical Adviser is that approximately 1 hole is required to be drilled to demonstrate 1 million tonnes of coal reserves. This means that up to 300 holes with a depth of up to 350 meters each mentioned by the Exploration Company may be required within a 12-month timeframe from Completion for 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves as certified by the Technical Adviser. These are rough estimates and the actual drilling methods, including the number of holes and depth of the holes to be drilled will be revised over time as the Exploration progress and the actualities of the situation.

Based on the prospectus of China Shenhua Energy Company Limited (“**China Shenhua**”) dated 2 June 2005, the Technical Adviser was the technical adviser for China Shenhua’s global offering in 2005. The Technical Adviser has also provided technical advice since 1943 in over 50 countries and, as advised by the Technical Adviser, its senior geologist for the site visit to the site area of the Coal Mine has worked for 33 years in field exploration including in Mongolia for coal, metals, uranium, industrial minerals and oil shale.

In the Board’s views, the risks relating to the Acquisition prior to Completion are manageable as Completion will not take place until 300 million tonnes of Reserves are demonstrated. The Shenyang Design Institute has advised that the operations of the Coal Mine should be mined as an open pit mine and thus no significant safety concerns as with underground mines. However, any coal mining operations is dependent upon the type, grade and quality of coal at the Coal Mine. In addition, all environmental impact has been assessed prior to the grant of the Mining Licences. The following diagram illustrates the process of Exploration, under International Standards as advised by the Technical Adviser, for identifying the relationship between resources of the Coal Mine, comprising Reconnaissance Resources and Inferred

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Resources; and reserves of the Coal Mine, comprising Probable Reserves and Proved Reserves for Commercial Exploitation:



Key: Simplified diagram to show the inter-relationship between Reconnaissance Resource, Inferred Resource, Probable Reserves and Proved Reserves based on the International Standards, namely Guideline to the United Nation International Framework Classification for Reserves/Resources adopted by UN ECE Committee on Sustainable Energy, Eleventh session, 21-22 November 2001.

The Exploration Company and the Shenyang Design Institute will be appointed upon the Shareholders’ approval (at the SGM) of the Acquisition. During the period from the Shareholders’ approval (at the SGM), based on the advice of the Technical Adviser, to Completion, the Purchaser will conduct Exploration and the expected Exploration Expenses is estimated to be approximately HK\$80 million. Pursuant to the Acquisition Agreement, any un-recouped Exploration Expenses incurred during the period between the Shareholders’ approval (at the SGM) and Completion will be waived by the Purchaser when Completion takes place. If not, the Mining Company is to repay the Purchaser the Exploration Expenses along with the Agreed Interest thereon less any recouped Exploration Expenses. As security, the Seller will pledge the Mining Licences and Exploration Licence constituting the Coal Mine (through the Pledge of the Holding Company) to the Purchaser and the Guarantor will act as guarantor of the obligations of the Mining Company (and the Seller’s Group Members). The Company will fund the Purchaser the Exploration Expenses from internal resources.

Subject to Shareholders’ approval (at the SGM), the Seller has authorized the Purchaser to conduct initial Commercial Exploitation over a limited area of the Coal Mine containing the Inferred Resources of about 30 million tonnes and after deducting the costs of such Commercial Exploitation, to retain any net profits to recoup part of the Exploration Expenses. The Company intends prior to Completion to set

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up certain preliminary mining operations within the area containing the Inferred Resources of about 30 million tonnes. The exact timing for Commercial Exploitation is uncertain. The Shenyang Design Institute has indicated that such mining operations can be supported and will design an interphase for a 10 million tonnes mining operations upon further reserves being demonstrated under the Exploration. The estimated timing for the initial Commercial Exploitation is expected to commence approximately 6 months from the date of Shareholders' approval (at the SGM). As at the Latest Practicable Date, the Company has not formulated any concrete business plans relating to the Coal Mine.

The area focus for the Commercial Exploration is the area with 30 million tonnes of Inferred Resource which will support a scale of approximately 2 million tonnes per annum operation in accordance with the advice of the Shenyang Design Institute. As further advised by the Shenyang Design Institute, it is estimated that, in the next two years, the total amount required for the Commercial Exploitation (with a production scale of approximately 2 million tonnes coal per annum) is approximately HK\$250 million (including the Exploration Expenses of approximately HK\$80 million).

In view of the present internal resources of the Company and the net proceeds from the Subscriptions and the Placing, the Directors consider that the Company has sufficient resources to meet the financing requirements of the Exploration and the Commercial Exploitation in the next two years. Although the Company intends, prior to the Completion, to set up certain preliminary mining operations on the Coal Mine, it is expected that there will only be minimal operation and revenue to be generated therefrom. Instead, since the Coal Mine is still at a preliminary stage, it takes time for the Company to further explore the Coal Mine, drill holes, construct facilities and install mining machineries for its Commercial Exploitation upon certification from the Technical Adviser of 300 million tonnes coal. Nevertheless, in case further reserves (in excess of the 300 million tonnes of Reserves for the Completion) are demonstrated and require further funding, the Directors are of the view that the Company shall be able to further raise funds and/or obtain bank borrowing to pay up the expenses if required.

Shareholders will be informed by way of announcements in the event that there are any delays in the initial Commercial Exploitation within 6 months from the date of Shareholders' approval (at the SGM). The Directors consider that there is a prospect for the initial and eventual mining operations to be economically feasible given the steadily increasing demand from the PRC and worldwide for coal and coal products, but the ultimate economic feasibility will depend on a variety of factors including market price for coal and coal products, costs of production and delivery terms along with the risk factors set out below.

E. THE INFORMATION ABOUT THE COMPANY, THE SELLER'S GROUP AND THE COAL MINE

1. PRINCIPAL ACTIVITIES OF THE COMPANY

The Group is principally engaged in property investments in Hong Kong and private jet charter business which the Company will continue to engage in after Completion of the Acquisition. The Acquisition represents a new business activity in the field of mining and exploring natural resources for the Company but the Company will continue with its existing operation and there should not be any change in its principal business.

2. PRINCIPAL ACTIVITIES OF THE SELLER'S GROUP

The Guarantor wholly owns the Seller's Group. The Guarantor is further acting as guarantor of the obligations of the Seller's Group under the Acquisition Agreement as set out in A7 above. The Guarantor is a private business person based in Beijing, the PRC and spends most of his time living in Beijing. The Guarantor previously acquired control of undeveloped real estate in various locations in the PRC, including in Shenyang, and intended to become a joint venture party with an appropriate developer partner. However, the Guarantor came across through his contacts, the present mining project approximately 2 years ago and from that point in time, the Guarantor's attention and focus has been on this mining project and he has not pursued any other significant business opportunities. The other Seller's Group Members are passive holding companies owned by the Guarantor as the ultimate beneficial shareholder.

The Seller is a holding company incorporated by the Guarantor in the British Virgin Islands with limited liability and whose activities are limited to holding of the Holding Company. The Holding Company is a passive holding company incorporated in the British Virgin Islands with limited liability whose activities are limited to holding of the Mining Company. The Mining Company is a passive holding company incorporated in Mongolia with limited liability and whose activities are limited to acquiring and holding the Mining Licences and Exploration Licence.

F. REASONS FOR THE ACQUISITION

The Directors have been seeking investment opportunities to broaden the Group's source of income. The search for sources of energy amongst nations and enterprises is a global phenomenon. With coal, aside from the energy prospects, there is the further opportunity to extract various other by-products as international commodities. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. For example, prices for coal and coal products have been rising in the PRC. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand. The Directors consider that the Company's growth momentum will be maintained by diversifying into the natural resources area, including in acquiring coal resources and reserves. The Board is of the view that, upon the Completion, the income stream of the Company will be broadened. The Coal Mine area with the initial 2 million tonnes mining operations is around 200 km to the nearest point of the Chinese border and can be reached by existing road from the port-of-entry of Baytag-Uliastay, at the Chinese border, approximately 310 km to the south. The Shenyang Design Institute views that with the Inferred Resource of about 30 million tonnes identified by the Technical Adviser, it should be sufficient for an initial 2 million tonnes coal mining operations as a Commercial Exploitation supporting the decision of the Board to fund the Exploration Expenses (estimated to be approximately HK\$80 million) to the Purchaser based on the pledge of the Mining Licences and the Exploration Licence constituting the Coal Mine (through the Pledge of the Holding Company). In view of the prospects relating to natural resources generally and the PRC specifically, the Company believes that the acquisition of the Coal Mine will be a successful strategy for the Company's business. It is the Company's intention for the Purchaser to sell the coal mined from the Coal Mine to the PRC and other markets.

In view of the above, the Board considers the Acquisition of the Company and the entering into of the Acquisition Agreement is in the interest and to the benefits of the Group and the Shareholders as a whole. The Board also considers the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable.

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G. CHANGES IN SHAREHOLDING STRUCTURE

The Acquisition, the Subscriptions and the Placing will not result in a change in control to the Company. The following table illustrates the Company's shareholding structure, assuming there is no further change to the share capital of the Company: (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Subscriptions, the Placing, the issue of Consideration Shares (assuming that there is no change from the current shareholding structure); and (iii) after completion of the Subscriptions, the Placing, the issue of the Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price:

Shareholders	As at the		Immediately upon completion		Upon completion of the	
	Latest Practicable Date		of the Subscriptions, the		Subscriptions, the Placing,	
	Number of	%	Number of	%	the issue of the	Consideration Shares and
	Shares	(approximately)	Shares	(approximately)	full conversion of	the Convertible Bond at
					the Initial Conversion Price	
Substantial Shareholder						
Golden and						
its associates (Note 1)	386,202,301	14.77%	1,166,202,301	19.37%	1,166,202,301	17.88%
Other Directors						
Yvette Ong	2,395,000	0.09%	2,395,000	0.03%	2,395,000	0.03%
To Hin Tsun, Gerald	3,000,000	0.11%	3,000,000	0.04%	3,000,000	0.04%
Tsui Hing Chuen, William	500,000	0.01%	500,000	0.00%	500,000	0.00%
Peter Pun	495,000	0.01%	495,000	0.00%	495,000	0.00%
Lau Wai Piu	101,200	0.00%	101,200	0.00%	101,200	0.00%
CTF	20,000,000	0.76%	220,000,000	3.65%	220,000,000	3.37%
Dragon and its associates	143,420,000	5.48%	343,420,000	5.70%	343,420,000	5.26%
The Seller	–	–	1,125,000,000	18.68%	1,625,000,000	24.92%
Placees (Note 2)	–	–	1,100,000,000	18.27%	1,100,000,000	16.87%
Public Shareholders	2,058,698,862	78.77%	2,058,698,862	34.26%	2,058,698,862	31.63%
Total	2,614,812,363	100.00%	6,019,812,363	100.00%	6,519,812,363	100.00%

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Notes:

1. Golden is wholly owned by Mr. Lo who is the Chairman and an executive Director. Among the 386,202,301 Shares, 4,960,000 Shares represent interest of Mr. Lo on an individual basis while 381,242,301 Shares represent interest of Golden.
2. The Placing Shares will be placed to not less than six Placees, who together with their respective ultimate beneficial owners, will be independent third parties not connected with the Company and its connected persons (as defined in the Listing Rules), and are not connected persons of the Company. In addition, the Placing Agent has sub-underwritten its entire commitment of 1,100,000,000 Placing Shares. As at the Latest Practicable Date, none of the Placee has been identified. The Company will make an announcement as soon as practicable if any placee is identified as a substantial Shareholder of the Company as a result of the Placing.

H. RISK FACTORS

Possible risk factors which may be faced by the Company are as follows:

Investments in new business

The Acquisition constitutes an investment in the new business sector, including mine exploration and coal production. The new business, coupled with the regulatory environment, may pose significant challenges to the company's administrative, financial and operational resources. Since the Company does not have significant experience in the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. If any exploration and mining projects, in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may affect the Company.

Cyclical nature of coal markets and fluctuations in coal prices

As a significant percentage of the revenue of the new business is derived from coal and coal-related operations, part of the Company's future business and results of operations may depend on the international supply of and demand for coal. The fluctuations in supply and demand are caused by numerous factors beyond the Company's control, which include, but not limited to:

- (i) Global and domestic economic and political conditions and competition from other energy sources; and
- (ii) The rate of growth and expansion in industries with high coal demand, such as steel and power industries.

There is no assurance that the international demand for coal and coal-related products will continue to grow, or that the international demand for coal and coal-related products will not experience excess supply.

Significant and continuous capital investment

The coal business requires significant and continuous capital investment; the major mine exploration and coal production projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

Policies and regulations

The new business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the mine development and coal production projects may adversely affect the Company.

Country risk

The Company is entering a new business in Mongolia, which the Company does not have any business in. There can be a risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in Mongolia. The change of political and economic conditions in Mongolia may adversely affect the Company.

Environmental protection policies

The mining and exploration business is subject to Mongolian environmental protection law and regulations. If the Company fails to comply with existing or future environmental laws and regulations, the Company may be required to take remedial measures, which could have a material adverse effect on our business, operations, financial condition and results of operations

I. GENERAL

The Acquisition constitutes a very substantial acquisition on the part of the Company under Rule 14.06 of the Listing Rules.

The Acquisition, the Subscriptions and the Placing are inter-conditional to each other. The SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, among other things, the Acquisition, the CTF Subscription, the Dragon Subscription and the Placing, and Independent Shareholders' approval of the Golden Subscription by way of poll. Each of Golden, CTF and Dragon and its beneficial owners, and their respective associates voluntarily agrees to abstain from voting in all resolutions in relation to the Acquisition, the Subscriptions and the Placing.

LETTER FROM THE BOARD

J. CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company from “New World CyberBase Limited” to “Mongolia Energy Corporation Limited”. Upon the change of name becoming effective, the Company will adopt the new Chinese name “蒙古能源有限公司” for identification purpose only.

The proposed change of name of the Company is subject to the passing of a special resolution at the SGM of the Company by the Shareholders and the issue of the relevant Certificate of Incorporation on Change of Name by the Registrar of Companies in Bermuda to the Company approving such change.

The Board takes cognizance of the current business of the Group comprising private jet charter business and real estate and the importance of these elements of the business of the Group. Besides, the Company is also pleased with the new found opportunity of entering the coal energy sector as an expansion of its business. In order to enable investors to appreciate the additional coal energy business of the Group, the Board proposed to change the name of the Company to “Mongolia Energy Corporation Limited”. The Board considers that this proposed change can not only help the Company focus part of its energy but also create a branding of this element of its business without, in any way, derogating the other elements of the business of the Group.

The proposed change of name of the Company will not affect any of the rights of the Shareholders and all existing share certificates in issue bearing the Company’s existing name will, after the proposed change of name of the Company becoming effective, continue to be evidence of title to the shares of the Company and will be valid for trading, settlement and registration purposes. Any issue of share certificates thereafter will be under the new name of the Company.

K. SGM

The SGM will be held at East Room, Level 23, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong at 2:30 p.m. on 18 April 2007 to consider and, if thought fit, approve, among other matters the Acquisition Agreement, the Subscriptions, the Placing and the transactions contemplated thereunder and the proposed change of name of the Company.

A notice convening the SGM is set out on pages 43 to 45 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompany form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending an voting at the SGM if you so wish.

In accordance with Rules 14.49 of the Listing Rules, the vote of the Independent Shareholders taken at the SGM to approve the Golden Subscription Agreement and the transaction contemplated thereunder will be taken by poll, with Mr. Lo and his respective associates abstaining from voting. The voting results will be announced after the SGM.

LETTER FROM THE BOARD

To the best knowledge of the Directors, none of the Seller's Group and their respective associates hold any Shares as at the Latest Practicable Date. On such basis, no Shareholder is required to abstain from voting at the SGM.

L. PROCEDURE TO DEMAND A POLL AT GENERAL MEETING

Under the bye-laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders' present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the rights to vote at the meetings; or
- (iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

M. RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement, the Dragon Subscription Agreement, the CTF Subscription Agreement and the Placement Agreement are fair and reasonable to the Company and in the interest of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisition Agreement, the Dragon Subscription Agreement, the CTF Subscription Agreement and the Placement Agreement. The Directors also recommend the shareholders to vote in favour of the special resolution to be proposed at SGM to approve the proposed change of name of the Company.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 33 of this circular and the letter from Vinco to the Independent Board Committee and the Independent Shareholders in connection with the Golden Subscription Agreement and the transaction contemplated thereunder and the principal factors and reasons considered by them in arriving at such advice set out on pages 34 to 42 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Vinco, considers that the terms of the Golden Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Golden Subscription Agreement and the transaction contemplated thereunder.

N. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
New World CyberBase Limited
Lo Lin Shing, Simon
Chairman



NEW WORLD CYBERBASE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

22 March 2007

To the Independent Shareholders

Dear Sir and Madam

**CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES BY
GOLDEN INFINITY CO., LTD**

We refer to the circular (“Circular”) issued by the Company to its shareholders dated 22 March 2007 of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the Golden Subscription Agreement and the subscription contemplated thereunder. Vinco has been appointed as an independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Vinco set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Vinco set out in the letter of advice set out in the Circular, we consider that the Golden Subscription Agreement and the subscription contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the Golden Subscription Agreement and the subscription contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions numbered (2) to be proposed at the SGM to approve the Golden Subscription Agreement and the subscription contemplated thereunder.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Peter Pun, OBE, JP

Mr. Tsui Hing Chuen William, JP

Mr. Lau Wai Piu

Independent non-executive Directors

LETTER FROM VINCO

The following is the letter of advice from Vinco to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Grand Vinco Capital Limited

Room 4909-4910, 49/F the Center
99 Queen's Road Central
Hong Kong
Telephone: (852) 2865 4388
Facsimile: (852) 2865 4339

22 March 2007

To: *The Independent Board Committee*
New World CyberBase Limited
Room 1502-5
New World Tower 1
16-18 Queen's Road Central
Hong Kong

Dear Sirs,

**CONNECTED TRANSACTION
SUBSCRIPTION OF NEW SHARES BY
GOLDEN INFINITY CO., LTD**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Golden Subscription, details of which are set out in the circular of the Company dated 22 March 2007 (the "Circular") to the Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Company has entered into the Golden Subscription Agreement with Golden on 30 January 2007, pursuant to which Golden has agreed to subscribe for and the Company has agreed to issue 780,000,000 Golden Subscription Shares at the issue price of HK\$0.285 per Share. The Golden Subscription Shares represent approximately 29.83% of the existing issued share capital of the Company and approximately 11.96% of the issued capital of the Company as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price.

Since Golden is a substantial Shareholder and is wholly owned by Mr. Lo, the Chairman and an executive Director, the Golden Subscription constitutes a connected transaction for the Company under the Listing Rules. As such, the Golden Subscription will require the Independent Shareholders' approval at the SGM by way of poll. Mr. Lo will abstain from voting in respect of the proposed resolution approving the Golden Subscription Agreement at the SGM. The Independent Board Committee comprising

LETTER FROM VINCO

Mr. Peter Pun, *OBE, JP*, Mr. Tsui Hing Chuen, William, *JP* and Mr. Lau Wai Piu, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Golden Subscription Agreement. We have been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation to the Independent Board Committee in relation to the Golden Subscription Agreement, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We are not aware that any statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were untrue and incorrect in any respect at the time they were made and continued to be so as at the date of despatch of the Circular. We are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and are not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

We consider that we have (i) obtained all information and documents of the Group relevant to our assessment of the fairness and reasonableness of the terms of the Golden Subscription; and (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Golden Subscription. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Golden Subscription, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent in-depth investigation into the affairs of the Company and its subsidiaries.

BACKGROUND OF THE GOLDEN SUBSCRIPTION AGREEMENT

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Golden Subscription, we have considered the principal factors and reasons set out below:

1.1 Background and reasons for the Golden Subscription

The Group is principally engaged in property investments in Hong Kong and aircraft charter services. As stated in the annual report of the Company for the year ended 31 March 2006, the Group is proactively looking into other business with good prospects. Therefore, the Directors have been seeking investment opportunities to broaden the Group's source of income.

LETTER FROM VINCO

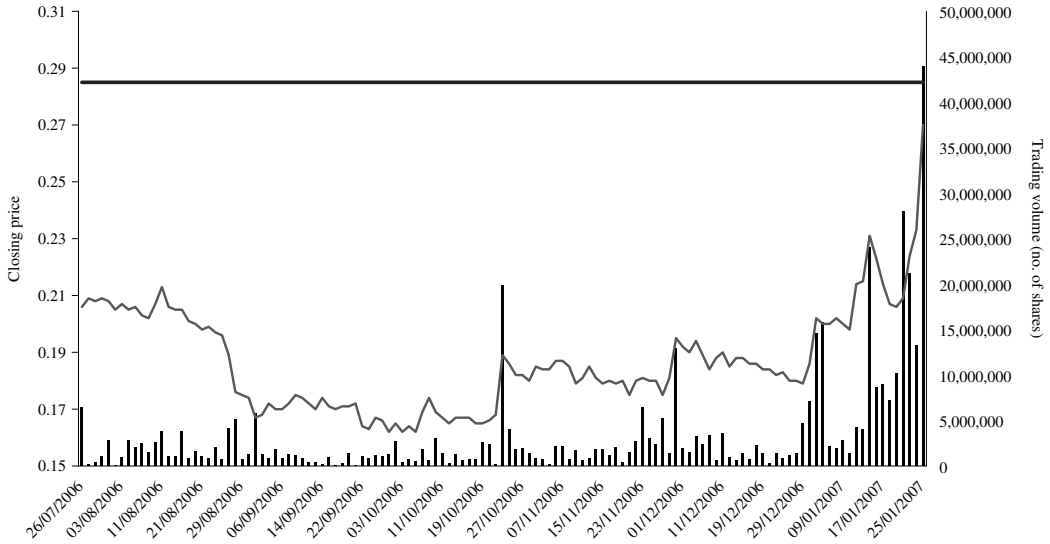
The Board announced that on 30 January 2007, the Company has entered into the Acquisition Agreement with the Guarantor and the Seller's Group to acquire the Coal Mine and the Mining Assets at HK\$1.2 billion. The Acquisition, Subscriptions and Placing are inter-conditional to each other. On 30 January 2007, the Golden Subscription Agreement, alongside with the CTF Subscription Agreement, the Dragon Subscription Agreement and the Placement Agreement, is entered into between the Company and Golden, pursuant to which Golden has agreed to subscribe for and the Company has agreed to issue 780,000,000 Golden Subscription Shares at the issue price of HK\$0.285 per Share. The Golden Subscription Shares, when issued on Completion, will rank pari passu in all respects with the existing Shares in issue.

The SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, among other things, the Acquisition, the CTF Subscription, the Dragon Subscription and the Placing, and Independent Shareholders' approval of the Golden Subscription by way of poll. Each of Golden, CTF and Dragon, its beneficial owners and their respective associates voluntarily agrees to abstain from voting in all resolutions in relation to the Acquisition, the Subscriptions and the Placing.

The Consideration will be paid on Completion through (i) HK\$270 million to be satisfied by the allotment and issue of the Consideration Shares, (ii) HK\$142.5 million by the Convertible Bond (with a 3% per annum coupon rate with 3-year maturity) and (iii) HK\$787.5 million by the Loan Note (with a 5% per annum coupon rate with 3-year maturity) as deferred payment. Since the Consideration will be settled through deferred payment, the Company intends to use the proceeds from the Golden Subscription amounted to approximately HK\$222 million, together with proceeds from the CTF Subscription, the Dragon Subscription and the Placing, for general working capital of the Company, including funding the Purchaser the Exploration Expenses and the Commercial Exploitation after Completion.

1.2 The Subscription Price

The following chart shows the closing prices and trading volume of the Shares during the period from 26 July 2006 to 25 January 2007 (being the 6 calendar months period up to the Last Trading Day) (the “Review Period”).



Source: Website of the Stock Exchange

As indicated from the chart above, the closing prices of the Shares during the Review Period have been trading at a discount to the price of the Golden Subscription. In particular, the price of the Golden Subscription represents:

- (i) a premium of approximately 5.56% over the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.78% over the average closing price of HK\$0.2284 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 27.69% over the average closing price of HK\$0.2232 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 41.58% over the average closing price of approximately HK\$0.2013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 89.89% to the closing price of HK\$2.82 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM VINCO

To assess the fairness and reasonableness of the price of HK\$0.285 per Share to be allotted and issued to Golden under Golden Subscription Agreement, we have reviewed the reference of the subscription price to the various closing prices of all share subscription announced by other companies listed on the Stock Exchange (the “Subscription Comparables”) in the last month preceding the Last Trading Day, details of which are set out as follows:

Date of announcement	Stock Code	Company	(Discount on)/ Premium to closing price on the Last Trading Day	(Discount on)/ Premium to average closing price for the last 5 trading days up to and including the Last Trading Day	(Discount on)/ Premium to average closing price for the last 10 trading days up to and including the Last Trading Day
2-Jan-07	578	Everbest Century Holdings Limited	(7.32%)	(11.42%)	(12.74%)
4-Jan-07	395	Asia Zirconium Limited	(12.94%)	(13.35%)	(14.55%)
11-Jan-07	190	HKC (Holdings) Limited	(11.33%)	(8.65%)	(7.06%)
15-Jan-07	115	Grand Field Group Holdings Limited	(19.92%)	(2.31%)	5.70%
15-Jan-07	585	Imagi International Holdings Limited	(11.84%)	(4.42%)	(0.82%)
16-Jan-07	910	China Grand Forestry Resources Group Limited	(6.50%)	1.59%	5.50%
22-Jan-07	61	Venture International Investment Holdings Limited	(18.52%)	(12.77%)	5.52%
22-Jan-07	678	Star Cruises Limited	(9.49%)	0.17%	1.69%
22-Jan-07	698	Tongda Group Holdings Limited	(11.76%)	(4.76%)	(2.44%)
25-Jan-07	2314	Lee & Man Paper Manufacturing Limited	(5.23%)	(6.07%)	(4.69%)
26-Jan-07	263	Poly Investments Holdings Limited	(16.85%)	(18.50%)	(18.50%)
26-Jan-07	1003	GFT Holdings Limited	(42.86%)	(33.33%)	(32.89%)
31-Jan-07	497	Capital Strategic Investment Limited	(8.02%)	(6.64%)	(6.11%)
		Average	(14.05%)	(9.27%)	(6.26%)
		The Golden Subscription	5.56%	24.78%	27.69%

The issue price of Golden Subscription represents a premium of approximately 5.56% to the closing price per Share on the Last Dealing Day, which is higher than the average discount of approximately 14.05% for the closing price per share before the date of the corresponding announcements of the Subscription Comparables. Moreover, the issue price of Golden Subscription also represents a premium of 24.78% and 27.69% to the average closing price per Share for the last 5 trading days and last 10 trading days up to and including the Last Trading Day respectively, which is significantly higher than the respective average discount of approximately 9.27% and 6.26% of the Subscription Comparables.

Moreover, the issue price of Golden Subscription represents a premium of approximately 18.75% over the issue price of HK\$0.24 per Share to be allotted and issued under the Acquisition Agreement and Placement Agreement and a premium of 0.35% over the unaudited net tangible assets value per Share of approximately HK\$0.284 as at 30 September 2006, being the latest published financial statement of the Group (based on an unaudited net tangible assets of approximately HK\$469.46 million and 1,654.91 million weighted average number of Shares in issue as at 30 September 2006).

Given the above analysis, we are of the view that the issue price of Golden Subscription is fair and reasonable so far as the Company and Independent Shareholders generally are concerned.

1.3 Financial effect of the Golden Subscription on the Group

Net tangible assets

Since the issue price of Subscription Share of HK\$0.285 per Share is at a premium of approximately 0.35% of the unaudited net tangible assets value per Share of approximately 0.284 as at 30 September 2006, the Golden Subscription will slightly enhance the consolidated net tangible assets per share value of the Company.

Working capital

The estimated gross proceeds from the Golden Subscriptions are approximately HK\$222.3 million, which will be used for the general working capital requirements of the Company, including funding the Purchaser for the Exploration Expenses and the Commercial Exploitation after Completion. Accordingly, the working capital of the Company will be increased as a result of the Golden Subscription.

1.4 Capital requirement and funding alternatives

The total estimated net proceeds from the Placing and the Subscriptions are approximately HK\$566 million, of which approximately HK\$170 million will be used for the Commercial Exploitation after Completion and approximately HK\$396 million for the general working capital of the Company.

Funding alternatives

Funding alternatives other than raising fund by way of the Placing and the Subscriptions, the Directors have also considered other financing methods such as debt financing and rights issue in order to meet its general working capital requirements of the Company and the Commercial Exploitation after Completion. However, given the debt-to-equity ratio of the Company (calculated by dividing the sum of short-term loans of HK\$126.94 million and convertible notes of HK\$136.10 million by the equity of the Company of HK\$469.40 million) as reflected from the unaudited interim report for the period ended 30 September 2006 is approximately 56.03%, the use of debt financing will inevitably exert high pressure on the financial position of the Company.

On the other hand, we note that the then market capitalisation of the Company was approximately HK\$595.81 million, calculated based the total number of the total issued share capital of the Company as at the Last Trading Day of 2,608 million times the average closing price of HK\$0.2284 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day, the estimated net proceeds from the Subscriptions of approximately HK\$566 million represented approximately 94.99% of the then market capitalisation. Given the fact that the trading volume the Shares for the Review Period had been remained at a relatively low level, we had strong reservation on the possibility of success of using right issues as a financing tool for such large amounts. Even the right issues could continue, it could only be achieved through providing substantial discounts or issuing substantial number of shares. In all circumstances, the existing Shareholders would experience immediate pressure on Share price, as well as possible dilution if they do not subscribe the rights Shares.

Capital requirements

We noted from the “Risk Factors” section of the “Letter from the Board” that the Company will expose itself to the following risks after the Acquisitions:

- (1) Investments in new business;
- (2) Cyclical nature of coal markets and fluctuations in coal price;
- (3) Significant and continuous capital requirement;
- (4) Policies and regulations;
- (5) Country risk; and
- (6) Environmental protection policies.

LETTER FROM VINCO

All these risk factors may impose unexpected significant pressure on the future financial position of the Group. Therefore, we are of the view that it is fair and reasonable to retain substantial working capital pool to secure payment of any unanticipated additional expenses which may arise from this new investment opportunity.

Furthermore, apart from the expected Exploration Expenses and costs for Commercial Exploitation, the Group requires additional working capital for the payment of relevant interests arising from the Convertible Bond and the Loan Note (each of which bears an annual coupon rate of 3% and 5% respectively). Moreover, as advised by the Directors, the net proceeds from the Golden Subscription can be reserved for part of the Loan Note repayment upon its maturity.

Based on the aforesaid and given the unique nature of the coal industry, we are of the view that the retention of most of the net proceeds from the Placing and Subscriptions as working capital for the Group is fair and reasonable.

Therefore, we are of the opinion that, under the current circumstances, the placement adopted by the Company, which includes CTF Subscription, Dragon Subscription, Golden Subscription and the Placement, represents a fair and reasonable fund raising arrangement.

1.5 Dilution to shareholders of the Independent Shareholders

Upon completion of the Golden Subscription, 780 million Shares will be issued, representing (i) approximately 29.83% of the existing issued share capital of the Company and (ii) approximately 11.96% of the issued share capital of the Company as enlarged by the Subscriptions, the Placing, the issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price.

Shareholders	As at the Latest Practicable Date		Immediately upon Completion of the Golden Subscription but prior to Dragon Subscription, CTF Subscription, the Placing and the issue of the Consideration Shares		Immediately upon Completion of the Subscriptions, the Placing and the issue of the Consideration Shares	
	Number of Shares (approximately)	% (approximately)	Number of Shares (approximately)	%	Number of Shares	%
Substantial Shareholder						
Golden and its associates (<i>Note 1</i>)	386,202,301	14.77%	1,166,202,301	34.35%	1,166,202,301	19.37%
Other Directors						
Yvette Ong	2,395,000	0.09%	2,395,000	0.07%	2,395,000	0.03%
To Hin Tsun, Gerald	3,000,000	0.11%	3,000,000	0.08%	3,000,000	0.04%
Tsui Hing Chuen, William	500,000	0.01%	500,000	0.01%	500,000	0.00%
Peter Pun	495,000	0.01%	495,000	0.01%	495,000	0.00%
Lau Wai Piu	101,200	0.00%	101,200	0.00%	101,200	0.00%
CTF	20,000,000	0.76%	20,000,000	0.58%	220,000,000	3.65%
Dragon and its associates	143,420,000	5.48%	143,420,000	4.22%	343,420,000	5.70%
The Seller	-	-	-	-	1,125,000,000	18.68%
Placees (<i>Note 2</i>)	-	-	-	-	1,100,000,000	18.27%
Public Shareholders	2,058,698,862	78.77%	2,058,698,862	60.68%	2,058,698,862	34.25%
Total	2,614,812,363	100.00%	3,394,812,363	100.00%	6,019,812,363	100.00%

LETTER FROM VINCO

As shown in the Company's shareholding structure above, the aggregate shareholding interest of the existing public Shareholder (excluding Dragon) will decrease from approximately 78.73% (immediately before completion of the Subscription, Placing and issue of Consideration Shares and full conversion of the Convertible Bond at the Initial Conversion Price) to approximately 60.64% upon completion of the Golden Subscription but prior to Dragon Subscription, CTF Subscription, the Placing and issue of Consideration Shares and full conversion of the Convertible Bond. Taking into account that the Subscription will bring in additional working capital to the Group for its future funding requirements, including the Exploration Expenses and the Commercial Exploitation expenses, which will in turn generate economic benefits to the Shareholders, we are of the view that such dilution effect to shareholdings of the independent Shareholders is fair and reasonable.

RECOMMENDATION

Having taken into consideration of the principal factors and reasons, in particular,

- (i) the issue price of Golden Subscription represented a premium of approximately 5.56% to the closing price per Share on the Last Dealing Day, which is higher than the average of the Subscription Comparables. Moreover, the price of Golden Subscription also represented a premium of 24.78% and 27.69% to the average closing price per Share for the last 5 trading days and last 10 trading days up to and including the Last Trading Day respectively, which is significantly higher than the respective average of the Subscription Comparables; therefore there are no preferential price offered to Golden under the Golden Subscription;
- (ii) the issue price of Golden Subscription represented a premium of approximately 18.75% over the issue price of the Acquisition Agreement and Placement Agreement and a premium of 0.35% over the unaudited net tangible assets value per Share as at 30 September 2006;
- (iii) the subscription including Golden Subscription, adopted by the Company represents a fair and reasonable fund raising arrangement; and
- (iv) the Golden Subscription will bring in additional working capital to the Group for its future funding requirements despite of the dilution effect on the shareholding of the Independent Shareholding.

we are of the view that the Golden Subscription are in the interests of the Company and its Shareholders as a whole and the terms and conditions of the Golden Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

Yours faithfully
For and on behalf of
Grand Vinco Capital Limited

Alister Chung
Managing Director

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statement and financial position for the year ended 31 March 2004 as extracted from the annual report of the Group for the year ended 31 March 2004, and that for the years ended 31 March 2005 and 2006 as extracted from the annual report of the Group for the year ended 31 March 2006. The summary of the unaudited condensed consolidated income statement of the Group for the six months ended 30 September 2005 and the six months ended 30 September 2006 as well as the financial position of the Group as at 30 September 2006 as extracted from the interim report for the six months ended 30 September 2006 are also set out below.

	Results of the Group				
	for the year ended 31 March			for the six months ended	
	2004	2005	2006	2005	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)	
Turnover	29,650	18,776	24,052	10,236	19,790
Income tax (expenses)/credit	–	(5,876)	(811)	(394)	673
Profit/(loss) for the year/period	(27,371)	9,009	(1,391)	(23,151)	(2,717)
Minority interests	1,164	91	8	7	–
Profit/(loss) attributable to shareholders	<u>(26,207)</u>	<u>9,100</u>	<u>(1,383)</u>	<u>(23,144)</u>	<u>(2,717)</u>
Dividends	–	–	–	–	–
Earnings/(loss) per share					
Basic	<u>HK cents (0.45)</u>	<u>HK cents 3.11</u>	<u>HK cents (0.25)</u>	<u>HK cents (5.67)</u>	<u>HK cents (0.16)</u>
Diluted		<u>HK cents 3.11</u>	<u>HK cents 0.02</u>	<u>HK cents (5.59)</u>	<u>HK cents 0.11</u>
Dividend per share	–	–	–	–	–

	Assets and liabilities of the Group			
	as at 31 March			as at
	2004	2005	2006	30 September
	HK\$'000	HK\$'000	HK\$'000	2006
		(Restated)		HK\$'000
Total assets	416,628	477,794	818,114	797,260
Less: Total liabilities	(188,584)	(251,548)	(390,988)	(327,800)
Minority interests	<u>(156)</u>	<u>(65)</u>	<u>(57)</u>	<u>(57)</u>
Total net assets	<u>227,888</u>	<u>226,181</u>	<u>427,069</u>	<u>469,403</u>

Note:

The audited accounts of the Group for the year ended 31 March 2004 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively the “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The audited accounts of the Group for the year ended 31 March 2006 have been prepared in accordance with new HKFRSs. The comparatives financial statements for the year ended 31 March 2005 have been restated in accordance with new HKFRSs.

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

The adoption of the other new HKFRSs had no significant impact on the Group’s financial position and result of operations as at and for the year ended 31 March 2004 except for the following:

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. Under HK(SIC)-Int 21, the deferred tax liabilities arising from the revaluation of investment properties are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. Prior to the adoption of HK(SIC)-Int 21, the carrying amount of that asset was expected to be recovered through sale. Management estimated the financial impact in the adoption of such revised standard for the financial year 31 March 2004 is as follow:

The adoption of HKAS-Int 21 resulted in an increase in accumulated losses at 1 April 2003 by HK\$33,167,000.

	As at
	31 March 2004
	<i>HK\$'000</i>
Increase in deferred tax liability	(37,069)
Increase in accumulated losses	37,069
	For the year ended
	31 March 2004
	<i>HK\$'000</i>
Increase in tax expense	3,902

2. AUDITED CONSOLIDATION FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2006

The following is the audited consolidated income statement of the Group for the two years ended 31 March 2005 and 31 March 2006, the audited consolidated balance sheet of the Group and the audited balance sheet of the Company as at 31 March 2005 and 31 March 2006, the audited consolidated statement of changes in equity of the Group and the audited consolidated cash flow statement of the Group for the two years ended 31 March 2005 and 31 March 2006, together with accompanying notes to the accounts extracted from the annual report of the Company for the year ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Continuing operations:			
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
Discontinued operations:			
Profit/(loss) from discontinued operations	6	19,407	(20,738)
(Loss)/profit for the year		(1,391)	9,009
Attributable to:			
Equity holders of the Company		(1,383)	9,100
Minority interests		(8)	(91)
		(1,391)	9,009
(Loss)/earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company for the year			
	13		
– basic (HK cents)		(3.83)	10.21
– diluted (HK cents)		(2.84)	10.20
Earnings/(loss) per share for profit/(loss) from discontinued operations attributable to the equity holders of the Company for the year			
	13		
– basic (HK cents)		3.58	(7.10)
– diluted (HK cents)		2.86	(7.09)

CONSOLIDATED BALANCE SHEET*As at 31 March 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
ASSETS			
Non-current assets			
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
		<u>600,438</u>	<u>418,752</u>
Current assets			
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
		<u>217,676</u>	<u>59,042</u>
Current liabilities			
Creditors, deposits and accruals	26	16,520	25,412
Short-term loans	27	151,724	183,202
		<u>168,244</u>	<u>208,614</u>
Net current assets/(liabilities)		<u>49,432</u>	<u>(149,572)</u>
Total assets less current liabilities		<u>649,870</u>	<u>269,180</u>
Non-current liabilities			
Convertible notes	28	175,528	–
Deferred income tax liabilities	29	47,216	42,934
		<u>222,744</u>	<u>42,934</u>
Net assets		<u>427,126</u>	<u>226,246</u>

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

BALANCE SHEET*As at 31 March 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
ASSETS			
Non-current assets			
Subsidiaries	16	166,668	166,668
Current assets			
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
		408,149	83,981
Current liabilities			
Amounts due to subsidiaries	16	48,414	45,208
Other payables		3,977	3,516
		52,391	48,724
Net current assets		355,758	35,257
Total assets less current liabilities		522,426	201,925
Non-current liabilities			
Convertible notes	28	175,528	—
Deferred income tax liabilities	29	3,495	—
		179,023	—
Net assets		343,403	201,925
Financed by:			
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	29,737	8,737
Reserves	31	313,666	193,188
		343,403	201,925

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 March 2006*

	Attributable to equity holders of the Company				
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 (<i>Note 30(a)(i)</i>)	(110,674)	110,674	–	–	–
Transfer to accumulated losses (<i>Note 30(a)(i)</i>)	–	(2,669,973)	2,669,973	–	–
Rights issue of shares (<i>Note 30(a)(ii)</i>)	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 (<i>Note 2.1</i>)	–	191	(6,056)	–	(5,865)
Profit for the year, as restated	–	–	9,100	–	–
Balance at 31 March 2005, as restated	<u>8,737</u>	<u>222,944</u>	<u>(5,500)</u>	<u>65</u>	<u>226,246</u>
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 (<i>Note 2.1</i>)	–	–	26,324	–	26,324
Balance at 1 April 2005, as restated	8,737	222,944	20,824	65	252,570
Convertible notes – equity component (<i>Note 28</i>)	–	21,468	–	–	21,468
Deferred tax on equity component of convertible notes (<i>Note 29</i>)	–	(3,757)	–	–	(3,757)
Share-based compensation expenses	–	1,760	–	–	1,760
Issue of shares (<i>Note 30</i>)	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	<u>29,737</u>	<u>377,868</u>	<u>19,464</u>	<u>57</u>	<u>427,126</u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31 March 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash flow from operating activities			
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)
		<u> </u>	<u> </u>
Net cash used in operating activities		<u>(18,227)</u>	<u>(3,693)</u>
Cash flows from investing activities			
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)	–
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(172,534)</u>	<u>(4,681)</u>
Cash flows from financing activities			
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	–
		<u> </u>	<u> </u>
Net cash generated from financing activities	34(d)	<u>321,038</u>	<u>42,223</u>
Net increase in cash and cash equivalents		130,277	33,849
Cash and cash equivalents at beginning of year		<u>41,208</u>	<u>7,359</u>
Cash and cash equivalents at end of year	25	<u><u>171,485</u></u>	<u><u>41,208</u></u>

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.

(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

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.

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.

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			HKAS 32 and 39	Year ended 31 March 2006		
	HK(SIC)-				HK(SIC)-		
	Int 21	HKFRS 2	HKFRS 5		Int 21	HKFRS 2	HKFRS 5
	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	<u>(5,865)</u>	<u>(191)</u>	<u>-</u>	<u>(11,877)</u>	<u>(787)</u>	<u>(1,760)</u>	<u>-</u>
Decrease in basic earnings per share (HK cents)	<u>(2.01)</u>	<u>(0.07)</u>	<u>-</u>	<u>(2.19)</u>	<u>(0.15)</u>	<u>(0.32)</u>	<u>-</u>

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	<u>269,115</u>	<u>65</u>	<u>(42,934)</u>	<u>-</u>	<u>226,246</u>	<u>26,324</u>	<u>252,570</u>
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 interest	-	65	-	-	65	-	65
Total equity	<u>269,115</u>	<u>65</u>	<u>(42,934)</u>	<u>-</u>	<u>226,246</u>	<u>26,324</u>	<u>252,570</u>

(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.

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.

(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.

(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.

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.

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.

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.

(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.

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.

2.13 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.

(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 or 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.

2.18 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.

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.

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.

(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.

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:

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

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.

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	<u>19,493</u>	<u>4,559</u>	<u>197</u>	<u>14,351</u>	<u>24,052</u>	<u>14,548</u>
Segment results	<u>14,165</u>	<u>(2,739)</u>	<u>164</u>	<u>(7,849)</u>	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					<u>(20,798)</u>	<u>19,407</u>
Depreciation	–	667	–	611	667	611
Unallocated depreciation					175	–
					<u>842</u>	<u>611</u>
Capital expenditure	–	144,399	–	1,188	144,399	1,188
Unallocated capital expenditure					53	–
					<u>144,452</u>	<u>1,188</u>

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 HK\$'000	Discontinued HK\$'000
Turnover	<u>18,776</u>	<u>–</u>	<u>327</u>	<u>18,967</u>	<u>18,776</u>	<u>19,294</u>
Segment results	<u>42,765</u>	<u>–</u>	<u>762</u>	<u>(16,273)</u>	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					<u>2,075</u>	<u>–</u>
Operating profit/(loss)					39,878	(20,738)
Finance costs					<u>(4,255)</u>	<u>–</u>
Profit/(loss) before income tax					35,623	(20,738)
Income tax expense					<u>(5,876)</u>	<u>–</u>
Profit/(loss) for the year					<u>29,747</u>	<u>(20,738)</u>
Depreciation	–	–	–	890	–	890
Unallocated depreciation					<u>219</u>	<u>–</u>
					219	890
Amortisation of intangible assets	–	–	–	202	<u>–</u>	<u>202</u>
Impairment loss of intangible assets	–	–	–	2,928	<u>–</u>	<u>2,928</u>
Capital expenditure	–	–	–	4,786	–	4,786
Unallocated capital expenditure					<u>18</u>	<u>–</u>
					<u>18</u>	<u>4,786</u>

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.

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

	Property investments <i>HK\$'000</i>	Aircraft charter <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

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

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

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	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong – Continuing	24,052	18,776	144,452	18
Mainland China – Discontinued	<u>14,548</u>	<u>19,294</u>	<u>1,188</u>	<u>4,786</u>
	<u>38,600</u>	<u>38,070</u>	<u>145,640</u>	<u>4,804</u>
			31 March	31 March
			2006	2005
			<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets				
Hong Kong			818,061	456,483
Mainland China			<u>53</u>	<u>21,311</u>
			<u>818,114</u>	<u>477,794</u>

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.

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

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).

7 Operating (loss)/profit

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

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

8 Staff costs (including directors' remuneration)

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

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).

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
	<u>310</u>	<u>1,834</u>	<u>711</u>	<u>1,176</u>	<u>12</u>	<u>4,043</u>

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
	<u>261</u>	<u>2,160</u>	<u>64</u>	<u>120</u>	<u>12</u>	<u>2,617</u>

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

(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 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (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
	<u>3,585</u>	<u>3,363</u>

The emoluments fell within the following bands:

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

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

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:

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

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:

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

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)).

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:

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

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).

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>
Cost							
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)
At 31 March 2006	–	620	3,343	1,139	397	143,568	149,067
Accumulated depreciation							
At 1 April 2004	2,172	201	6,421	1,722	455	–	10,971
Charge for the year	–	395	426	156	132	–	1,109
Disposals	–	–	(132)	–	–	–	(132)
Transfer from other properties to investment properties (<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)
At 31 March 2006	–	178	3,145	899	212	641	5,075
Net book value							
At 31 March 2006	–	442	198	240	185	142,927	143,992
At 31 March 2005	–	63	1,691	190	471	–	2,415

15 Investment properties

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

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	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>385,000</u>	<u>388,900</u>

16 Subsidiaries

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

(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.

Associated companies

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.*

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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Share of net liabilities	----- (3)	----- –
Amount due from jointly controlled entity	----- 15,107 -----	----- – -----
	<u>15,104</u>	<u>–</u>

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)

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.

	Everbest Business Limited HK\$'000	Group's attributable interests HK\$'000
Assets:		
Non-current assets – prepayment for purchase of aircraft	30,215	15,107
Liabilities:		
Non-current liabilities – shareholders' loans	(30,215)	(15,107)
Current liabilities	(6)	(3)
	(30,221)	(15,110)
Net liabilities	(6)	(3)
Operating results:		
Income	–	–
Expenses	(6)	(3)
Loss for the period	(6)	(3)
Capital commitments:		
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.

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

21 Long term receivable

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Balance at 31 March	<u>12,668</u>	<u>5,123</u>

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:

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

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

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	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	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
	<u>171,485</u>	<u>41,208</u>	<u>162,749</u>	<u>26,667</u>
Denominated in:				
HK\$	171,339	31,289	162,749	26,667
RMB	–	9,919	–	–
US\$	146	–	–	–
	<u>171,485</u>	<u>41,208</u>	<u>162,749</u>	<u>26,667</u>

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.

26 Creditors, deposits and accruals

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

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

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

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.

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:

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

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.

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:

	Investment properties <i>HK\$'000</i>	Group Convertible notes <i>HK\$'000</i>	Total <i>HK\$'000</i>	Company Convertible notes <i>HK\$'000</i>
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 (<i>Note 11</i>)	5,865	–	5,865	–
At 31 March 2005	42,934	–	42,934	–
Charged/(credited) to the income statement (<i>Note 11</i>)	787	(262)	525	(262)
Charged to equity (<i>Note 31</i>)	–	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.

30 Share capital*(a) Authorised and issued share capital*

		31 March 2006 HK\$'000	31 March 2005 HK\$'000
Authorised:			
15,000,000,000 ordinary shares of HK\$0.02 each		<u>300,000</u>	<u>300,000</u>
		Number of ordinary shares at HK\$0.02 each	HK\$'000
	<i>Note</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>	<u>145,624,029</u>	<u>2,912</u>
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		<u>2,245,000</u>	<u>45</u>
Balance at 31 March 2006		<u>1,486,861,261</u>	<u>29,737</u>

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;
 - 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.

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	<u>15,306,420</u>	0.2742	<u>19,031,400</u>

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	–
			<u>15,306,420</u>	<u>19,031,400</u>

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

Note:

The volatility measured at the standard derivation 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.

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)(ii))	–	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	–
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)
Balance at 31 March 2006	17,711	158,856	199,594	1,707	–	19,464	397,332

(b) Company

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

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.

32 **Contingent liabilities**

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Guarantees in respect of credit facilities granted to subsidiaries	<u> — </u>	<u> — </u>	<u> 151,724 </u>	<u> 183,202 </u>
(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	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	977	1,445
Later than one year and not later than five years	<u> 312 </u>	<u> 860 </u>
	<u> 1,289 </u>	<u> 2,305 </u>

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

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

(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)
	2,427
Cash outflow on acquisition of subsidiaries	

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.

(c) Disposal of subsidiaries

	2006
	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment (<i>Note 14</i>)	2,642
Investment properties (<i>Note 15</i>)	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)
	<hr/>
	15,475
Gain on disposal of subsidiaries (<i>Note 6</i>)	26,929
	<hr/>
	42,404
	<hr/> <hr/>
Satisfied by:	
Sales consideration settled in shares	42,404
	<hr/> <hr/>
Cash outflow on disposal of subsidiaries	10,675
	<hr/> <hr/>

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) <i>HK\$'000</i>	Short term loans <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Restricted bank balances <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2006	<u>188,593</u>	<u>151,724</u>	<u>195,500</u>	<u>57</u>	<u>–</u>	<u>535,874</u>

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

		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	<u>509</u>	<u>–</u>

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

		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)	<u>2,057</u>	<u>668</u>

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 TFSG, 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	2005
	<i>HK\$’000</i>	<i>HK\$’000</i>
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
	<u>5,429</u>	<u>6,049</u>

(d) **Balances with related parties**

	2006	2005
	<i>HK\$’000</i>	<i>HK\$’000</i>
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)
	<u>8,717</u>	<u>8,468</u>

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.

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
¹ 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
¹ Cyber Network Technology Limited	British Virgin Islands	1 share of US\$1.00	100%	Investment holding
¹ Gameraian 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
¹ New World CyberBase (Greater China) Limited	Hong Kong	2 shares of HK\$1.00 each	100%	Management services
¹ 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

¹ *Subsidiaries directly held by the Company.*

3. UNAUDITED CONSOLIDATION FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The following is the unaudited consolidated income statement of the Group for the six months ended 30 September 2005 and 30 September 2006, the unaudited balance sheet of the Group as at 30 September 2006 and the audited consolidated balance sheet of the Group as at 31 March 2006, together with accompanying notes to the accounts extracted from the interim report of the Company for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

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

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

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2006*

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*As at 30 September 2006*

	Unaudited Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Convertible notes HK\$'000	Share premium HK\$'000	Con- tributed surplus HK\$'000	Employee share- based compen- sation 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	29,737	17,711	158,856	199,594	1,707	19,464	57	427,126
Issue of shares								
– exercise of share options	80	–	1,211	–	(619)	–	–	672
– conversion of convertible notes	5,667	(5,474)	44,186	–	–	–	–	44,379
Loss for the period	–	–	–	–	–	(2,717)	–	(2,717)
Balance at 30 September 2006	<u>35,484</u>	<u>12,237</u>	<u>204,253</u>	<u>199,594</u>	<u>1,088</u>	<u>16,747</u>	<u>57</u>	<u>469,460</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2006*

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

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 ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 May 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ 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.

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

	For the six months ended 30 September 2005					
	Property investments		Technology related services		Total	
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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:

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

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

	Property investments <i>HK\$'000</i>	Aircraft charter <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 (<i>Note 3</i>)

There are no sales or other transactions between geographical segments.

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

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

	Six months ended 30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	—	14,181
Other revenues	—	24
Staff cost, depreciation and other operating expenses	—	(20,294)
	<u>—</u>	<u>(20,294)</u>
Loss before income tax	—	(6,089)
Income tax expenses	—	—
	<u>—</u>	<u>—</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>(1,179)</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:

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

5 Finance costs

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

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

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:

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

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

	Investment properties <i>HK\$'000</i>	Property, plant and equipments <i>HK\$'000</i>
Cost or valuation		
Net book value as at 1 April 2006	385,000	143,992
Additions	–	640
Disposal	–	(179)
Disposal of subsidiaries	–	(957)
Depreciation	–	(3,716)
	<u>385,000</u>	<u>139,780</u>
Net book value as at 30 September 2006	<u>385,000</u>	<u>139,780</u>
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	(3,900)	(2,693)
	<u>385,000</u>	<u>322</u>
Net book value as at 30 September 2005	<u>385,000</u>	<u>322</u>

9 Associated companies

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

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

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

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

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

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

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

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

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

		30 September	31 March
		2006	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:			
15,000,000,000 ordinary shares			
of HK\$0.02 each		<u>300,000</u>	<u>300,000</u>
		Number of	
		ordinary shares	
	<i>Note</i>	at HK\$0.02 each	<i>HK\$'000</i>
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		<u>1,774,179,592</u>	<u>35,484</u>

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 (<i>note</i>)	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**

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

- (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

		Six months ended	
		30 September	
		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<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)	240	240
Interest income from certain subsidiaries of IEC	(ii)	249	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

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

(d) Amounts due from related parties

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

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.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Management discussion and analysis for the year ended 31 March 2004

The fiscal year ended 31 March 2004 was another challenging year for New World CyberBase Limited (“NWCB”). Though business in China was adversely affected by Severe Acute Respiratory Syndrome (“SARS”) epidemic in the first half of the year, the Group took advantage of the market recovery in the second half of the year to expand its business to the highly potential and growing area in IT services including mobile Internet services and IT outsourcing services and achieved solid progress.

Financial Review

During the year, the Group recorded a turnover of HK\$29.7 million, representing a 18% reduction from HK\$36.2 million in 2003 while operating losses had been trimmed down to HK\$23.4 million, 40% decrease compared with HK\$39 million last year.

The turnover was originated from two business streams namely, technology related services and property investments. The drop in the turnover contribution from the technology related services accounted for the overall decrease in current year. A modest increase of 4% when compared to last year was found in the turnover of property investments following the gradual recovery of the Hong Kong property market.

Operating loss for the year was mainly attributable to the loss from the provision of technology related services of HK\$23.7 million (2003: profit of HK\$4.1 million). The surge of operating loss in this business segment was due to three reasons. Firstly, the business was affected by the unexpected outbreak of the SARS in the People’s Republic of China (the “PRC”) resulting in a shrinkage of turnover. Secondly, the Group directed more resources in setting up the infrastructure of both mobile Internet services in alignment with the Group’s expansion into mobile Internet market. Thirdly, certain subsidiaries in this business segment were voluntarily liquidated in prior year, recording a one-off written back of over accrued expenses and provision for liabilities made in previous years by these subsidiaries totaling HK\$17.8 million which was reflected in 2003.

Loss attributable to shareholders was reduced to HK\$26.2 million (2003: HK\$44.7 million), a decrease by 41% compared with last year since no deficit on revaluation of investment properties was recognized in current year (2003: HK\$24 million).

New Growth by Focusing on Mobile Internet

During the year, the Group has successfully established two focus areas in the mobile Internet business, city infotainment (information and entertainment) and mobile entertainment. Being the largest mobile market in the world, PRC’s number of mobile subscribers exceeds the number of fixed telephone lines users.

The mobile data services including short messaging services (“SMS”), wireless application protocol (“WAP”), multimedia messaging services (“MMS”) and interactive voice response (“IVR”) are booming at an unbelievable growth rate.

Our initial step in this arena was marked in the third quarter by launching a call center telephone mapping and city information enquiry services in Shanghai for China Unicom customers and kicking off the Group’s first series of Location Based Service (“LBS”) mobile games and mobile entertainment services in Guangzhou.

By end of the year 2003, the Group enhanced the website www.chinaquest.com with mobile access features enabling mobile users to enjoy city information and city entertainment via SMS. The services mainly focused on two types of information; city directory and public transportation, such as details on restaurants, banks, government organizations, shopping centers, supermarkets, guesthouses, hospitals, education institutes, postal and telecommunication services, leisure and entertainment facilities, etc. This enhancement successfully changed business model of this website from free services to fee-based services. Customers can also receive more value-added services such as community based information services.

In addition, adopting the most advanced LBS technology, as an extension to the NWCB’s WAP LBS service previously launched in July 2003 in Shanghai, the Group launched its first SMS LBS city infotainment service for China Mobile users in Shanghai. The result in this area is shown by total users in the area of city infotainment reaching over 250,000.

In the area of mobile entertainment, the Group launched a stream of interactive SMS entertainment services in September 2003. With an objective to build a fun mobile entertaining community for the young and trendy mobile users, the Group launched a range of mobile games through the alliance of our partners in Europe, China and Hong Kong by end of 2003.

This service offers very comprehensive mobile entertainment to the young community, such as ringtone download, MMS DIY, mobile games and others. These services will be offered over the most advance mobile technology from SMS, to WAP, MMS and K-Java.

Mobile users can simply subscribe the SMS services from their mobile handset. The first batch of services are “Birthday Luck”, “Psycho Test”, “Fruit Fortune Telling” and “Humor Article”.

Sustaining Growth through IT Outsourcing

Business

The Group's IT outsourcing business also contributed an important role in the Group's business. The IT outsourcing business encompasses services in the following areas: call center services, software outsourcing, data management and IT services.

The call center team provided the best-in-class service to its customers and expanded to provide higher margin services such as training, professional services, inbound and outbound customer care service outsourcing.

We have successfully renewed contracts with long-term major clients, representing a significant portion of IT outsourcing services revenue base. To sustain new business growth, the Group extended service offerings in the area of data management. An outsourcing service is to support high volume of data management requirements such as data entry, data cleansing and data storage for the local enterprise. Our wins include major banks and insurance companies. In order to maintain our high quality service level to our IT outsourcing customers, the Group has successfully continued our ISO9000 certification.

Future Growth

The Group's key growth area will be in the mobile Internet business sector; relying on the expansion of service offerings through cross platform from MMS to WAP, and IVR technology. The first step is the launch of an interactive mobile entertainment web platform www.ijcool.com in May 2004. The website is established as a forum for mobile users to enjoy interactive entertainment through a mobile Internet environment.

Furthermore, the Group will continue to expand the business of mobile Internet service by geographic extension. City infotainment services are scheduled to be launched in other key cities such as Beijing and Guangzhou. Community groups will be established through the expansion of more city infotainment service on topics in four distinguished aspects of daily life in the city; food & restaurants, transportation, property and fashion. The mobile Internet service will continue to be the business focus of the Group.

A new growth area for IT outsourcing Services will be the expansion of service offerings in value added call center services and data management while maintaining its steady growth through securing long term customer relationships and taking advantage of the global trend of companies looking to outsource to China.

The Year Ahead

Looking ahead, the expansion into the mobile Internet service and IT outsourcing service will be the Group's emphasis in response to the fast growing wireless value-added services and Internet market in the PRC. The Group will also continue to control costs and maintain operating efficiency.

With a strong commitment and focus in innovations and management of executions, in addition to a team of industry professionals, NWCB is confident to improve the service quality, establishing our brand, and expanding our reach in the marketplace.

Financial Resources

Liquidity and financial resources

As at 31 March 2004, the Group's shareholders' fund amounted to HK\$227.9 million (2003: HK\$254.1 million) and the net asset value per share was HK\$0.04 (2003: HK\$0.04).

The Group's funding was derived from internal resources and revolving banking facilities provided by a bank in Hong Kong. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2004 amounted to HK\$159 million (2003: HK\$141 million), of which HK\$61.3 million (2003: HK\$59.3 million) is payable within one year, HK\$14 million (2003: HK\$12.5 million) is payable in the second year, HK\$36.8 million (2003: HK\$43.3 million) is payable from third to fifth year and the balance is payable beyond the fifth year.

As at 31 March 2004, the cash and bank balances were HK\$13.6 million (2003: HK\$12.3 million), of which an amount of HK\$6.3 million (2003: HK\$6.1 million) has been pledged as security for banking facilities granted to the Group. Liquidity ratio slightly changed to 0.34 (2003: 0.31) due to short term loans advanced to related companies during the year.

Gearing

At the balance sheet date, the gearing ratio of the Group was 0.41 (2003: 0.36) which was calculated based on the Group's total borrowings to total assets.

Interest rate risks and foreign currency exposures

Interests on bank and other loans are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate. The Group's operations are principally in Hong Kong and the Mainland China and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars or US dollars. The Directors believe that the fluctuation in exchange rates among these currencies are minimal and accordingly no related hedging measures are adopted.

Capital commitments

As at 31 March 2004, the capital commitments of the Group amounted to HK\$2.1 million (2003: HK\$5.9 million), which was the contracted commitments related to uncalled portion of other investments.

Pledge of assets

Investment properties with a carrying amount of HK\$310 million (2003: HK\$310 million) and bank balance of HK\$6.3 million (2003: HK\$6.1 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

In March 2004, a PRC governmental institute filed a claim to the PRC court against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC and total claims against the Group for an aggregate amount of RMB5 million and an injunction for further usage of such information. The litigation is in progress up to the date of this report. The directors have consulted lawyers in the PRC and considered these claims are without merits.

(2) Management discussion and analysis for the year ended 31 March 2005**Financial Review**

This year's results was a big turnaround compared with last year. The Group recorded a turnover of HK\$38.1 million, representing a 28% increase from HK\$29.7 million in 2004. The Group achieved an operating profit of HK\$19.3 million, a turnaround from an operating loss of HK\$23.4 million compared with last year.

The profit attributable to shareholders for the year ended 31 March 2005 amounted to HK\$15.2 million representing a turnaround from a loss attributable to shareholders of HK\$26.2 million in 2004.

Two main reasons contribute to these positive results: Firstly, the recovery in the business of technology related services; in particular the growth in the mobile Internet business sector contributed to the 68% IT revenue increase. The mobile Internet business has achieved an average of 40% monthly revenue growth. Secondly, Hong Kong's property market has benefited from the re-bounce of the local economy. This consequently positively impacted the Group's investment properties, thus recording a revaluation gain of HK\$29.6 million.

Mobile Internet Service As A Key Contributor to IT Revenue

Over the past 12 months of the fiscal year, NWCB continued to focus on mobile Internet services market and IT outsourcing.

During the first quarter, the Group successfully launched its first nationwide value-added wireless, MMS product. The services provide content with a combination of text, sounds and images to MMS capable handsets. Content includes music, photos, games and other entertainment services.

One of the key reasons for this success was the launch of an interactive mobile entertainment website platform www.ijcool.com in May in year 2004. This website provides the first cross platform forum for mobile users to enjoy interactive entertainment through a mobile Internet environment. Another key success factor was the adoption of a web alliance strategy through which ijcool.com built up a channel network in co-operation with leading online advertising agents, music and multimedia websites. The Group has established alliance relationship with over 800 popular web portals in China covering 50 million Internet users.

The Group has had tremendous growth since the launch of the services, in which it achieved explosive popularity over a short period. In May 2005, the website had achieved an average daily hit rate of above 40 million and was ranked among the top 500 websites worldwide in terms of daily hit rates. All these results have meant that ijcool.com contributed to mobile Internet business which is one of the key contributors to the Group's new revenue growth this year.

Continue to Strengthen Market Presence

A key milestone of the Group was the acquisition of 100% equity of Nanjing Needfire in January 2005, a service provider with nationwide SMS service agreements with China Mobile. The Jiangsu-based company strengthened our product portfolio, and the professional staff complemented our current product management and development team. Lastly, the local presence and experience of this successful service provider helped us strengthen our sales coverage in the China Eastern province.

Moving forward, we believe that the key success factor is to continuously expand our product portfolio with innovative products and services. On the Mobile Entertainment front, in the last quarter of the fiscal year, we launched our first nationwide WAP service portfolio. By now, NWCB has successfully rolled out a total of 14 wireless application protocol ("WAP") products. On the Infotainment front, ChinaQuest product suites, have been supported by our advanced search engine software combining with the capabilities of GIS & wireless Location Based Services (LBS) technology. During this year, we have launched a wide range of infotainment services with a comprehensive city information content for trendy "City Goers".

The year was not without obstacles. Towards the end of the year 2004, the Chinese authorities' tightened regulatory policies which affected tighter management control and requirements to the mobile service provider business. Although NWCB welcomes a more regulated environment, the burden was on the businesses to invest more resources to comply with regulatory requirements from both government and mobile operators. This has unfortunately affected the rate of growth for the business towards the second half of the year. Nevertheless, NWCB, with an experienced management team and quality services, we will overcome the difficulties and continue to forge ahead.

As we have encountered the growing demand of mobile Internet services, during the last quarter of this year, we have now to plan our business expansion. We are determined to extend our on the ground coverage in China, we established four new sales offices in four major cities, Shenyang, Nanjing, Chengdu and Xian. Adding to the existing offices in Hong Kong, Shanghai, Beijing and Guangzhou, the Group has a total of seven offices in mainland China today. This strategic milestone enables us to strengthen our sales and marketing coverage by synergizing our already successful virtual sales channel network with a well covered on-the ground sales & marketing network.

Lastly, the Group's IT Outsourcing Services has continued to be the infrastructure supporting our business expansion in China. This year with a fierce competitive market place we have maintained a steady business. We start to seek new business growth potentials in combining the synergy with the fast growing mobile Internet business. This will be one of our key strategic thrust to establish ourselves as one of our key differentiators in the market place in the longer term.

Moving Forward

The Group's strong presence in China continues to leverage on the fast and exciting development of the telecommunication and Internet markets. It is expected that execution of various management control systems from the operators will impact the growth rate of the business in the near future. However, the Group does not see that this will have a major impact on the continuous long term growth of this industry. The mobile subscriber base will grow to exceed 400 million and the Internet user base will exceed 100 million in China next year. The needs of wireless value added services will continue as the wireless subscriber base and the technology evolution will continue to have a natural growth pattern.

In the near future, we do expect the effect of our on-the ground coverage to take place, with our reach to customers greatly extended.

In the meantime, we see the continuous growth in MMS, WAP, interactive voice response ("IVR") and Internet markets and these trends will give the Group the market environment for business growth. NWCB will continue to enrich the product portfolio, leading up to the transition into the 3G market. In addition, we will continue to expand by building up multi-access delivery channels, extending our services through the different delivery platform such as IVR, LBS and 3G. More importantly, we will increase our payment methodologies to increase the convenience for our customers, making it easier for them to enjoy our services.

Looking ahead, the expansion into the mobile Internet service continues to be one of the core focuses of the Group. With the dedication of our team, we will continue to leverage the fast and exciting development of the telecommunications and Internet markets and maintaining pace with the technology evolution into the future of the convergence of broadband fixed and wireless worlds.

IT outsourcing services will be the expansion of service offerings in value added call center services while maintaining its steady growth. The integration of multi-platform technology that spread from voice to data services has given the Group a competitive edge. The Group believes that with our growing competencies in both the consumer and enterprise markets, the integration of technology from voice to data and fixed line to wireless, will inevitably be the Group's core strength in winning market share in the area of the new integrated medium.

Financial Resources

Liquidity and financial resources

As at 31 March 2005, the Group's shareholders' fund amounted to HK\$269.1 million (2004: HK\$227.9 million) and the net asset value per share was HK\$0.62 (2004: HK\$0.78).

The Group's funding was derived from internal resources and credit facilities from a bank and other companies. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2005 amounted to HK\$141.5 million (2004: HK\$159.2 million). In respect of the secured bank loan of approximately HK\$134.4 million as at 31 March 2005, it was refinanced by another bank with better terms during the year and only approximately HK\$7.0 million together with accrued interest would be repayable within one year from the date of inception of the loan and the remaining balance would be repayable thereafter subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the accounts, however, this does not represent the total bank loan has to be repaid within one year from 31 March 2005. 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\$385.0 million as at 31 March 2005 which 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.

In March 2005, the Company raised a net proceeds of approximately HK\$26.1 million by way of a rights issue of 145,624,029 shares at a price of HK\$0.2 per share. The net proceeds from the rights issue is used and earmarked for the Group's general working capital.

As at 31 March 2005, the cash and bank balances were HK\$41.7 million (2004: 13.6 million). As at 31 March 2004, bank balances of HK\$6.3 million was pledged as security for banking facilities granted to the Group, which was duly released in the current financial year. Undrawn banking facilities of the Group as at 31 March 2005 was approximately HK\$37.1 million (2004: HK\$10.5 million). Liquidity ratio dropped to 0.28 (2004: 0.34) due to full portion of secured bank loan was classified as current liability for accounting purpose.

On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK\$0.24 per share (the "Placing"). Details of the Placing have been published in an announcement of the Company dated 21 April 2005. The net proceeds from the Placing was approximately HK\$13 million.

Gearing

At the balance sheet date, the gearing ratio of the Group was slightly improved to 0.38 (2004: 0.41) which was calculated based on the Group's total borrowings to total assets.

Interest rate risks and foreign currency exposures

Interests on bank and other loans are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate ("HIBOR"). The Group's operations are principally in Hong Kong and the Mainland China and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars or US dollars. The directors believe that the fluctuation in exchange rates among these currencies are minimal and accordingly no related hedging measures are adopted.

Pledge of assets

Investment properties with a carrying amount of HK\$385 million (2004: HK\$310 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

The Group has a contingent liability in respect of claim filed by a PRC governmental institute against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC amounting to RMB5.0 million (equivalent to approximately HK\$4.7 million). By order issued by a PRC court, the Group was required to freeze its assets value to the extent of RMB5.0 million (equivalent to approximately HK\$4.7 million) in connection with the above claim. During the year, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of RMB573,000 (equivalent to HK\$540,000). The litigation is still in progress up to the date of this report. While the outcomes 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.

Investment activities

As at 31 March 2005, the market value of the Group's listed investments in Hong Kong over its book value amounted to HK\$26.3 million (2004: HK\$59.4 million) which was not reflected in the accounts.

(3) Management discussion and analysis for the year ended 31 March 2006**Financial Review**

The Group completed its transformation into an investment holding business during the year ended 31 March 2006, recording a turnover from continuing operations of HK\$24.1 million, representing an increase of 28.1% from HK\$18.8 million in 2005. The Group registered an operating loss of HK\$12.6 million while there was an operating profit of HK\$39.9 million in 2005.

The loss attributable to shareholders for the fiscal year 2006 amounted to HK\$1.4 million as compared to the profit attributable to shareholders of HK\$9.1 million in 2005.

The continuing operations are property investment business and the newly commenced aircraft charter and management business. Benefited from the continued recovery of the regional economy, the demand for office and retail space increased and the Group's revenue from its investment properties improved slightly. However, the initial set up costs incurred in the newly established aircraft charter and management business offset the gains and resulted in an overall operating loss.

Technology related services of the Group were disposed of in October 2005. The results of discontinued operations in this report included the operating results of technology related services up to the date of the disposal and the gain on the disposal of this business segment.

Business Review

Through a series of restructuring, the Group has in the past year transformed itself into an investment holding company with a focus in, but not limited to, property investment and private jet services. Private jet services will include aircraft charter and management business. Geographically, the Group has over the years built its reputation and brand in Mainland China. Leveraged on its strong presence, the Group proactively explored investment opportunities in the Mainland market.

In the property sector, as at the end of the fiscal year 2006, the Group continued to own the basement and ground floors of Bank of America Tower in Central, Hong Kong. The property had a rentable area of approximately 43,900 square feet and an average occupancy of 85%. For the period under review, the property generated an income of HK\$19.5 million to the Group.

In November 2005, the Group contracted to purchase two aircrafts and started the investment into the private jet services business. The Group held the view that the robust economic growth of the PRC, together with the increasing business travels to the PRC from Hong Kong and other countries as a result of the Closer Economic Partnership Arrangement (CEPA) and the frequent trade and civil exchange between the PRC and the rest of the world, would contribute to the increasing demand for air transportation to destinations in the PRC.

The Group received the G200 Aircraft in February 2006 and immediately bought it into business. Total revenue generated by the private jet services amounted to HK\$4.6 million. Although the business is in the start-up stage, the Group is optimistic about its potential and believes that the operations will broaden the revenue base of the Group in the long run.

Outlook

The Group will continue to develop its property investment and private jet services in the coming year while proactively looking into other businesses with good prospects.

Taking into account the upward property market trend and demand in Hong Kong, the Group foresees a positive growth opportunity in the commercial rental market.

According to the National Bureau of Statistics of the PRC, the GDP of the PRC has been increasing at a compound annual growth rate of over 9%. Together with the flourishing trade and tourist activities, the Group expects the demand for office and retail units to increase. The renewed austerity measures announced by the PRC authorities not long ago are expected to effectively regulate the first-tier property markets and transfer the momentum to the second tier cities. Moreover, it is believed the Federal Reserve of the US is not likely increase the interest rate again in the near future. These factors will all fuel the development of the property market. The Group will seek investment opportunities in secondary cities in the PRC to broaden its property portfolio.

As for the private jet services, the Group expects the demand for private jet services to continue to grow as air passengers, being primarily executives of multinational corporations, wealthy businessmen and high net worth people who have a demand for more flexible flight times, shorter waiting time for flights and air checking, better catering services, as well as better protection of privacy, will not mind paying a slightly higher fare for better flying quality and services. The Group believes that the growth strategy for the business will be to seek strategic partners and investors. Thus, after the balance sheet date, the Group further strengthened the private jet business by disposing of 59.9% interest in BAA Jet Management Limited to a strategic investor. Furthermore, the Group entered into a joint venture agreement with independent third parties to establish a sino-foreign joint venture in PRC. The Group will own 49% beneficial interest in this joint venture and the joint venture will be principally engaged in the provision of aircraft charter and management services. The details of these transactions were announced by the Company on 4 July 2006 and 6 July 2006 respectively.

As an investment holding company, the Group will also look into other areas should opportunities arises, so as to broaden its revenue base. Technology is one area the Group may consider, as it has been exploring the sector since its inception. It not only has the expertise and technology know-how, but also a track record in developing technology business in the PRC market. Leveraging on its network and experience in the PRC market, the Group will also consider exploring other sectors, such as natural resources, as it sees appropriate. The Group will inform the shareholders and the market in due course for its new developments.

In the past year, after careful consideration of the changing market landscape and arising opportunities, the Group has made decisive steps to enter into business areas with promising prospects. In the future, as always, it will be the Group's commitment and top priority to create value for its shareholders.

Financial Resources

Liquidity and financial resources

As at 31 March 2006, the Group's equity holders' fund amounted to HK\$427.1 million (2005: HK\$226.2 million) and the net asset value per share was HK\$0.29 (2005: HK\$0.52).

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 31 March 2006 amounted to HK\$155.8 million (2005: HK\$141.5 million). In respect of the secured bank loan of approximately HK\$151.7 million as at 31 March 2006, it was 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 31 March 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 31 March 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.

On 19 May 2005, the Company completed a placing of 58,000,000 ordinary shares at a subscription price of HK\$0.24 per share to independent investors under which a net proceeds of approximately HK\$12.8 million was raised for the Group's working capital. The closing price of the share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited on 19 May 2005 was HK\$0.35.

In February 2006, the Company completed a rights issue of 989,744,174 shares at a subscription price of HK\$0.15 per share. Accordingly, a net proceeds of approximately HK\$143 million was raised.

The Company also issued 2.5% redeemable convertible notes at a nominal value of HK\$200 million in February 2006. The net amount received by the Company was approximately HK\$195.5 million.

As at 31 March 2006, the cash and bank balances were HK\$171.5 million (2005: 41.7 million). Undrawn banking facilities of the Group as at 31 March 2006 were approximately HK\$12.8 million (2005: HK\$37.1 million). Liquidity ratio was improved to 1.29 (2005: 0.28) due to fund raising exercises shown above.

Gearing

At the balance sheet date, the gearing ratio of the Group was stood at 0.40 (2005: 0.38) which was calculated based on the Group's total borrowings to total assets.

Financial risk management

Details of the financial risk management adopted by the Group are set out in note 3 to the financial statements.

Pledge of assets

Investment properties with a carrying amount of HK\$385 million (2005: 385 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

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 outcomes 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.

(4) Management discussion and analysis for the six months ended 30 September 2006**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**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.

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.

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.

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.

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.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, being the date of which the latest audited financial statements of the Group were made up.

6. INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES

At the close of business on 31 January 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had short term secured bank borrowings of approximately HK\$126.8 million. The Group's short term secured bank borrowings are secured by (i) legal charges on investment properties with a book value of HK\$385 million as at 31 January 2007; (ii) a corporate guarantee provided by the Company; and (iii) a Director's personal guarantee to the extent of all outstanding interest in connection with the bank borrowings.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 January 2007, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities.

7. BUSINESS PROSPECTS

Trend of business of the Group

The stable development of the Groups aircraft business is a stable source of profit and cash flow of the Group. It has been the business strategy of the Company to continue seeking other investment opportunities to diversify the investment portfolio of the Company. When the right opportunity and time come, the Company will be determined to realise the investment chance.

Trading and financial prospects of the Enlarged Group

The Directors consider that the Company's growth momentum will be maintained by diversifying into the natural resources area, including in acquiring coal resources and reserves as a search for sources of energy amongst nations and enterprises is a global phenomenon. With coal, aside from the energy prospects, there is the further opportunity to extract various other by-products as international commodities. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. For example, prices for coal and coal products have been rising in the PRC. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand. In view of the prospects relating to natural resources generally and the PRC specifically, the Company believes that a coal mining investment project will be a successful strategy for the Company's business.

8. WORKING CAPITAL

The Directors are of the opinion that the Enlarged Group will, following the Completion and taking into account the present internal financial resources and the net proceeds from the Subscriptions and the Placing, have sufficient working capital for its requirements in next 12 months from the Latest Practicable Date.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**(1) Unaudited pro forma net assets statement of the Enlarged Group**

The following is an illustrative and unaudited pro forma net assets statement of the Enlarged Group which has been prepared on the basis as set out in the notes below for the purposes of illustrating the effect of the Acquisition, Placing and Subscriptions (collectively, the “Transaction”) as if it has taken place on 30 September 2006.

This unaudited pro forma net assets statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group, had the Transaction been completed as at 30 September 2006 or at any future date.

	The Group as at 30 September 2006 <i>HK\$'000</i> (Note 1)	Pro forma adjustments <i>HK\$'000</i>	Note	The pro forma Enlarged Group <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	139,780			139,780
Investment properties	385,000			385,000
Associated companies	45,758			45,758
Jointly controlled entity	15,104			15,104
Financial assets at fair value through profit or loss	46,737			46,737
Intangible assets – Exploration and evaluation assets				
Mining rights	–	939,569	2	939,569
Exploration Expenses	–	80,000	3	80,000
	<u>632,379</u>			<u>1,651,948</u>
Current assets				
Financial assets at fair value through profit or loss	49,436			49,436
Accounts receivable	1,565			1,565
Other receivables, prepayments and deposits	4,372			4,372
Amounts due from related companies	8,764			8,764
Tax prepaid	55			55
Cash and cash equivalents	100,689	486,000	4	586,689
	<u>164,881</u>			<u>650,881</u>
Current liabilities				
Creditors, deposits and accruals	18,218			18,218
Short term loans	126,939			126,939
	<u>145,157</u>			<u>145,157</u>
Net current assets	<u>19,724</u>			<u>505,724</u>
Total assets less current liabilities	<u>652,103</u>			<u>2,157,672</u>
Non-current liabilities				
Convertible bonds	136,100	83,129	5	219,229
Loan note	–	484,688	6	484,688
Deferred income tax liabilities	46,543			46,543
	<u>182,643</u>			<u>750,460</u>
Net assets	<u>469,460</u>			<u>1,407,212</u>

(2) Unaudited pro forma adjusted net tangible assets statement of the Enlarged Group

The following is an illustrative and unaudited pro forma adjusted net tangible assets statement of the Enlarged Group which has been prepared on the basis as set out in the notes below for the purpose of illustrating the effect of the Acquisition, Placing and Subscriptions (the “Transaction”) as if it has taken place on 30 September 2006.

This unaudited pro forma adjusted net tangible assets statement has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group, had the Transaction been completed as at 30 September 2006 or at any future date.

Net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2006 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments			Pro forma adjusted net tangible assets of the Enlarged Group attributable to the equity holders of the Company <i>HK\$'000</i>
	Add: Net proceeds on Placing and Subscriptions, net of Exploration Expenses <i>HK\$'000</i> <i>(Note 4)</i>	Less: Effect of the liability component of Convertible Bond issued <i>HK\$'000</i> <i>(Note 5)</i>	Less: Effect of the issuance of Loan Note <i>HK\$'000</i> <i>(Note 6)</i>	
469,403	486,000	(83,129)	(484,688)	387,586
Unaudited net tangible assets per Share of the Group as at 30 September 2006 (HK\$ per Share) <i>(Note 7)</i>				0.2646
Unaudited pro forma adjusted net tangible assets per Share of the Enlarged Group (HK\$ per Share) <i>(Note 8)</i>				0.0748

Notes:

1. The unaudited net assets of the Group and the unaudited net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2006 were extracted from the unaudited published interim report of the Group for the six months ended 30 September 2006, which is set out in Appendix I to this circular.
2. The fair value of the rights to operate the Coal Mine of HK\$939,569,000

Pursuant to Hong Kong Financial Reporting Standards No. 2 Share-based Payment (“HKFRS 2”) and Hong Kong (IFRIC) Interpretation 8 “Scope of HKFRS 2” (“HK(IFRIC)-Int 8”), if the acquisition of an asset is partly settled by share-based payment, the portion of the asset settled by the issuance of share-based payment shall be measured by the fair value of the asset. If the fair value of the asset is lower than the fair value of equity instrument issued, the share issued will be recorded at the fair value of the equity instrument and any difference that cannot be identified as an asset will be expensed to the income statement. If the former is higher than the latter, the equity instrument issued will be recorded at the fair value of the asset. However, if the fair value of the asset cannot be measured reliably, it should be measured at fair value of equity instrument issued.

For the purpose of the pro forma financial information, the fair value of mining rights acquired pursuant to the Transaction is measured at the fair value of consideration given, comprising (i) the Consideration Shares; (ii) the Convertible Bond; and (iii) the Loan Note, as at 31 January 2007. The fair value of the Consideration Share is based on the closing market price of the Company’s share as at 31 January 2007. The fair value of the liability component of the Convertible Bond is determined as set out in note 5 below. The fair value of the equity component of the Convertible Bond is determined using the Black-Scholes Pricing Model based on various assumptions on risk-free rate of return, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices and term to maturity. The fair value of the Loan Note is determined as set out in note 6 below. This is because the directors consider the fair value of the mining rights is not determinable as the quality and quantity of coal mine to be explored cannot be determined reliably at 31 January 2007 or the Latest Practicable Date.

The fair values of the Consideration Shares, the Convertible Bond and the Loan Note at the date of Completion may be different from their fair values used in the preparation of the unaudited pro forma net assets statement as above. The fair value of the mining rights at the Completion Date is yet to be determined and whether such fair value can be measured reliably is yet to be ascertained. As such, the actual financial position of the Group resulting from the Transaction may be different from the financial position shown in this Appendix.

3. The estimated Exploration Expenses of HK\$80 million as set out in the Acquisition Agreement, is initially recognised at cost and classified as intangible assets by the directors in accordance with Hong Kong Financial Reporting Standards No. 6 “Exploration for and Evaluation of Mineral Resources”. Upon completion of the exploration and evaluation stage, this will be reclassified as property, plant and equipment and intangible assets according to their nature.
4. The adjustment to cash and cash equivalent reflects the estimated net cash proceeds from the following:
 - (i) Estimated net proceeds of approximately HK\$253 million from the Placing of 1,100,000,000 Shares at HK\$0.24 per share, after deducting related expenses of approximately HK\$11 million;

- (ii) Estimated net proceeds of HK\$313 million from the issuance of 780,000,000 Subscription Shares to Golden at the issue price of HK\$0.285 per Share; 200,000,000 Subscription Shares to CTF at the issue price of HK\$0.24 per Share; 200,000,000 Subscription Shares to Dragon at the issue price of HK\$0.24 per Share, after deducting related expenses of approximately HK\$5.3 million; and

after deducting the estimated Exploration Expenses of approximately HK\$80 million.

5. The fair value of the liability component of the Convertible Bond on initial recognition amounted to HK\$83,129,000. The fair value is calculated using the cash flows discounted at 15.628% per annum which is the estimated market interest rate for an equivalent non-convertible note as at 31 January 2007.
6. The fair value of the Loan Note on initial recognition amounted to HK\$484,688,000. The fair value of the Loan Note is calculated using cash flows discounted at 15.628% per annum which is the estimated market interest rate for an equivalent loan note as at the 31 January 2007.
7. The unaudited net tangible assets per Share of the Group as at 30 September 2006 is calculated based on net tangible assets of the Group attributable to equity holders of the Company of HK\$469,403,000 and 1,774,179,592 Shares in issue as at 30 September 2006.
8. The unaudited pro forma adjusted net tangible assets per Share of the Enlarged Group is calculated based on the unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to the equity holders of HK\$387,586,000 and on the basis that a total of 5,179,179,592 Shares were in issue as at 30 September 2006, which comprises of (i) 1,774,179,592 Shares in issue as at 30 September 2006, (ii) 1,125,000,000 Consideration Shares to be issued pursuant to the Acquisition (iii) 1,100,000,000 new Shares to be issued pursuant to the Placing, (iv) 780,000,000 Golden Subscriptions Shares to be issued; (v) 200,000,000 CTF Subscriptions Shares to be issued; and (vi) 200,000,000 Dragon Subscription Shares to be issued.
9. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 September 2006. In particular, no adjustment has been made for (i) disposal of 6,000,000 shares in Hanny Holdings Limited at the offer price of HK\$3.8 per share in December 2006; (ii) conversion of convertible notes with an aggregate principal amount of HK\$60 million in December 2006; (iii) disposal of the entire issued share capital of and related loans to subsidiaries, Modern Sparkles Investment Ltd. and Peak Elite Holdings Corp. at total consideration of not less than HK\$38.32 million in January 2007; and (iv) conversion of convertible notes with an aggregate principal amount of HK\$89 million in January 2007.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道會計師事務所	PricewaterhouseCoopers 22nd Floor, Prince's Building Central, Hong Kong
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REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF NEW WORLD CYBERBASE LIMITED

We report on the unaudited pro forma financial information set out on pages II-1 to II-5 under the heading of “Unaudited Pro Forma Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the circular dated 22 March 2007 (the “Circular”) of New World Cyberbase Limited (the “Company”), in connection with the proposed very substantial acquisition of a coal mine in western Mongolia; the proposed subscriptions of 1,180,000,000 new shares and the proposed placing of 1,100,000,000 new shares (collectively referred to as the “Transaction”).

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-5 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated balance sheet as at 30 September 2006 with the interim financial report of the Company for the six months ended 30 September 2006 as set out in Appendix I of the Circular, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2006 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 22 March 2007

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent professional valuer, in connection with its valuation of the property interests held by the Group as at 31 January 2007.

永利竹 評值顧問有限公司 | RHL Appraisal Ltd

Surveying Practices – Corporate Valuation and Property Consultancy
License No.: C-015672

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22 March 2007

The Board of Directors
New World CyberBase Limited
Room 1502-5
New World Tower 1
16-18 Queen’s Road Central
Hong Kong

Dear Sirs,

Re: Valuation of the various properties located in Hong Kong and the People’s Republic of China

INSTRUCTIONS

In accordance with your instructions to value the captioned properties located in Hong Kong and the People’s Republic of China (the “PRC”) in which New World CyberBase Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of such property interests as at 31 January 2007 (the “date of valuation”).

BASIS OF VALUATION

Our valuation of the property interests represents their “Market Value” which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

METHOD OF VALUATION

We have valued the property interests in Groups I and II by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable transactions as available in relevant markets.

VALUATION ASSUMPTIONS

As the property interests are held under long term land use rights and/or Government Lease(s), we have assumed that the owner(s) has free and uninterrupted rights to use the property interests for the whole of the unexpired term of their respective land use rights and/or Government Lease(s) without payment of any substantial sum of taxes or expenses. We have valued the property interests on an open market basis assuming sale with vacant possession.

Our valuation has been made on the assumption that the seller sells the property interests in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from all encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 of and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

We have attributed no commercial value to the property interest in Group III which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property interests but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximation. No on-site measurement has been taken.

We have inspected the property interests valued; however, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contracts and official plans relating to the property interests in the PRC; caused searches to be made at the Hong Kong Land Registry in respect of property interests located in Hong Kong and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company’s PRC legal adviser – HAILYARE & PARTNERS, concerning the validity of Group’s title to the property interests.

EXCHANGE RATE

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars (HK\$). The exchange rate adopted in our valuations is approximately HK\$1 = RMB0.997 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FBKIS AAPI RPS (GP)
Managing Director

Shirley Y. F. Yeung
B.Sc. MHKIS MRICS
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years’ experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as an eligible real estate appraiser in the PRC.

Ms. Shirley Y. F. Yeung is a Chartered Surveyor with over 8 years’ experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Yeung is a member of The Royal Institution of Chartered Surveyors as well as a member of the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS TO BE DISPOSED BY THE GROUP IN THE PRC				
No.	Property	Market Value in existing state as at 31 January 2007 HK\$	Interest attributable to the Group (%)	Value attributable to the Group as at 31 January 2007 HK\$
1.	Lot No. Hangzhengchuchu [2006] 9 Changhe Street Binjiang District Hangzhou City Zhejiang Province The PRC	58,800,000	14.70%	8,643,600
2.	Lot No. Hangzhengchuchu [2006] 11 Changhe Street Binjiang District Hangzhou City Zhejiang Province The PRC	56,800,000	26.70%	15,165,600
SUB-TOTAL:		115,600,000		23,809,200

GROUP II – PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT IN HONG KONG

No.	Property	Market Value in existing state as at 31 January 2007 HK\$	Interest attributable to the Group (%)	Value attributable to the Group as at 31 January 2007 HK\$
3.	The Whole of Ground Floor; Units B1, B2, B3, B5, B6, B7, B8, B9, B10, B11, B12, B13, B15, B16, B17, B18, B19, B20, B21, B22, B23, B25, B26, B27, B28 & Portion of Corridor on Basement Floor & Shop No. 10 on Ground Floor Bank of America Tower No. 12 Harcourt Road Admiralty Hong Kong	406,000,000	100%	406,000,000
	SUB-TOTAL:	406,000,000		406,000,000

GROUP III – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Market Value in existing state as at 31 January 2007 HK\$	Interest attributable to the Group (%)	Value attributable to the Group as at 31 January 2007 HK\$
4.	21st Floor Asia Orient Tower Town Place No. 33 Lockhart Road Wanchai Hong Kong	No commercial value	100%	Nil
	SUB-TOTAL:	Nil		Nil
	TOTAL:	521,600,000		429,809,200

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS TO BE DISPOSED BY THE GROUP IN THE PRC

				Market Value in existing state as at 31 January 2007 HK\$
No.	Property	Description and tenure	Particulars of occupancy	
1.	Lot No. Hangzhengchuchu [2006] 9 Changhe Street Binjiang District Hangzhou City Zhejiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 6,932 square meters.</p> <p>The land use rights of the property were granted for a term of 50 years for office uses and a term of 40 years for commercial uses commencing on the date of transfer of the land.</p>	The property is currently vacant.	58,800,000 <i>(14.70% interest attributable to the Group: HK\$8,643,600)</i>

Notes:–

- Pursuant to a State-owned Land Use Rights Grant Contract, Hang Tu He Zi (2006) No. 60 (the “Contract”) entered into between the State-owned Land Resources Bureau of Hangzhou City, Zhenjiang Province, the PRC (the “grantor”) and 杭州漢氏置業有限公司 (Hangzhou Han’s Property Development Company Limited*) (the “grantee”) dated 12 July 2006, the land use rights of the property with a site area of 6,932 square meters were granted to the grantee for a term of 50 years for office uses and a term of 40 years for commercial uses commencing on the date of transfer of the land at a consideration of RMB29,914,672.

The salient details of the Contract are listed below:

User	:	Commercial and office
Maximum upper-ground GFA (sq.m.)	:	32,580.4 square meters
Building density	:	Not more than 30%
Greenery ratio	:	Not less than 35%
Latest date of commencement of development	:	11 July 2007
- Pursuant to a Government Land Bank Development Compensation Agreement entered into between the grantor and the grantee dated 12 July 2006, the grantee was obliged to pay a sum of RMB24,475,328 as the compensation for the development of the property.
- Pursuant to a Land Transfer Agreement entered into between the grantor and the grantee dated 11 January 2007, the property was formally transferred to the grantee upon settlement of all land premium and compensation.

4. The major agreements of the property are summarized as follows:
- i. State-owned Land Use Rights Grant Contract

Yes
- ii. Government Land Bank Development Compensation Agreement

Yes
5. 杭州漢氏置業有限公司 (Hangzhou Han's Property Development Company Limited*) is a joint-venture company which is owned as to 49% by Crestbright Properties Limited, which in turn is owned as to 30% indirectly by the Company.
6. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, inter alia, the following:
- (i) The abovementioned State-owned Land Use Rights Grant Contract and Government Land Bank Development Compensation Agreement are legal, binding and enforceable between the grantor and the grantee;

(ii) The grantee should in accordance with the State-owned Land Use Rights Grant Contract and Government Land Bank Development Compensation Agreement settle all requisite land premium, compensation, relevant taxes and expenses before applying for the State-owned Land Use Rights Certificate(s) for the subject land;

(iii) The grantee's interest to the land use rights of the subject land is yet to be confirmed as the grantee is yet to submit the application for the State-owned Land Use Rights Certificate(s); and

(iv) Upon settlement of all requisite land premium, compensation, relevant taxes and expenses the grantee should have no legal impediment to apply for the State-owned Land Use Rights Certificate(s) and construction approvals for the subject land.

* For identification purpose only

VALUATION CERTIFICATE

				Market Value in existing state as at 31 January 2007 HK\$
No.	Property	Description and tenure	Particulars of occupancy	
2.	Lot No. Hangzhengchuchu [2006] 11 Changhe Street Binjiang District Hangzhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 7,863 square meters. The land use rights of the property were granted for a term of 50 years for office uses and a term of 40 years for commercial uses commencing on the date of transfer of the land.	The property is currently vacant.	56,800,000 <i>(26.70% interest attributable to the Group: HK\$15,165,600)</i>

Notes:–

1.

Pursuant to a State-owned Land Use Rights Grant Contract, Hang Tu He Zi (2006) No. 61 (the “Contract”) entered into between the State-owned Land Resources Bureau of Hangzhou City, Zhenjiang Province, the PRC (the “grantor”) and 杭州峰明置業有限公司 (Hangzhou Fengming Property Development Company Limited*) (the “grantee”) dated 12 July 2006, the land use rights of the property with a site area of 7,863 square meters were granted to the grantee for a term of 50 years for office uses and a term of 40 years for commercial uses commencing on the date of transfer of the land at a consideration of RMB19,712,227.

The salient details of the Contract are listed below:

User	:	Commercial and office
Maximum upper-ground GFA (sq.m.)	:	31,452 square meters
Building density	:	Not more than 25%
Greenery ratio	:	Not less than 35%
Latest date of commencement of development	:	11 July 2007
2.

Pursuant to a Government Land Bank Development Compensation Agreement entered into between the grantor and the grantee dated 12 July 2006, the grantee was obliged to pay a sum of RMB16,127,773 as the compensation for the development of the property.
3.

Pursuant to a Land Transfer Agreement entered into between the grantor and the grantee dated 11 January 2007, the property was formally transferred to the grantee upon settlement of all land premium and compensation.
4.

The major agreements of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	Government Land Bank Development Compensation Agreement	Yes

5. 杭州峰明置業有限公司 (Hangzhou Fengming Property Development Company Limited*) is a joint-venture company which is owned as to 80% by Moral Known Investments Limited, which in turn is owned as to one-third indirectly by the Company.
6. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, inter alia, the following:
- (i) The abovementioned State-owned Land Use Rights Grant Contract and Government Land Bank Development Compensation Agreement are legal, binding and enforceable between the grantor and the grantee;
 - (ii) The grantee should in accordance with the State-owned Land Use Rights Grant Contract and Government Land Bank Development Compensation Agreement settle all requisite land premium, compensation, relevant taxes and expenses before applying for the State-owned Land Use Rights Certificate(s) for the subject land;
 - (iii) The grantee’s interest to the land use rights of the subject land is yet to be confirmed as the grantee is yet to submit the application for the State-owned Land Use Rights Certificate(s); and
 - (iv) Upon settlement of all requisite land premium, compensation, relevant taxes and expenses the grantee should have no legal impediment to apply for the State-owned Land Use Rights Certificate(s) and construction approvals for the subject land.

* For identification purpose only

VALUATION CERTIFICATE

GROUP II – PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT IN HONG KONG

				Market Value in existing state as at 31 January 2007 HK\$
No.	Property	Description and tenure	Particulars of occupancy	
3.	The Whole of Ground Floor; Units B1, B2, B3, B5, B6, B7, B8, B9, B10, B11, B12, B13, B15, B16, B17, B18, B19, B20, B21, B22, B23, B25, B26, B27, B28 & Portion of Corridor on Basement Floor & Shop No. 10 on Ground Floor Bank of America Tower No. 12 Harcourt Road Admiralty Hong Kong 300/10,000th parts or shares of and in Inland Lot No. 8294	<p>The property comprises various commercial units on ground and basement floors of a 35-storey commercial building with a basement level completed in about 1981.</p> <p>The total gross floor area and the lettable area of the property are 71,317 square feet and 43,122 square feet respectively.</p> <p>The property is held under Conditions of Sale No. UB10225 for a term of 75 years renewable for 75 years commencing on 29 September 1972. The current Government rent payable for the property is HK\$8,306 per annum.</p>	<p>The property is currently subject to various tenancies with the latest expiry date being 14 November 2010 at a total monthly rent of HK\$1,721,454.</p>	<p>406,000,000</p> <p><i>(100% interest attributable to the Group: HK\$406,000,000)</i></p>

Notes:–

1. The registered owner of the ground floor portion of the property is Quinway Company Limited vide Memorial No. UB3852473 dated 8 September 1988. The consideration was HK\$95,080,000.
2. The registered owner of the basement floor portion of the property is Jadesails Investments Limited vide Memorial No. UB3812448 dated 1 August 1988. The consideration was HK\$24,000,000.
3. The subject building is subject to a Deed of Mutual Covenant registered vide Memorial No. UB2095606 dated 5 June 1981.

4. The property is subject to Mortgages and Rental Assignments both in favour of Citibank N.A. with details as follows:

Ground Floor Portion

- Mortgage registered vide Memorial No. UB9339403 dated 7 September 2004
- Rental Assignment vide Memorial No. UB9339405 dated 7 September 2004

Basement Floor Portion

- Mortgage registered vide Memorial No. UB9339404 dated 7 September 2004
- Rental Assignment vide Memorial No. UB9339406 dated 7 September 2004

5. Quinway Company Limited and Jadesails Investments Limited are wholly-owned subsidiaries of the Company.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

			Market Value in existing state as at 31 January 2007 HK\$	
No.	Property	Description and tenure	Particulars of occupancy	
4.	21st Floor Asia Orient Tower Town Place No. 33 Lockhart Road Wanchai Hong Kong	<p>The property comprises the entire premises of level 21 of a 24-storey office building erected on a 6 level podium completed in about 1993.</p> <p>The gross floor area of the property is 4,938 square feet or thereabout.</p> <p>The property was leased by the Group from an independent third party pursuant to a tenancy agreement for a term of 2 years commencing on 15 February 2005 and expiring on 14 February 2007 subject to two rent free periods (see Note 1 below) at a monthly rent of HK\$54,720 exclusive of Government rents, rates, management fees, air-conditioning charges and all other outgoings.</p>	<p>The property is currently occupied by the Group for office purposes.</p>	<p>No commercial value</p> <p>(100% interest attributable to the Group: Nil)</p>

Notes:–

1. Pursuant to a tenancy agreement entered into between Tilpifa Company Limited (the “landlord”) and New World CyberBase (Greater China) Limited (the “tenant”) dated 5 February 2005, the property was leased to the tenant for a term of 2 years commencing on 15 February 2005 and expiring on 14 February 2007 at a monthly rent of HK\$54,720 exclusive of Government rents, rates, management fees, air-conditioning charges and all other outgoings. The tenancy is also subject to two rent free periods as follows:
- 1st Rent Free Period

:

From 15 February 2005 to 30 April 2005
- 2nd Rent Free Period

:

From 15 February 2006 to 30 April 2006

- 2. The registered owner of the property is Tilpifa Company Limited vide Memorial No. UB4932511 dated 4 July 1991.
- 3. The subject building is subject to an Occupation Permit No. H64/93 registered vide Memorial No. UB5742048 dated 17 June 1993.
- 4. The property is subject to a Debenture in favour of Hang Seng Bank Limited registered vide Memorial No. UB9027054 dated 30 September 2003.
- 5. The property is subject to a Deed of Variation and Further Charges in favour of Hang Seng Bank Limited registered vide Memorial No. 07012901460202 dated 15 January 2007.
- 6. New World CyberBase (Greater China) Limited is a wholly-owned subsidiary of the Company.

The following is the text of the technical report prepared by John T. Boyd, for the purpose of inclusion in this circular, in respect of the Coal Mine, the estimated coal reserves. The technical report has been prepared in compliance with the International Standards.

**John T. Boyd Company**

Mining and Geological Consultants

13 February 2007

New World CyberBase Limited

Attention: Board of Directors

Subject: Preliminary Assessment
Undeveloped Coal Deposit

Dear Sirs:

This report presents John T. Boyd Company's (BOYD) preliminary assessment of the undeveloped coal mine located in the Darvi Soum District of Khovd Province, Mongolia. We understand this report will be used to assist New World CyberBase Limited (the Company) in assessing their acquisition of the coal mine.

In conducting our review, BOYD has relied on data provided by Mongolian Natural Resources Investment Group (MNRIG, the seller of the coal mine), discussions with MNRIG personnel, and other source documents gathered during the site visit. BOYD professionals also met with Shenyang Design and Research Institute to understand their ongoing project site evaluation work.

We have also relied on our experience and general knowledge of coal mining in China and Mongolia in preparing this report. As the Company has securities listed on the Hong Kong Stock Exchange, this report is also compliant with Rule 18.09(6) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited where applicable.

Respectfully submitted,

JOHN T. BOYD COMPANY

By:

James W. Boyd

Chairman

GLOSSARY AND DEFINITIONS

“BOYD”	John T. Boyd Company
“Coal Resource”	A Coal Resource is a concentration or occurrence of coal of intrinsic economic interest in or on the Earth’s crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a coal resource are known, estimated or interpreted from specific geological evidence and knowledge. Coal resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated, and Measured categories
“Coal Reserve”	A Coal Reserve is the economically mineable part of a Measured or Indicated coal resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of the modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Coal reserves are subdivided in order of increasing confidence into Probable coal reserves and Proved coal reserves
“Coal Seam”	Portion of the strata that contains solid fossil fuel
“Company”	New World CyberBase Limited
“Dip”	Angle which strata makes with the horizontal
“Feasibility Study”	A Feasibility Study assesses in detail the technical soundness and Economic Viability of an undeveloped mining project, and serves as the basis for the investment decision and as a bankable document for project financing. The study constitutes an audit of all geological, engineering, environmental, legal and economic information accumulated on the project. Generally, a separate environmental impact study is required
“Hectare”	Hectare, equals 10,000 square meters
“Kcal/kg”	Kilocalorie per kilogram measure of coal heat content
“km”	Kilometer

“m”	Meter
“m²”	Square meter (also sq.m)
“Mine Plan”	A Mining Plan Report is understood as the current documentation of the state of development and exploitation of a deposit during its economic life including current mining plans. It is generally made by the operator of the mine. The study takes into consideration the quantity and quality of the minerals extracted during the reporting time, changes in Economic Viability categories due to changes in prices and costs, development of relevant technology, newly imposed environmental or other regulations, and data on exploration conducted concurrently with mining
“Mt”	Million tonnes
“Mtpa”	Million tonnes per annum
“Opencut”	Opencut: method of mining also known as openpit (OP) or surface
“Outcrop”	The part of the coal formation exposed to the surface
“Out-of-Seam”	Non-coal material above and below the coal seam recovered during mining
“Overburden”	Waste material overlying a coal seam
“Partings”	Rock material within mineable coal seams usually extracted with the coal
“Percentage” and “%”	Means percent
“Prefeasibility Study”	Provides a preliminary assessment of the Economic Viability of a deposit and forms the basis for justifying further investigations (detailed exploration and feasibility). It usually follows a successful exploration campaign and summarizes all geological, engineering, environmental, legal and economic information accumulated to date
“Preparation Plant”	Facility used to selectively remove an undesirable portion (waste) from the ROM/raw coal using chemical or mechanical methods. Also known as a Wash Plant

“Probable Coal Reserve”	A Probable Coal Reserve is the economically mineable part of an Indicated, and in some circumstances Measured, coal resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Also referred to as Recoverable Probable Coal Reserve
“Proved Coal Reserve”	A Proved Coal Reserve is the economically mineable part of a Measured coal resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Also referred to as Recoverable Proved Coal Reserve
“MNRIG”	Mongolia Natural Resources Investment Group, Ltd.
“Raw Coal”	Coal on an as-mined basis. May be sold directly or cleaned if necessary
“ROM”	Run-of-mine – the as-mined material as it leaves the mine site
“MPRAM”	Minerals and Petroleum Resources Administration of Mongolia
“Shenyang Design Institute”	Shenyang Design and Research Institute, a natural resources research and design group in China
“Taifook”	Taifook Capital Limited, Hong Kong
“Tonne”	Metric ton equal to 1,000 kilograms
“UN”	United Nations
“US”	United States
“Wash Plant”	Facility used to selectively remove an undesirable portion (waste) from the ROM/Raw coal using chemical or mechanical methods. Also known as a Preparation Plant

“Washed Coal”	Saleable coal from Recoverable Reserves after accounting for preparation plant yield where applicable
“Yield”	Saleable portion of coal cleaned in a preparation plant relative to the total tonnes cleaned

1.0 GENERAL STATEMENT

1.1 Introduction

New World CyberBase Limited whose securities are listed on The Hong Kong Stock Exchange Limited (the “Company”), has authorized John T. Boyd Company (BOYD) to conduct an initial reconnaissance review of the potential coal resources contained in and around the Khushuut coal mine in western Mongolia (the “coal mine”) owned by Mongolian Natural Resources Investment Group (MNRIG), a Mongolian company, which coal mine is the target of acquisition by the Company (“Acquisition”).

The general location of the coal mine is indicated in the map set out in Figure 1.1 (General Location Map) and comprises eight (8) areas with special permission for mining and one (1) area with special permission for exploration. Special permission refers to the grant of mining rights or exploration rights under Mongolia’s minerals law. The reference to mining licenses and exploration license refers to those areas of the coal mine with special permissions for mining and exploration respectively. The mining licenses have recently been granted by the Mongolian government for a period of 30 years. Each license can be extended for two (2) consecutive terms of 20 years each providing an aggregate mining right term of 70 years. It is typical practice in other major coal producing nations for governments to extend the term of the mining rights for the economic life of the reserves. Therefore, we have assumed that the mining rights will be renewable for the life of the resources. BOYD is not qualified to offer any legal opinions and our comments are intended to be technical in nature.

The scope of the study relating to the potential coal resources of the coal mine includes a general review of geological conditions of the coal mine and mining conditions for developing appropriate project criteria and operating conditions for a sustainable mining and processing concern at the project site (as defined below). The data base for the study consists mainly of geological reports principally located in the area of mining licenses 1414A and 4322A and referred to as the Khushuut Mine, which is referred to as “project site”. The relative location of the project site is shown on Figure 1.2. The source data provided by MNRIG during this review, including maps and reports, is summarized in Appendix A.

The project site is located in the Darvi Soum District of Khovd Province, Mongolia. The project site is approximately 210 km south of the provincial capital of Khovd and 1500 km west - southwest of Ulaan Baatar. The project site can also be reached by road from the port-of-entry of Baytag-Uliastay, at the Chinese border, approximately 310 km to the south. The most explored area consists of 180 hectares (1 hectare equals 10,000 square meters). The areas of the coal mine under the mining and exploration licenses encompass approximately 34,365 hectares.

The coal deposits at the project site in Khushuut were examined by Russian geologists in the late 1960’s and periodically throughout the 1970’s. Some 34 drill holes were collared and sampled in the present mine area. Sixty (60) exploration trenches were excavated. Surface and section maps were prepared and provide useful descriptive information. Unfortunately, much of the supporting information regarding logs and samples (including cores) is now misplaced or lost.

There is an open-cut area from previous mining operations where large-scale surface mining could commence, pending the confirmation of the coal reserves and the development of a life-of-mine (LOM) plan. A proposal for a preliminary feasibility study, based on 2.0 million tonnes per year of washed coal, has been requested from the Shenyang Design and Research Institute in China. BOYD is not involved in this work at this time.

This report describes the work performed to date and BOYD's preliminary conclusions and recommendations.

1.2 Scope of Work

BOYD scope of work relating to the potential coal resources of the coal mine, involves a preliminary reconnaissance review of available source data and a first-phase evaluation of the following project conditions:

- Resource Estimates
 - Data base and standards used in preparing available estimates
 - Adequacy of exploration work
 - Reliability of resource estimates
- Mineability assessment
 - Accessibility and development schedule
 - Probable mining methods
 - Other general mining conditions
- Processing
 - General coal processing requirements
 - Suitability of available test work and results
- Regional and local infrastructure
 - Road, rail, water, and power requirements
 - Overall project requirements

The work is preliminary in scope and is consistent with the amount and quality of the information available to the potential coal resource of the coal mine over 180 hectares of the project site.

A site inspection was carried out during the week of January 7, 2007, as organized by MNRIG. Subsequent meetings have been completed to address questions raised and to provide needed clarification.

1.3 Statement of Interests

BOYD is a privately owned consultancy firm with headquarters in the United States. Our company was selected for this assignment on the basis our internationally-recognized expertise in coal mine development and valuation. BOYD has no ownership interest in the project or the

development consortium. Payment for our services is not contingent upon our opinions regarding the merits of the project or approval of our work by the consortium and its representatives. Boyd has carried out this work in accordance with US and international standards of ethics and professional practices. The Company has indicated that Boyd will be appointed as technical adviser regarding the design work and exploration work relating to the coal mine.

1.4 Qualifications of Findings and Opinions

In preparing this report, BOYD has relied on geological and engineering information provided by MNRIG or its representatives. We have exercised an appropriate level of care consistent with the preliminary reconnaissance assessments required for this assignment. We have no reason to believe that any material facts known to the client have been withheld. Due to the very preliminary nature of the project, we consider that the project criteria will be defined in more detail as exploration and testwork proceeds to a more advanced level of understanding.

Our report has been completed in accordance with generally accepted standards and practices employed in the international mining industry. Although we have compared the preliminary information to expected norms, the accuracy of the results and conclusions of this work are reliant upon the accuracy of the information provided. We are not responsible for any material errors or omissions in the information provided.

The findings presented in this report are preliminary and consistent with the information at hand. At this stage of investigation, all coal resources are considered speculative. The ability of the Company, or its contractors and operators, to achieve the projections envisioned for the project is dependent on numerous factors and is beyond the control of, and cannot be necessarily anticipated by, BOYD. These factors include: available coal resources within the exploration and mining licenses presently held by the Company or the Acquisition; mining and geological conditions; perceived and actual infrastructure needs; the expertise and experience of the contractors, management and employees; permit requirements; and future regulatory regimes.

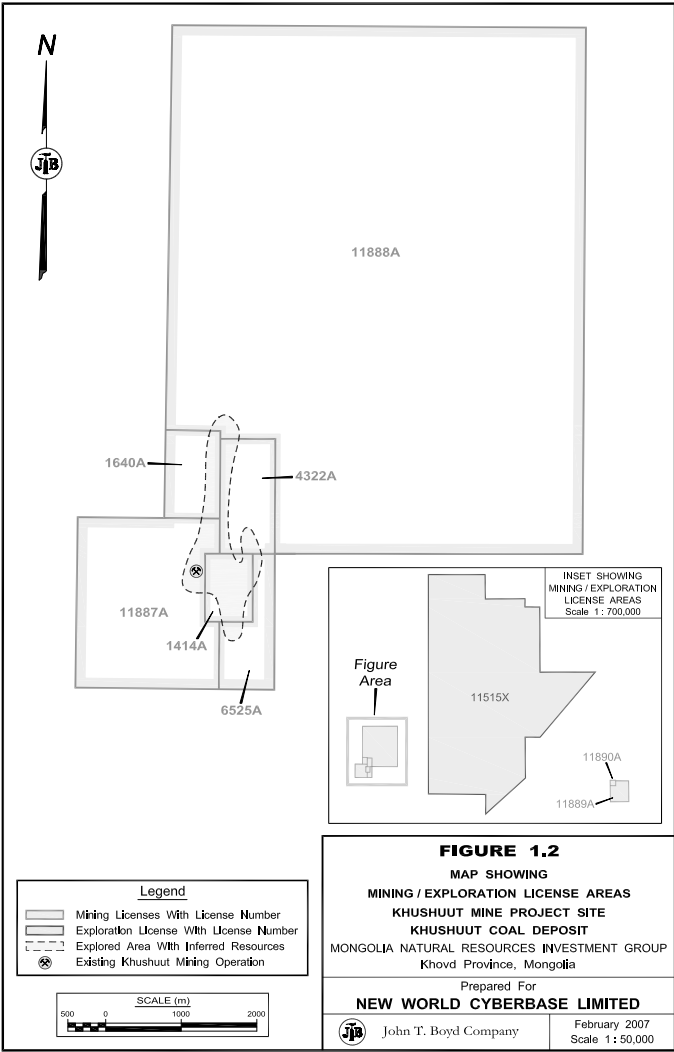
As the Company has securities listed on The Hong Kong Stock Exchange, this report is also compliant with Rule 18.09(6) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, where applicable. In the context of an undeveloped coal mine at the resources stage, the appropriate criterion is to conduct exploration work that will result in an analysis of the proved reserves and the probable reserves. The Company has indicated that BOYD shall be appointed as technical adviser in relation to the design work and exploration work to be conducted initially at the project site and thereafter other areas of the coal mine for initially, a 300 million tonne of coal reserves at the coal mine, which we have advised requires demonstrating 200 million tonnes of Proved reserves and the balance as Probable reserves.

BOYD has reviewed the documentation for NMRIG mining rights. BOYD is not qualified to offer any legal opinions, and our comments are intended to be technical in nature.

This report has been prepared for the sole use of the Company and its representatives in relation to the Acquisition and its merchantability is not warranted by BOYD, express or implied, for use for any other purpose.



1.1: General Location Map



1.2: Mining/Exploration Area

Respectfully submitted,

JOHN T. BOYD COMPANY

By:

Frank Witzel
Associate Senior Geologist

Paul D. Anderson
Director of Geological Services

Gerald V. Jergensen, II
Associate Senior Engineer

James J. Schaeffer, Jr.
Executive Director – Asia Pacific

2.0 SUMMARIZED FINDINGS

Based on a careful review of the available data and a brief, but thorough, inspection of the project site area in the immediate Khushuut area, BOYD has developed the following preliminary findings, conclusions and recommendations relative to a potential coal mine and processing operation as presented in the following:

2.1 Project Criteria and Available Data

The areas controlled by MNRIG are in the initial reconnaissance and prospecting stage of development of a coal property. BOYD considers that the inferred resources in the immediate Khushuut mine area at the project site have the potential to support a coal mining and processing operation. However, due to the preliminary nature of the data base, we believe that any reliable estimate of the coal resources cannot be made at this time and that the determination of an optimum processing rate and mine plan is not yet advisable. We recommend further exploration be conducted around the project site and adjacent mining/exploration license areas. In addition, we offer the following comments and conclusions:

- *Geological Setting*

There is an obvious, and quantifiable, coal resource within the area mapped in and around the immediate Khushuut mine area within the project site and in the vicinity comprising the coal mine. The coal resource is of Permian age which is the age of most other coal deposits in Mongolia. The area surrounding the Khushuut coal outcrops holds some significant additional Permian aged strata that may be prospective for the identification of additional resources. However, the quality and quantity of the resources are, as yet, insufficiently defined. BOYD recommends further exploration work and will present a program to properly develop a resource definition and project development plan.

- *Title, Exploration, and Mining Rights*

Substantial effort has been completed by BOYD in order to understand the license positions and development rights of the Company. This is an ongoing effort. A significant portion (approximately 50%) of the principal coal resource (inferred) lies within mining permit area number 1414A that is currently in the final stages of being secured by MNRIG. Most of the remainder of this inferred resource is contained in the area defined by mining permit number 4322. Additional areas of the coal mine to the north and northeast appear to hold prospective ground in Permian age structures. We have not reviewed the other areas of the coal mine.

- *Property Control*

BOYD has reviewed available mining and exploration certificates. MNRIG has provided certificates for eight (8) of the nine (9) areas. The Certificate has not been provided for license 1414A. Reportedly MNRIG is in the final stages of securing this license with the Mongolian government.

This license has been requested and will be reviewed prior to issuing our final report.

- *Mineability Issues*

- Apparent Coal Quality

Much of the present information regarding coal quality is visual. Analytical information regarding quality that may have been available from previous exploration work is now lost or unavailable. Recent “grab” samples by MNRIG personnel are encouraging with regard to overall quality, but may not be representative of the overall deposit.

A visual examination of the exposed coal reveals parting material (beds of rock) may represent 30 to 40% of the thickness of the upper coal seam. Substantial partings are also anticipated for the lower seam. Coal washing facilities will most likely be required.

Higher than usual fine coal material may be present. Excess coal fines may reduce yields.

Limited quality analysis information indicates thermal coal potential. The suitability for coking has not been established. Wash plant yields (removal of inert material and some loss of coal values) could range from 60 to 70% but cannot be reliably projected from the limited information available. No washability or coking performance test data is available.

- Mineability

The in-place coal lies in seams in excess of 12 to 15 meters with low waste-to-coal ratios of less than 2:1. Most likely, mining operations will be via opencut methods using truck/shovel operating equipment.

- Regional and Local Infrastructure

The proposed site area is located in an undeveloped region of western Mongolia. Road access will require substantial upgrading. Adequate power and water supplies are not yet available. A 12-mW power plant for electricity and local heating is proposed using local coal as fuel. Approximately 2.5 million cubic meters of water is required annually to support the mining, coal washing, power, and site operations. Townsite or camp accommodations will be required.

– Transportation

Coal products will be transported via truck (approximately 320 km) to the China border at Baytag-Uliastay. Typical payloads will be 80 tonnes. BOYD has not verified the routes or expected road conditions at this preliminary stage of the proposed project.

The Company also intends to construct local power generation facilities and connect with the power grid at Xinjiang. Once constructed, the requirements for coal transportation will be reduced.

2.2 Forward Plan

A proposal for a preliminary feasibility study, based on 2.0 million tonnes per year of washed coal, has been requested by the “Company” from the Shenyang Institute in China. BOYD is not involved in this work at this time. There is an open-cut area from previous mining operations where large-scale surface mining can commence, pending the confirmation of the coal reserves and the development of a life-of-mine (LOM) plan. The inferred resource of the project site may initially support such a mining operation subject to the regional and local infrastructures, transportation and the economics of such mining operations and expansion thereof, depending to further exploration and expansion of the resources and scale of operations of the mining operations which Shenyang Institute believes can be extended. The Company has indicated that BOYD shall be appointed as technical adviser in relation to the design work and exploration work to be conducted initially at the project site and thereafter other areas of the coal mine. BOYD is willing to accept this appointment. The objective of the initial exploration is to identify a minimum of 300 million tonnes of reserves of which 200 million tonnes will be classified as Proved and the remaining will be classified as Probable.

3.0 GEOLOGY AND RESOURCES

3.1 Introduction

In December 2006, BOYD geologists and engineers were provided information on the geology and coal resources for the Khushuut area by MNRIG. In January 2007, Boyd professionals visited the project site to view surface exposures of the coal and local mining operations. During our review of the data, MNRIG also provided additional information as requested by BOYD. This data and our project site visit form the basis of our evaluation.

The project site is located in the Darvi Soum District of Khovd Province, Mongolia. The project site is approximately 210 km south of the provincial capital of Khovd and 1500 km west-southwest of Ulaan Baatar and can be reached by road from the port-of-entry of Baytag-Uliastay, at the Chinese border, approximately 310 km to the south.

There has been small-scale mining at Khushuut since at least 1967. The coal is sold locally and used mainly for heating purposes. Mining continues today with perhaps 12 local workers using hand methods and small trucks to haul the coal. Several large waste piles indicate that some mechanized mining also took place in the past, probably during the Soviet era when there was a small Russian military base at Khushuut.

3.2 Project Site Area

The project site includes eight (8) mining licenses and one (1) exploration license. With the exception of two (2) mining licenses and one (1) exploration license, all licenses are within the existing Khushuut mining area and will form the basis of the proposed mining operations (the Coal Mine). The project site area includes approximately 2,628 hectares of Mining Licenses and 31,638 hectares of exploration licenses; i.e.:

Mining and Exploration Licenses Controlled by MNRIG			
License/License No.	Area Hectares	Issue Date	Valid Period
Mining Licenses:			
1640A	40	28 Dec 2006	70 yrs.
4322A	54	28 Dec 2006	70 yrs.
6525A	46	28 Dec 2006	70 yrs.
11887A	203	23 Jan 2007	70 yrs.
11888A	1,742	23 Jan 2007	70 yrs.
1414A	28		Information pending; ownership reportedly being transferred to MNRIG as of January 30, 2007.
11889A	486	23 Jan 2007	70 years
11890A	28	23 Jan 2007	70 years
Subtotal Mining Licenses	2,627		
Exploration License:			
11515X	31,638	28 Dec 2006	9 yrs.
Subtotal Exploration License	31,638		
Total Mining/ Exploration Licenses	34,265		

Mining licenses are valid for an initial thirty (30) year period. The license holder has the right to extend the licenses for two (2) consecutive twenty (20) year periods and provided there are no violations by the license holder, the Mongolian government shall extend the license terms for an aggregate life of seventy (70) years. It is typical practice in other major coal producing nations for governments to extend the term of the mining rights for the economic life of the reserves. Therefore, we have assumed that the mining rights will be renewable for the life of the resources. BOYD is not qualified to offer any legal opinions and our comments are intended to be technical in nature.

Documentation provided to BOYD indicates that MNRIG controls these licenses with the exception of 1414A which is reportedly in the final process of being acquired. It should be noted that approximately 50% of the inferred resources in the Khushuut area are located within License 1414A, so it is important that this acquisition be culminated. This license is to be reviewed prior to issuing our final report.

A map showing the relationship of the licenses within the Khushuut mining area (the Coal Mine) is shown on Figure 1.2.

3.3 Geology

The Khushuut coal deposit is located on the east flank of the Altay Mountains at an elevation of about 2,000 meters. Topography in the area consists of low, rolling hills. There is little vegetative or soil cover so the underlying geology is well exposed. The coal beds can be easily traced at the surface and are also exposed in several small open pits where coal has been mined for local use.

The coal bearing strata at Khushuut is contained in the middle Permian age Khushuut Formation which is about 480 meters thick. The formation consists predominately of fine-to-medium sandstone, siltstone, and minor conglomerate with some interbedded coal, which was probably deposited in a restricted inter-mountain basin characterized by rapid changes in depositional environment and abrupt facies changes.

Two thick coal seams and several thinner seams occur in the area. The lower, or B seam is up to 15 meters thick. The upper, or C seam, is up to 35 meters thick. The two seams are separated by an interval of 15-20 meters. Several thinner seams, located below the B seam, are also present but have limited exploration data and are, at present, not considered mineable. Both the C and B seams contain numerous irregular rock layers (partings). Based on our limited observations of outcrops and mine pits these partings range in thickness from 0.10 meters to 2.0 meters and indicate 30 to 40% of the total seam thickness.

The major geologic features impacting the deposit are folding and faulting. The folding is a result of an east-west compressional force that formed a series of plunging synclines and anticlines which trend north-south. These folds have been disrupted by a series of northeast trending faults of various displacements. The geology of the deposit is considered complex and it cannot be fully understood at the current state of exploration.

3.4 Exploration Data

The Khushuut coal occurrence was first investigated under Russian direction by the Mongolia Peoples Industry and Geologic Research Board in 1967. Additional exploration was conducted by the Board in 1972 and 1978. The exploration efforts focused on a relatively small area where thick coal beds were exposed by the surface, namely the project site. These investigations included mapping of the coal beds coupled with exploration trenching and drilling. The area mapped by the Russian geological teams covers an area of 180 hectares. A total of 34 exploration holes were drilled and 60 trenches were excavated during these programs. This exploration is summarized as follows:

1967 – Mapping, 14 exploration drills holes

1972 – Mapping, trenching, 8 exploration holes drilled

1978 – Trenching, 12 exploration holes drilled

There is no record of any additional exploration in the Khushuut area since 1978.

- Reconnaissance studies of satellite and aerial photos and limited geologic mapping show that the coal bearing strata occur over an area exceeding 25 Km², however only a small part of the area (2 km²), where the thick coal seams are exposed at the surface, has been explored further.

A total of 60 trenches were excavated during the exploration program. Of these, 42 trenches explored the C seam and 18 trenches explored the B seam. There is no information about how the trenches were sampled.

A total of 34 holes were drilled from 1967 to 1978. No geophysical logs were provided for this review and only 24 lithology logs were available. The average drill-hole depth was 71 meters with depths ranging from 24 to 146 meters. Some of the holes were apparently cored because the dip angle of the beds is recorded on the lithology log. There is no information about how the holes were sampled.

The geologic maps and cross-sections were prepared after the 1978 exploration program. The maps show the location of most of the exploration drill holes and trenches and the projected outcrops of the seams. A total of 15 cross-sections were prepared, with one along the axis of the folds, and the other 14 on approximate 100 to 200 meter spacing perpendicular to the axis of the structure. While the interpretation on some of the sections is somewhat conjectural due to the lack of sufficient drill-hole data, it is our opinion that they present a reasonable representation of the geology in this area.

The report by the Geologic Research Board contains general information on the deposit but insufficient detail on the exploration methods and procedures. Coal quality is poorly understood as the sampling and analytical procedures are not documented. It should be noted that the Mongolian to English translations of the Geologic Research Board reports as submitted to Boyd, were not sufficiently clear and some of the factual information contained in these reports has been lost or confused in translation.

3.5 Resource Classification

The United Nations International Framework Classification for Reserves/Resources is used for the estimates of coal resources presented in this report.

Using this system, reserves and resources are classified based on:

- 1. Stage of Geological Assessment (geologic assurance of existence)
- 2. Stage of Feasibility Assessment
- 3. Economic Viability

In the UN system there are four stages of geological assessment and resource categories which are listed in increasing order of assurance of existence as follows:

Stage of Geological Assessment	Resource Category
Reconnaissance	Reconnaissance Coal Resource
Prospecting	Inferred Coal Resource
General Exploration	Indicated Coal Resource
Detailed Exploration	Measured Coal Resource

A more detailed definition of terms is shown in Appendix B.

Based on our evaluation of the existing data, the explored area at Khushuut at the project site is in the prospecting stage of geological assessment and the resource estimates are in the Inferred resource category. Lack of thickness, structural and coal quality data does not permit use of the Indicated or Measured resource categories.

The remaining areas in the Khushuut concession are in the Reconnaissance stage of geological development and the Reconnaissance Coal resource category.

The four stages of feasibility assessment are listed in order of study detail as follows:

- 1. Geological Study
- 2. Prefeasibility Study
- 3. Feasibility Study
- 4. Mining Report

Based on the current level of exploration data there is only sufficient information for a Geological Study for the Khushuut concession. In order to present an acceptable prefeasibility study, additional exploration, sampling, and analysis is required to support engineering, environmental, legal and economic evaluations.

The economic and potential economic levels must be determined by a prefeasibility study, feasibility study or mining report. Since there is insufficient information at the geological study stage of assessment to determine economic viability, resources in this stage are classified as economic to potentially economic or intrinsically economic since the economic viability is not yet known.

The term “reserve” is only used to define estimates of coal tonnage that has been determined by prefeasibility studies, feasibility studies or a mining report to be economic and is in the general or detailed stage of geological assessment. For reporting of coal reserves the terms proved and probable are used instead of measured and indicated.

The term “coal resource” is used to define estimates of coal tonnage that is either potentially economic or the economic viability is not known, and/or is in the geological study stage of assessment, and reconnaissance or prospecting stage of geological assessment.

The explored area at Khushuut is classified to be in the prospecting stage of geological study, and therefore is in the geological study stage of feasibility assessment and economic viability is not known. The remaining area is in the reconnaissance stage of geological study and therefore is in the geological study stage of feasibility assessment and economic viability is not known.

3.6 Resource Estimates

Estimates of coal resources have been prepared for the Khushuut concession at the project site. In the explored portion of the deposit the estimate is based on the geologic interpretation as defined by the cross sections and surface geological maps provided. Estimates were prepared using a cross sectional method. Tonnage is based on a specific gravity of 1.5. Using this methodology we estimate that there are Inferred Coal Resources of approximately 30 million in-place coal tones as shown by Table 1 below:

Table 1		
Preliminary Resource Estimate (Khushuut Area)		
Seam	Inferred Resources	
	In-place tonnes (millions)	
	Raw Coal (including inerts)	Washed Coal
C	30	18
B	20	12
Total	50	30

In-place Inferred seam tonnes (including partings) are estimated at 50 million tonnes. In-place coal tonnes are based on our field observations that partings are approximately 30 to 40% of the seam by volume, hence Inferred Resources are estimated at 30 million tonnes (50 million tonnes x 60%). Approximately 50% of these inferred resources are currently controlled by MNRIG. The remaining 50% will be controlled upon finalization of Mining License 1414A by MNRIG.

The deposit has not been explored to the north of the inferred resource area where it is covered by alluvium or to the east where cross-sections suggest the structure might be more favorable for mining. Geologic mapping indicates that the coal seams persist both north and south of the area that has been drilled. Additionally, sediments of Permian age outcrop over an area of at least 25 sq km in the immediate vicinity of Khushuut. Based on the thickness of the beds at Khushuut and the extent of Permian outcrop, it is reasonable to extrapolate an additional reconnaissance mineral resource of 100 to 150 million in-place tonnes from the Khushuut concession area (essentially licenses 1414A and 4322) to areas of surrounding license holdings. However, this is subject to confirmation by further exploration work. We have no available data relating to the other areas of the coal mine for which further exploration is required.

3.7 Coal Quality

The information provided does not allow the accurate evaluation of the quality of the coal at Khushuut. Little is known about how the coal was sampled and analyzed. It appears from the data that the partings were removed and discarded before the coal was analyzed. Therefore the true ash content of the seam (including partings) could be significantly higher and the thermal value lower than the reported values. Detailed records are not available to show the percentage of partings versus coal. However, our visual examination of the upper part of the C seam at Khushuut, indicates that from 30 to 40% of the seam by volume is parting material.

The 1979 report by the Industrial and Geological Board summarized the quality as follows:

Table 2
Reported Coal Quality (1979)

	Range	Average
Moisture (%)	1.84 – 3.80	3.76
Volatile Matter (%)	13.74 – 25.92	22.52
Ash (%)	4.71 – 33.57	16.49
Sulphur (%)	0.02 – 0.94	
Heating Value		
Kcal/kg	4,471 – 7,125	6,585
BTU/lb	8,048 – 12,825	11,853

Recently MNRIG collected nine (9) high-grade grab samples with the results shown by Table 3:

Table 3
MNRIG Samples (2006)

	Range	Average
Moisture (%)	6.07	10.05
Volatile Matter (%)	12.30 – 21.33	16.20
Ash (%)	61.55 – 80.75	73.76
Sulphur (%)	0.35 – 0.55	0.42
Heating Value		
Kcal/kg	6,075 – 7,934	7,411
BTU/lb	10,935 – 14,281	13,340

It has been suggested that the coals at Khushuut are, at least in part, capable of producing coke. There are two (2) abandoned coke ovens located west of the deposit. However, it is not known if coke was successfully produced. Limited testing (17 samples) for coking quality was conducted by the Geological Board but are not understandable due to the poor translation of the results.

Additional testing is required to determine coal quality at the Khushuut deposit. Testing done to date indicates the coal has high heating capacity, low sulphur, low moisture and highly variable ash content. Visual examination of the seams suggests that coal beneficiation will be required to produce a marketable product. Testing is also required to see if the coal has coking characteristics.

4.0 PRELIMINARY MINEABILITY ASSESSMENT

4.1 Introduction

As this is a preliminary review, and given that the availability of information is limited, it is not possible to provide a detailed analysis of potential mineability of the coal resources, additional exploration work is required before a conceptual mine plan can be developed. The inferred resource of the coal mine may support an initial 2.0 million tons operation as proposed by Shenyang Design and Research Institute. As noted, BOYD is not involved in this work at this time. There is an open-cut area from previous mining operations where large-scale surface mining could possibly commence, pending confirmation of the coal reserves and the development of a life-of-mine (LOM) plan. The mining operations will be subject to the regional and local infrastructures, transportation, and the economics of such mining operations. Expansion to larger scale operations may be possible, depending on further exploration and expansion of the resources.

4.2 Mineability Issues

Our preliminary assessment of various mineability issues follow:

- *Apparent Coal Quality*

Coal outcrops have been exposed by years of mining activity, mostly by local residents, at Khushuut. Much of the present information regarding coal quality is visual. Analytical information regarding quality that may have been available from previous exploration work is now lost or unavailable. A total of nine (9) select “grab” were recently collected by MNRIG personnel and while encouraging with regard to overall quality, the samples may not be representative of the overall deposit.

A visual examination of the exposed coal reveals substantial partings (rock layers). Parting material may represent 30 to 40% of the thickness of the upper coal seam. It is more difficult to examine the lower coal seam but substantial rock is also anticipated. It is anticipated that coal washing facilities will likely be required.

The coals are highly crumpled and crushed as a result of tectonic stresses. Although size information (sieve analyses) is not yet available, higher than usual fine coal material appears to be present. Excess coal fines may reduce yields.

Limited quality analysis information indicates reasonable thermal values (not considering dilution by inert materials). However, the suitability for coking has not been established. The run-of-mine (high inert material) will require washing to achieve potential coking quality. Wash plant yields (removal of inert material and some loss of coal values) could range from 60 to 70% but cannot be reliably projected from the limited information available. No washability or coking performance test data is available.

- *Mineability*

The in-place coal lies in seams in excess of 12 to 15 meters with low waste-to-coal ratios. Waste-to-coal mining ratios of under two-to-one (2:1) are expected. Most likely mining operations will utilize the opencut method with truck/shovel mining equipment. After an initial development period where overburden and waste will require storage outside of the mine area, it is anticipated that subsequent waste hauls (haulbacks) will be to mined-out areas. Taken together, these conditions indicate potentially low raw coal mining costs.

- *Regional and Local Infrastructure*

The resources and mining location are located in an undeveloped region of western Mongolia. Road access to and from the townsite and mine areas will require substantial upgrading. Adequate power and water supplies are not yet available. A 12-mW power plant for electricity and local heating is proposed using local coal as fuel. Approximately 2.5 million cubic meters of water is required annually to support the mining, coal washing, power, and site operations. Townsite or camp accommodations for up to 500 employees (mine, washery and power plant, maintenance shops, transportation, etc.) will be required.

- *Transportation*

Coal products will be transported approximately 320 km to the China border at Baytag-Uliastay by heavy duty, over-the-road, diesel-powered trucks. Typical payloads will be 80 tonnes. Stockpiles, maintenance and camp facilities, and security will be required at each terminus. BOYD has not verified the routes or expected road conditions at this preliminary stage of the proposed project.

The Company has reported their intention to build coal fired electric generation facilities and power lines for inter-connection with the electricity grid to Xinjiang. This will reduce the coal transportation requirements.

5.0 BOYD QUALIFICATIONS

BOYD is one of the largest independent consulting firms in the world exclusively serving the coal, financial, utility, power and mineral-related industries. We have provided consultancy services on a continuous basis since 1943 and have worked in over 50 countries. Our full-time staff includes specialists in the analysis of geology, reserves, mine planning and costs, material handling, markets, business planning, transport, and environmental issues.

We have over 60 years of expertise in completing reserve audits, coal company valuations, and stock listing requirements as well as extensive knowledge of coal operations in the United States and internationally, with recognized experts having qualifications in all the technical disciplines related to mine and rail transportation operations. We have completed over 2,000 reserve audits including audits for some of the largest US coal producers.

BOYD has experience preparing Competent Persons Reports for stock exchange filings. In 2005; BOYD prepared a comprehensive review of China Shenhua Energy Company Ltd's extensive coal holdings for the Company's listing on the Hong Kong Stock Exchange (SEHK). We were also selected by a Chinese coal and coke company (China Energy) to prepare such a report for inclusion in their submittal to the United States Securities and Exchange Commission (SEC) for listing on the American Stock Exchange (ASE). BOYD's staff assessed the operation, including a full review of reserves, quality and overall mining issues.

We were also retained by Her Majesty's Government, Department of Trade and Industry regarding the privatization of British Coal Corporation and were actively involved with N M Rothschild, the lead financial advisor, during the course of this project. Our work assisted in the successful sale and subsequent restructuring of the industry.

BOYD has worked with for virtually all of the major international banks. Numerous financial agencies have used our services to evaluate and comment on major mineral property developments and mine operations. BOYD prepares bankable documents that are accepted and used with confidence by major financial institutions and other investors around the world.

Project Team

The BOYD project team, consisted of the following personnel:

Mr. Ronald L. Lewis – Managing Director, BS (Civil Engineering): Mr. Lewis has 34 years of experience in assessment and evaluation of coal mining companies with specialized expertise in the area of coal/mineral reserve estimation, opencut and underground mine analysis and economic assessment of mining operations. He is a Registered Professional Mining Engineer and a recognized expert in mining property valuation.

Mr. James J. Schaeffer, Jr. – Executive Director – Asia Pacific, BS (Mining Engineering), MS (Business Administration): Mr. Schaeffer has 31 years of experience in the coal industry in coal processing and other aspects of mining operations. He is a Registered Professional Mining Engineer and oversees BOYD Beijing (China) and Brisbane (Australia) offices.

Mr. Paul D. Anderson – Director of Geological Services, BS (Geology): Mr. Anderson is a Certified Professional Geologist (AIPG) with 31 years of professional experience in exploration, evaluation and development of coal and mineral deposits. Mr. Anderson is a JORC Competent Person.

Mr. Gerald V. Jergensen, II – Associate Senior Engineer, BS (Minerals Engineering, MBA (Finance): Mr. Jergensen has 35 years of experience regarding mineral property evaluation and development. Assignments include mining, metallurgical and energy projects in over 30 countries involving economic evaluation, capital and operating cost estimates, technology appraisals and feasibility studies.

Mr. Frank Witzel – Associate Senior Geologist, BS (Geology/General Sciences), MS (Geology/Earth Science): Mr. Witzel has 33 years of experience in field exploration within the United States and international (including Mongolia) for coal, metals, uranium, industrial minerals and oil shale. Mr. Witzel is a Registered Professional Geologist.

APPENDIX A

SOURCE DATA

KHUSHUUT COAL DEPOSIT

(Material Provided to BOYD by Mongolia Natural Resources Investment Group)

Data Book (hardbound) containing the following:

- Various Exequatur of mine exploration certificates issued by the Mongolian government covering the Khushuut area.
- Brief statement on the Houxietu (Khushuut) coal deposit.
- Report of Checkout No. 719, Liaoning Province with various characteristics of Khushuut coal.
- Report of Checkout 255.
- 8 x 11 map of Mongolian coal deposits.
- Three (3) (8 x 11) geologic maps of Khushuut area.
- SGS Labs analytical results of nine (9) grab samples collected from Khushuut mine in 2005.
- Road map of western Mongolia showing Khushuut mine in relation to Chinese border.
- Report on Chinese energy needs, recent (unattributed) 23 pages.
- Survey of Mongolia; holidays, culture, etc.
- Summary of Khushuut Exploration Program 1967 by Mongolian Fuel and Geological Board.
- Summary of Khushuut Exploration Program 1972 by Mongolian Fuel and Geological Board.
- Summary Report of the 1978 Khushuut Exploration Program by Mongolian Fuel and Geological Board.
- 1980 Report of Mongolia Fuel and Industrial Geological Board on Kofuto (Khushuut) coal mine.
- Report: part 1, Coal deposits Geologic Explanation, Hansul Limited Co., 2006.
- Coal Market Study by Hansul Limited Co., 2006.
- Photos of Khushuut Mine, etc. (10).

Maps

- Block Plan Khushuut Coal Deposit – West B seam, 1:2000.
- Block Plan Khushuut Coal Deposit – East C seam, 1:2000.
- Map showing proposed mining Khushuut, 2005-2006.
- Map showing Khushuut coal deposit – B and C seams, 1:2000.
- Geologic Map, Khushuut Hard Coal, 1:10,000.
- Road map of coal transportation, 1:1,000,000.
- Topographic map showing some exploration permits, 1:1,000,000.
- Topographic map – coal transportation road, 1:500,000
- Geologic map, 1:1,000,000, showing Khushuut, Davi, Arhhusuut, Ulzet and Grantsmod occurrences.

Cross Sections 1979:

Cross sections of Khushuut Coal Deposit, 1:1000:

I	VI	XI
II	VII	XII
III	VIII	XIII
IV	IX	XIV
V	X	XV

Lithology Logs of Drill Holes

AD-1	DSD-18	DTD-8
AD-2	DSD-19	DTD-9
AD-4	DSD-20	DTD-10
AD-5	DSD-22	DTD-11
AD-7	DTD-3	DTD-12
AD-8	DTD-4	DTD-13
AD-10	DTD-5	DTD-14
DSD-15	DTD-6	
DSD-17	DTD-7	

APPENDIX B

UNITED NATIONS INTERNATIONAL
FRAMEWORK CLASSIFICATION FOR RESERVES/RESOURCES
GLOSSARY OF TERMS

Definitions of Stages of Geological Study

“Reconnaissance”	A Reconnaissance study identifies areas of enhanced mineral potential on a regional scale based primarily on results of regional geological studies, regional geological mapping, airborne and indirect methods, preliminary field inspection, as well as geological inference and extrapolation. The objective is to identify mineralized areas worth of further investigation towards deposit identification. Estimates of quantities should only be made if sufficient data are available and when an analogy with known deposits of similar geological character is possible, and then only within an order of magnitude.
“Prospecting”	Prospecting is the systematic process of searching for a mineral deposit by narrowing down areas of promising enhanced mineral potential. The methods utilized are outcrop identification, geological mapping, and indirect methods such as geophysical and geochemical studies. Limited trenching, drilling, and sampling may be carried out. The objective is to identify a deposit which will be the target for further exploration. Estimates of quantities are inferred, based on interpretation of geological, geophysical and geochemical results.
“General Exploration”	General Exploration involves the initial delineation of an identified deposit. Methods used include surface mapping, widely spaced sampling, trenching and drilling for preliminary evaluation of mineral quantity and quality (including mineralogical tests on laboratory scale if required), and limited interpolation based on indirect methods of investigation. The objective is to establish the main geological features of a deposit, giving a reasonable indication of continuity and providing an initial estimate of size, shape, structure and grade. The degree of accuracy should be sufficient for deciding whether a Prefeasibility Study and Detailed Exploration are warranted.

“Detailed Exploration”

Detailed Exploration involves the detailed three-dimensional delineation of a known deposit achieved through sampling, such as from outcrops, trenches, boreholes, shafts and tunnels. Sampling grids are closely spaced such that size, shape, structure, grade, and other relevant characteristics of the deposit are established with a high degree of accuracy. Processing tests involving bulk sampling may be required. A decision whether to conduct a Feasibility Study can be made from the information provided by Detailed Exploration.

Definitions of Stages of Feasibility Assessment

“Mining Report”

A **Mining Report** is understood as the current documentation of the state of development and exploitation of a deposit during its economic life including current mining plans. It is generally made by the operator of the mine. The study takes into consideration the quantity and quality of the minerals extracted during the reporting time, changes in Economic Viability categories due to changes in prices and costs, development of relevant technology, newly imposed environmental or other regulations, and data on exploration conducted concurrently with mining.

It presents the current status of the deposit, providing a detailed and accurate, up-to-date statement on the reserves and the remaining resources.

“Feasibility Study”

A **Feasibility Study** assesses in detail the technical soundness and Economic Viability of a mining project, and serves as the basis for the investment decision and as a bankable document for project financing. The study constitutes an audit of all geological, engineering, environmental, legal and economic information accumulated on the project. Generally, a separate environmental impact study is required.

Cost data must be reasonably accurate (usually within 10%), and no further investigations should be necessary to make the investment decision. The information basis associated with this level of accuracy comprises the reserve figures based on the results of Detailed Exploration, technological pilot tests and capital and operating cost calculations such as quotations of equipment suppliers.

A detailed list of the items addressed in a Feasibility Study is given in Appendix III.

“Prefeasibility Study”

A **Prefeasibility Study** provides a preliminary assessment of the Economic Viability of a deposit and forms the basis for justifying further investigations (Detailed Exploration and Feasibility Study). It usually follows a successful exploration campaign, and summarizes all geological, engineering, environmental, legal and economic information accumulated to date on the project.

In projects that have reached a relatively advanced stage, the Prefeasibility Study should have error limits of $\pm 25\%$. In less advanced projects higher errors are to be expected. Various terms are in use internationally for Prefeasibility Studies reflecting the actual accuracy level. The data required to achieve this level of accuracy are reserves/resources figures based on Detailed and General Exploration, technological tests at laboratory scale and cost estimates e.g., from catalogues or based on comparable mining operations.

The Prefeasibility Study addresses the items listed under the Feasibility Study, although not in as much detail.

“Geological Study”

A **Geological Study** is an initial evaluation of Economic Viability. This is obtained by applying meaningful cut-off values for grade, thickness, depth, and costs estimated from comparable mining operations.

Economic Viability categories, however, cannot in general be defined from the Geological Study because of the lack of detailed necessary for an Economic Viability evaluation. The resource quantities estimated may indicate that the deposit is of intrinsic economic interest, i.e., in the range of economic to potentially economic.

A Geological Study is generally carried out in the following four main stages: Reconnaissance, Prospecting, General Exploration and Detailed Exploration (for definition of each stage, see below). The purpose of the Geological Study is to identify mineralization, to establish continuity, quantity, and quality of a mineral deposit, and thereby define an investment opportunity.

Definitions of Economic Viability Categories

“Economic”	<p>Quantities, reported in tones/volume with grade/quality, demonstrated by means of a Prefeasibility Study, Feasibility Study or Mining Report, in order of increasing accuracy, that justify extraction under the technological, economic, environmental and other relevant conditions, realistically assumed at the time of the determination.</p> <p>The term economic comprises both normal economic and exceptional economic as defined below. These two subcategories are for optional use on a national level.</p>
“Normal Economic”	<p>Normal economic reserves are reserves with justify extraction under competitive market conditions. Thus, the average value of the commodity mined per year must be such as to satisfy the required return on investment.</p>
“Exceptional Economic (conditional economic)”	<p>Exceptional (conditional) economic reserves are reserves which at present are not economic under competitive market conditions. Their exploitation is made possible through government subsidies and/or other supportive measures.</p>
“Potentially Economic”	<p>Quantities, reported in tones/volume with grade/quality, demonstrated by means of a Prefeasibility Study, Feasibility Study or Mining Report, in order of increasing accuracy, not justifying extraction under the technological, economic, environmental and other relevant conditions, realistically assumed at the time of the determination, but possibly so in the future.</p> <p>The term potentially economic comprises both marginal and submarginal as defined below. These two subcategories are for optional use on a national level.</p>
“Marginal Economic”	<p>Marginal economic resources are resources which at the time of determination are not economic, but border on being so. They may become economic in the near future as a result of changes in technological, economic, environmental and/or other relevant conditions.</p>
“Submarginal Economic”	<p>Submarginal economic resources are resources that would require a substantially higher commodity price or a major cost-reducing advance in technology to render them economic.</p>

“Economic to Potentially Economic (intrinsically economic)”	Quantities, reported in tones/volume with grade/quality, estimated by means of a Geological Study to be of intrinsic economic interest. Since the Geological Study includes only a preliminary evaluation of Economic Viability, no distinction can be made between economic and potentially economic. These Resources are therefore said to lie in the range of economic to potentially economic. Generally only in-situ quantity figures are reported.
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1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and behalf, there are no other facts the omission of which would make any statement herein misleading. This circular is for information purposes only and does not constitute an offer to acquire, purchase, or subscribe for or the solicitation of an offer to acquire, purchase or subscribe for any securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, immediately upon Completion of the Subscriptions, the Placing, the issue of Consideration Shares (assuming that there is no change from the current shareholding structure) and after full conversion of the Convertible Bond at the Initial Conversion Price will be, as follows:

As at the Latest Practicable Date

<i>Authorised share capital:</i>	<i>HK\$</i>
15,000,000,000 Shares	300,000,000
<i>Issued and fully paid share capital:</i>	
2,614,812,363 Shares	52,296,247.26

Upon Completion of the Subscriptions,
the Placing and the issue of Consideration Shares

<i>Issued and fully paid share capital:</i>	
2,614,812,363 Shares	52,296,247.26
3,405,000,000 new Shares	68,100,000.00
<u>6,019,812,363 Shares</u>	<u>120,396,247.26</u>

Upon full conversion of the Convertible Bond

<i>Issued and fully paid share capital:</i>	
6,019,812,363 Shares	120,396,247.26
500,000,000 new Shares	10,000,000.00
<u>6,519,812,363 Shares</u>	<u>130,396,247.26</u>

All the issue shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The new Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares. The Company has no debt securities in issues as at the Latest Practicable Date.

The Company did not have any other options (except the share option scheme adopted by the Company on 28 August 2002), warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors’ interests and short positions in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, were as follows:

(i) Long positions in the Shares

Name of Director	Number of Shares	Capacity	Approximate percentage of the Company’s total issued share capital
Mr. Lo Lin Shing, Simon	1,166,202,301 (Note)	Beneficial owner/ Interest of a controlled corporation	44.59%
Ms. Yvette Ong	2,395,000	Beneficial owner	0.09%
Mr. To Hin Tsun, Gerald	3,000,000	Beneficial owner	0.11%
Mr. Tsui Hing Chuen, William	500,000	Beneficial owner	0.01%
Mr. Peter Pun	495,000	Beneficial owner	0.01%
Mr. Lau Wai Piu	101,200	Beneficial owner	0.003%

Note: Among the 1,166,202,301 Shares, 4,960,000 Shares represent interest of Mr. Lo on an individual basis; while 1,161,242,301 Shares represent interest of Golden. Accordingly, Mr. Lo is deemed to be interested in the Shares in which Golden is interested by virtue of the SFO. The 1,161,242,301 Shares which Golden is interested in comprise, 381,242,301 Shares held by Golden and 780,000,000 Shares which will be issued to Golden upon completion of a subscription agreement dated 30 January 2007 entered into between the Company and Golden.

(ii) Long positions in underlying Shares

As at the Latest Practicable Date, the following Directors had personal interests in options to subscribe for Shares granted under the share option scheme adopted by the Company on 28 August 2002:

Name of Director	Exercise Price (HK\$)	Exercise Period	Number of underlying Shares Interested
Mr. Lo Lin Shing, Simon	0.1695	1 March 2005 to 28 February 2012	1,157
Ms. Yvette Ong	0.1695	1 March 2005 to 28 February 2012	41
Mr. To Hin Tsun, Gerald	0.1695	1 March 2005 to 28 February 2012	744
Mr. Peter Pun	0.1695	1 March 2005 to 28 February 2012	1,116
	0.6900	8 February 2007 to 7 February 2012	500,000
Mr. Lau Wai Piu	0.1695	1 March 2005 to 28 February 2012	1,116
	0.6900	8 February 2007 to 7 February 2012	500,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

(b) **Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Long Position in Shares/Underlying Shares	Short Position in Shares/Underlying Shares	Capacity	Approximate percentage of the Company's total issued share capital
Mr. Liu Cheng Lin	1,625,000,000 (Note 1)	–	Interest of a controlled corporation	62.14%
Puraway Holdings Limited	1,625,000,000 (Note 1)	–	Corporate	62.14%
Madam Ku Ming Mei, Rouisa	1,166,203,458 (Note 2)	–	Interest of spouse	44.59%
Golden Infinity Co., Ltd.	1,161,242,301 (Note 3)	–	Corporate	44.41%
Taifook Securities Group Limited	1,100,000,000 (Note 4)	1,100,000,000 (Note 4)	Interest of a controlled corporation	42.06%(L) 42.06%(S)
Taifook (BVI) Limited	1,100,000,000 (Note 4)	1,100,000,000 (Note 4)	Interest of a controlled corporation	42.06%(L) 42.06%(S)
Taifook Finance Company Limited	1,100,000,000 (Note 4)	1,100,000,000 (Note 4)	Interest of a controlled corporation	42.06%(L) 42.06%(S)
Taifook Securities Company Limited	1,100,000,000 (Note 4)	1,100,000,000 (Note 4)	Corporate	42.06%(L) 42.06%(S)
Mr. Law Ka Keung	341,666,666 (Note 5)	–	Interest of a controlled corporation	13.06%
Keswick Agents Limited	341,666,666 (Note 5)	–	Corporate	13.06%
Dr. Cheng Kar Shun	343,420,000 (Note 6)	–	Interest of a controlled corporation/ Interest of spouse	13.13%

Name of Shareholder	Long Position in Shares/Underlying Shares	Short Position in Shares/Underlying Shares	Capacity	Approximate percentage of the Company's total issued share capital
Dragon Noble Group Limited	312,500,000 (Note 6)	–	Corporate	11.95%
Mr. Han Yuanlin	210,493,478 (Note 7)	–	Interest of a controlled corporation	8.05%
Visionary Profits Limited	210,493,478 (Note 7)	–	Corporate	8.05%
Mr. Cheng Yu Tung	220,000,000 (Note 8)	–	Interest of a controlled corporation	8.41%
Chow Tai Fook Nominee Limited	220,000,000 (Note 8)	–	Corporate	8.41%
Mr. Ng Chun Ping, Brendan	194,444,442 (Note 9)	–	Interest of a controlled corporation	7.44%
Better Year Investments Limited	194,444,442 (Note 9)	–	Corporate	7.43%

Notes:–

1. Mr. Liu Cheng Lin (the Guarantor) is interested in the entire issued share capital of the Seller. By virtue of the SFO, he is deemed to be interested in the 1,625,000,000 new Shares to be issued upon completion of the Acquisition. The 1,625,000,000 new Shares to be issued to the Seller represents 1,125,000,000 new Shares and 500,000,000 underlying Shares which may be issued upon conversion of the 3% convertible bond of the Company with maturity on the third anniversary from the date of the issue of the convertible bond, as part of the consideration deferred under the acquisition agreement.
2. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she is deemed to be interested in 1,166,203,458 Shares under the SFO.
3. Golden is wholly-owned by Mr. Lo.
4. The Shares represent the number of Shares agreed to be underwritten by the Placing Agent pursuant to the Placement Agreement. Taifook Securities Group Limited is interested in the entire issued share capital of Taifook (BVI) Limited. Taifook (BVI) Limited is interested in the entire issued share capital of Taifook Finance Company Limited. Taifook Finance Company Limited is interested in the entire issued share capital of the Placing Agent. By virtue of the SFO, each of Taifook Securities Group Limited, Taifook (BVI) Limited and Taifook Finance Company Limited is deemed to be interested in the Shares the Placing Agent is interested in.

5. Mr. Law Ka Keung is interested in the entire issued share capital of Keswick Agents Limited (“Keswick”). By virtue of the SFO, he is deemed to be interested in the 166,666,666 Shares held by Keswick and the 175,000,000 Shares which was interested by Keswick as a sub–underwriter of the placing agreement dated 30 January 2007 entered into between Taifook Securities and the Company.
6. Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon. By virtue of the SFO, he is deemed to be interested in the 112,500,000 Shares held by Dragon and the 200,000,000 new Shares to be issued to Dragon upon completion of the Dragon Subscription Agreement. The 30,920,000 Shares are owned by Madam Ip Mei Hing, the spouse of Dr. Cheng Kar Chun.
7. Mr. Han Yuanlin is interested in the entire issued share capital of Visionary Profits Limited (“Visionary Profits”). By virtue of the SFO, Mr. Han Yuanlin is deemed to be interested in the 210,493,478 Shares held by Visionary Profits.
8. Mr. Cheng Yu Tung is interested in the entire issued share capital of CTF. Among the 220,000,000 Shares, 20,000,000 Shares represent interest of CTF and he is deemed to be interested in the 200,000,000 new Shares to be issued to CTF upon completion of the CTF Subscription Agreement by virtue of the SFO.
9. Mr. Ng Chun Ping, Brendan is interested in the entire issued share capital of Better Year Investments Limited (“Better Year”). By virtue of the SFO, he is deemed to be interested in the 194,444,442 Shares held by Better Year.

Abbreviations:–

“L” stands for long position

“S” stands for short position

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors or chief executive of the Company, there were no other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

- (c) Since 31 March 2006 (being the date to which the latest published audited consolidated accounts of the Company were made up), none of the Directors or any proposed Director has had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group (save for the disposals of the entire issued share capital of, and the related loans to, Modern Sparkles Investment Ltd. and Peak Elite Holdings Corp. to Mr. Lo), or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) There was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or were likely to compete, either directly or indirectly, with the business of the Group, other than those business where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. EXPERT AND CONSENT

- (i) The following are the qualifications of the experts who have given opinions and advice which are included in this circular:

Name	Qualification
Vinco	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
John T. Boyd Company	Technical adviser
PricewaterhouseCoopers	Certified Public Accountants
RHL	Property valuer

- (ii) None of Vinco, John T. Boyd Company, PricewaterhouseCoopers and RHL has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (iii) Each of Vinco, John T. Boyd Company, PricewaterhouseCoopers and RHL has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.
- (iv) None of Vinco, PricewaterhouseCoopers and RHL had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2006, the date to which the latest published audited financial statements of the Group was made up.
- (v) John T. Boyd Company had no direct or indirect interest in any interest which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group within two years immediately proceeding the date of the circular.

8. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group which are or may be material:

- (i) the Acquisition Agreement;
- (ii) the Golden Subscription Agreement;
- (iii) the Dragon Subscription Agreement;
- (iv) the CTF Subscription Agreement;
- (v) the Placement Agreement;
- (vi) the conditional sale and purchase agreement dated 26 January 2007 entered into between the Company and Mr. Lo, pursuant to which the Company agreed to sell and Mr. Lo agreed to purchase the entire amount of loan owing by Modern Sparkles Investment Ltd. to the Company and the entire issued capital of Modern Sparkles Investment Ltd;

- (vii) the conditional sale and purchase agreement dated 26 January 2007 entered into between the Company and Mr. Lo, pursuant to which the Company agreed to sell and Mr. Lo agreed to purchase the entire amount of loan owing by Peak Elite Holdings Corp. to the Company and the entire issued capital of Peak Elite Holdings Corp;
- (viii) the placing agreement entered into between the Company and Tai Fook Securities Company Limited (now known as Taifook Securities Company Limited), the placing agent, dated 20 April 2005 in relation to the placing of 58,000,000 new Shares by the placing agent on a best effort basis;
- (ix) the sale and purchase agreement dated 12 September 2005 entered into between the Company and New World Mobile Holdings Limited in relation to the disposal of the entire issued share capital of New World CyberBase Solutions (BVI) Limited (“NWCS”) and the assignment of the interest-free shareholder’s loan owing from NWCS to the Group;
- (x) the conditional agreement dated 11 November 2005 entered into between Glory Key Investments Ltd., as buyer and Sky Jet International Group Limited as seller in relation to the sale and purchase of a Gulfstream 200 Aircraft;
- (xi) the underwriting agreement dated 11 November 2005 entered into between the Company and Golden in relation to the underwriting of the rights issue;
- (xii) the placing agreement dated 11 November 2005 entered into between the Company and Tai Fook Securities Company Limited (now known as Taifook Securities Company Limited) in respect of the placing of convertible notes by Tai Fook Securities Company Limited; and
- (xiii) the shareholders’ agreement dated 11 November 2005 entered into between Everbest, Beaubourg Holdings Inc., and C Jet Limited in relation to the establishment of Everbest and which took effect on 9 November 2005.

9. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Tang Chi Kei, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (ii) The qualified accountant of the Company is Mr. Kwok Ying Tung, Daniel, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (iii) The address of John T. Boyd. is 1500 Corporate Drive, Suite 100, Canonsburg, A 15317 USA.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong, Room 1502-5, New World Tower 1, 16-18 Queen's Road Central, Hong Kong, up to and including the date of the SGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the letter from Vinco containing its advice to the Independent Shareholders and the Independent Board Committee, the text of which is set out in the section headed "Letter from Vinco" in this circular;
- (iii) the letter of recommendation from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (iv) the annual report of the Company for the year ended 31 March 2006;
- (v) the interim report of the Company for the six months ended 30 September 2006;
- (vi) the pro forma financial information of the Enlarged Group, the text of which is set out in Appendix II to this circular;

- (vii) the valuation report prepared by RHL, the text of which is set out in Appendix III to this circular;
- (viii) the technical report prepared by John T. Boyd, the text of which is set out in Appendix IV to this circular;
- (ix) the letters of consent referred to under the paragraph headed “Expert and consent” in this appendix; and
- (x) a copy of the material contracts referred to in the paragraph headed “Material contracts” in this appendix.



NEW WORLD CYBERBASE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 276)

NOTICE IS HEREBY GIVEN that a special general meeting (the “meeting”) of New World CyberBase Limited will be held on 18 April, 2007 at 2:30 p.m. at East Room, Level 23, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions and special resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the acquisition agreement (the “**Acquisition Agreement**”) dated 30 January 2007, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, entered into between, inter alia, Puraway Holdings Limited (the “**Seller**”), Winning Mind Holding Limited (the “**Purchaser**”), Mongolian Natural Resources Investment Group (MNRIG LLC) (the “**Mining Company**”), Liu Cheng Lin (the “**Guarantor**”), the Company and Mongolian Natural Resources Investment Group (Hong Kong) Company Limited (the “**Holding Company**”), whereby the Seller conditionally agreed to sell (through the Mining Company), and the Purchaser, conditionally agreed to purchase (from the Mining Company), the Coal Mine and the Mining Assets, at the consideration of HK\$1.2 billion: (i) HK\$270 million by Consideration Shares; (ii) HK\$142.5 million by a Convertible Bond (with a 3% per annum coupon rate with 3-year maturity) and (iii) HK\$787.5 million by the Loan Note (with a 5% per annum coupon rate with 3-year maturity) as deferred payment, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the Acquisitions Agreement be and are hereby approved;
- (b) the creation and issue of Consideration Shares (as defined in this circular (the “Circular”)) as set out in the Circular, on and subject to the terms of the Acquisition Agreement, be and it is hereby approved;
- (c) the creation and issue of Convertible Bond (as defined in the Circular) as set out in the Circular, on and subject to the terms of the Acquisition Agreement, be and it is hereby approved;
- (d) the issue of Loan Note (as defined in the Circular) as set out in the Circular, on and subject to the terms of the Acquisition Agreement, be and it is hereby approved;

NOTICE OF THE SGM

- (e) the directors of the Company (the “Directors”) be and they are hereby authorised to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the exercise of conversion rights in full attaching to the Convertible Bonds;
- (f) the Directors be and they are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement, the issue of the Consideration Shares, the issue of Convertible Bond and the issue of Loan Note or any of the transactions contemplated under the Acquisition Agreement.”

2. “THAT

- (a) the subscription agreement (the “**Golden Subscription Agreement**”) dated 30 January 2007, a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification, and entered into between the Company and Golden Infinity Co., Ltd (“**Golden**”) for subscription of the Golden Subscription Shares (as defined in the circular) by Golden and all the transaction contemplated thereby be and they are hereby approved;
- (b) the Directors be and they are hereby authorised to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the completion of the Golden Subscription Agreement;
- (c) the Directors be and they are hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the Golden Subscription Agreement or the transactions contemplated thereby.”

3. “THAT

- (a) the subscription agreement (the “**Dragon Subscription Agreement**”) dated 30 January 2007, a copy of which has been produced to the meeting marked “C” and signed by the chairman of the meeting for the purpose of identification, and entered into between the Company and Dragon Noble Group Limited (“**Dragon**”) for subscription of the Dragon Subscription Shares (as defined in the circular) by Dragon and all the transaction contemplated thereby be and they are hereby approved;
- (b) the Directors be and they are hereby authorised to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the completion of the Dragon Subscription Agreement;
- (c) the Directors be and they are hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the Dragon Subscription Agreement or the transactions contemplated thereby.”

NOTICE OF THE SGM

4. **“THAT**

- (a) the subscription agreement (the **“CTF Subscription Agreement”**) dated 30 January 2007, a copy of which has been produced to the meeting marked “D” and signed by the chairman of the meeting for the purpose of identification, and entered into between the Company and Chow Tai Fook Nominee Limited (**“CTF”**) for subscription of the CTF Subscription Shares (as defined in the circular) by CTF and all the transaction contemplated thereby be and they are hereby approved;
- (b) the Directors be and they are hereby authorised to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the completion of the CTF Subscription Agreement;
- (c) the Directors be and they are hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the CTF Subscription Agreement or the transactions contemplated thereby.”

5. **“THAT**

- (a) the placing agreement (the **“Placement Agreement”**) dated 30 January 2007, a copy of which has been produced to the meeting marked “E” and signed by the chairman of the meeting for the purpose of identification, and entered into between the Company and Taifook Securities Company Limited (the **“Placing Agent”**) for placing of the Placing Shares (as defined in the circular) to Placees (as defined in the circular) and all the transaction contemplated thereby be and they are hereby approved;
- (b) the Directors be and they are hereby authorised to allot and issue such number of new shares in the capital of the Company as may be allotted and issued upon the completion of the Placement Agreement;
- (c) the Directors be and they are hereby authorised to take any step as they consider necessary, desirable or expedient in connection with the Placement Agreement or the transactions contemplated thereby.”

SPECIAL RESOLUTION

“THAT the name of the Company be changed from “New World CyberBase Limited” to “Mongolia Energy Corporation Limited”, and adopt the new Chinese name “蒙古能源有限公司” in place of its current Chinese name “新世界數碼基地有限公司” for identification purpose only, subject to the relevant Certificate of Incorporation on Change of Name be issued by the Registrar of Companies in Bermuda to the Company approving such change.”

By order of the board of directors of
New World CyberBase Limited
Tang Chi Kei
Company Secretary

Hong Kong, 22 March 2007