THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **New World Mobile Holdings Limited**, you should at once hand this document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Share Offer.

新世界移動控股有限公司
New World Mobile Holdings Limited

MORAL GLORY INTERNATIONAL LIMITED
(Incorporated in the British Virgin Islands with limited liability)

NEW WORLD MOBILE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY TAIFOOK SECURITIES COMPANY LIMITED ON BEHALF OF MORAL GLORY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF NEW WORLD MOBILE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MORAL GLORY INTERNATIONAL LIMITED AND NEW WORLD CYBERBASE LIMITED)

Financial adviser to Moral Glory International Limited

taifook
TAIFOOK CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee of New World Mobile Holdings Limited

CIMB
CIMB-GK Securities (HK) Limited

A letter from Taifook Securities Company Limited containing, among other things, details of the Share Offer is set out on pages 7 to 14 of this document.

A letter from the Board is set out on pages 15 to 17 of this document.

A letter from the Independent Board Committee to the Offer Shareholders, containing its recommendation in respect of the Share Offer, is set out on page 18 of this document.

A letter from CIMB-GK Securities (HK) Limited, containing its advice to the Independent Board Committee in respect of the Share Offer, is set out on pages 19 to 33 of this document.

The procedures for acceptance of the Share Offer and related information are set out in Appendix I to this document and in the accompanying Form of Acceptance. Acceptances of the Share Offer should be received by the branch share registrar of New World Mobile Holdings Limited, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Thursday, 1 February 2007 or such later time(s) and/or date(s) as Moral Glory International Limited may determine and announce in accordance with the requirements of the Takeovers Code.

11 January 2007

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	2007
Despatch date of this document and the commencement of the Share Offer *(Note 1)*	Thursday, 11 January
Latest time and date for acceptance of the Share Offer	4:00 p.m. on Thursday, 1 February
Closing Date *(Note 2)*	Thursday, 1 February
Time and date of teletext announcement of the results of the Share Offer or as to whether the Share Offer has been revised or extended posted on the Stock Exchange's website	7:00 p.m. on Thursday, 1 February
Date of announcement of the results of the Share Offer or as to whether the Share Offer has been revised or extended published in newspapers	Friday, 2 February
Latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances received on or before 4:00 p.m. on the Closing Date *(Note 3)*	Friday, 9 February

Notes:

1. The Share Offer is made on 11 January 2007, being the date of posting of this document, and is capable of acceptance on and from that date until the Closing Date. The Share Offer is unconditional. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code.

2. The Share Offer, which is unconditional, will be closed on 1 February 2007 unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website by 7:00 p.m. on 1 February 2007 stating whether the Share Offer has been revised or extended. Such announcement will be published in the newspapers on the next Business Day thereafter. In the event that the Offeror decides that the Share Offer will remain open until further notice, at least 14 days' notice in writing will be given, before the Share Offer is closed, to those Offer Shareholders who have not accepted the Share Offer. For further details, please refer to the paragraph headed "Acceptance period and revisions" in Appendix I to this document.

3. Remittances in respect of the cash consideration after deducting the seller's ad valorem stamp duty payable for the Shares tendered under the Share Offer will be posted to the accepting Offer Shareholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the date of receipt by the Registrar of the duly completed Form of Acceptance and the relevant documents of title.

All time references contained in this document refer to Hong Kong time.

In this document, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares by the Offeror on and subject to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 22 November 2006 entered into among NWD, the Offeror and Mr. Lo in respect of the sale and purchase of the Sale Shares
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement, which took place on 4 January 2007
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement dated 22 November 2006 jointly issued by the Company and the Offeror in relation to, among other things, the Acquisition and the Share Offer
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	board of the Directors
"Business Day"	any day on which banks in Hong Kong generally are open for business, except Saturdays and days on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"Cash Consideration"	such part of the consideration under the S&P Agreement paid by NWD in cash upon the Disposal Completion after the Set-off
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CIMB-GK"	CIMB-GK Securities (HK) Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Share Offer
"Circular"	the circular dated 15 December 2006 issued by the Company in relation to, among other things, the S&P Agreement (including the Special Deals)

"Closing Date"	the closing date of the Share Offer, being 21 days after the date on which the Share Offer is commenced, i.e. 1 February 2007 (or such later date as the Offeror may determine and announce in accordance with the Takeovers Code)
"Company"	New World Mobile Holdings Limited (stock code: 862), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
"Convertible Bond"	a convertible bond issued by the Company to NWCBN due 1 November 2007, which was redeemed by the Company on 4 January 2007
"CSL NWM"	CSL New World Mobility Limited (formerly known as Telstra CSL Limited), a company incorporated in Bermuda with limited liability and owned as to 23.6% by NWD through Upper Start Holdings Limited and as to 76.4% by Telstra Corporation Limited (the issued shares of which are listed on the Australian Stock Exchange) through one of its subsidiaries
"CSL NWM Group"	CSL NWM and its subsidiaries
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the entire issued share capital of Upper Start Holdings Limited and the assignment of the relevant shareholder's loan by the Company to NWD on and subject to the terms and conditions of the S&P Agreement
"Disposal Completion"	completion of the Disposal in accordance with the terms and conditions of the S&P Agreement, which took place on 4 January 2007
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Existing Loans"	loans advanced by New World Finance to the Company, which were fully repaid by the Company on 4 January 2007
"Form(s) of Acceptance"	the accompanying form(s) of acceptance and transfer of the Shares in respect of the Share Offer
"Group"	the Company and its subsidiaries

"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board, which comprises Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, established by the Company to advise the Offer Shareholders in respect of the Share Offer
"Latest Practicable Date"	8 January 2007, being the latest practicable date prior to the printing of this document for ascertaining certain information for inclusion in this document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lo"	Mr. Lo Lin Shing, Simon, the sole beneficial owner of the Offeror who will be re-designated as an executive Director with effect from the date of despatch of this document
"Mr. To"	Mr. To Hin Tsun, Gerald, an executive Director
"New World Finance"	New World Finance Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of NWD which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)
"NWCB"	New World CyberBase Limited (stock code: 276), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange. As at the Latest Practicable Date, NWCB was beneficially owned as to approximately 14.57% by Mr. Lo, the chairman and an executive director of NWCB
"NWCBN"	New World CyberBase Nominee Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of NWD
"NWD"	New World Development Company Limited (stock code: 17), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange
"NWD Group"	NWD and its subsidiaries

"NWPCS Group"	New World PCS Holdings Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of CSL NWM, and its subsidiaries, which has become part of the CSL NWM Group since 31 March 2006
"Offer Shareholder(s)"	Shareholder(s) other than the Offeror and NWCB
"Offeror"	Moral Glory International Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially wholly-owned by Mr. Lo
"Overseas Shareholders"	Offer Shareholders whose addresses as appeared on the register of members of the Company are outside Hong Kong
"PPG"	Power Palace Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of NWD
"PRC"	the People's Republic of China, which, solely for the purpose of this document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company at the close of business on 3 January 2007, being the record date to determine the entitlements to the Special Dividend
"Registrar"	Abacus Share Registrars Limited, the branch share registrar of the Company in Hong Kong, whose address is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Relevant Period"	the period from 23 May 2006, being the date falling six months preceding the commencement of the offer period (as defined under the Takeovers Code) on 22 November 2006, up to and including the Latest Practicable Date
"Remaining Group"	for the sole purpose of Appendix IV to this document, the Group immediately after the Disposal Completion and the Special Dividend
"S&P Agreement"	the sale and purchase agreement dated 22 November 2006 entered into between the Company and NWD in relation to the sale and purchase of the entire issued share capital of Upper Start Holdings Limited and assignment of the relevant shareholder's loan

"Sale Shares"	55,336,666 Shares, representing approximately 56.64% of the entire issued share capital of the Company and beneficially owned by the Offeror as at the Latest Practicable Date
"Set-off"	the partial payment of the consideration under the S&P Agreement by NWD to the Company by way of complete set-off against the aggregate amount owing under the Subscription Note, the Convertible Bond and the Existing Loans upon the Disposal Completion pursuant to the S&P Agreement
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$1.00 each in the issued share capital of the Company
"Share Offer"	the unconditional mandatory general cash offer made by Taifook Securities on behalf of the Offeror for all the issued Shares not already owned or agreed to be acquired by the Offeror and NWCB
"Share Offer Price"	HK$0.65 per Share under the Share Offer
"Shareholder(s)"	holder(s) of the Shares
"Special Deals"	the Disposal and the Set-off, each of which constitutes a special deal for the Company under Rule 25 of the Takeovers Code
"Special Dividend"	the declaration of cash dividend of HK$1.20 per Share by the Company to the Qualifying Shareholders on a pro rata basis after the Disposal Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Note"	a convertible note issued by the Company to PPG due on 5 July 2007, which was redeemed by the Company on 4 January 2007
"Suspension"	the suspension of the trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 14 November 2006 up to 9:30 a.m. on Thursday, 23 November 2006 pending the issue of the Announcement
"Taifook Capital"	Taifook Capital Limited, a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Offeror in relation to the Share Offer

"Taifook Securities"	Taifook Securities Company Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities, which makes the Share Offer on behalf of the Offeror
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Technology Business"	the provision of technology-related services including mobile Internet-related services in the PRC by the Group
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

TAIFOOK SECURITIES COMPANY LIMITED

25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

11 January 2007

To the Offer Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY TAIFOOK SECURITIES COMPANY LIMITED ON BEHALF OF MORAL GLORY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF NEW WORLD MOBILE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MORAL GLORY INTERNATIONAL LIMITED AND NEW WORLD CYBERBASE LIMITED)

INTRODUCTION

On 22 November 2006, the Offeror and the Company jointly announced, among other things, that the Offeror entered into the Acquisition Agreement with NWD, pursuant to which the Offeror had conditionally agreed to purchase, and NWD had conditionally agreed to procure the sale of the Sale Shares at HK$0.65 per Sale Share. The Sale Shares, being 55,336,666 Shares, represented approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date. As at 22 November 2006, the date of the Announcement, (i) NWCB (which was beneficially owned as to approximately 14.57% by Mr. Lo, the chairman and an executive director of NWCB as well as the sole beneficial owner of the Offeror as at the Latest Practicable Date) was interested in 16,091,846 Shares, representing approximately 16.88% of the voting rights of the Company as at the date of the Announcement; and (ii) the Directors did not hold any Shares.

On 4 January 2007, the Offeror and the Company jointly announced, among other things, that all the conditions precedent to the Acquisition Agreement had been fulfilled and the Acquisition Completion took place on that day. Immediately after the Acquisition Completion, (i) the Offeror owned an aggregate of 55,336,666 Shares, representing approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date; (ii) NWCB, being a party presumed to be acting in concert with the Offeror, was interested in 16,091,846 Shares, representing approximately 16.47% of the voting rights of the Company as at the Latest Practicable Date; and (iii) the Directors (save for Mr. Lo), being parties presumed to be acting in concert with the Offeror, were interested in 2,278,000 Shares, representing approximately 2.33% of the voting rights of the Company as at the Latest Practicable Date. As such, immediately after the Acquisition Completion, the Offeror and parties presumed to be acting in concert with it were interested in 73,706,512 Shares, representing approximately 75.45% of voting rights of the Company as at the Latest Practicable Date. Accordingly, the Offeror is making an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and NWCB pursuant to Rule 26.1 of the Takeovers Code.

This letter sets out, among other things, the details of the Share Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Share Offer are set out in this letter and in the Form of Acceptance.

The Offer Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board" as set out on pages 15 to 17, the "Letter from the Independent Board Committee" as set out on page 18 and the letter from CIMB-GK to the Independent Board Committee in respect of the Share Offer as set out on pages 19 to 33 of this document.

THE SHARE OFFER

Principal terms of the Share Offer

Taifook Securities, on behalf of the Offeror, makes the Share Offer to acquire all the Shares not already owned or agreed to be acquired by the Offeror and NWCB on the following basis:

For each Share .... HK$0.65 in cash

Save for 278,000 options granted under the share option schemes of the Company to Mr. Lo, the sole director and sole beneficial owner of the Offeror, which entitle Mr. Lo to subscribe for 278,000 Shares, there were no outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date. Mr. Lo has undertaken in writing not to exercise his share options from 22 November 2006 (being the date of the Announcement) until the Closing Date.

As at the Latest Practicable Date, (i) the executive Directors, namely Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman and Mr. Chow Yu Chun, Alexander, were interested in 780,000 Shares, 300,000 Shares, 482,000 Shares and 482,000 Shares respectively; (ii) the non-executive Director, Mr. Ho Hau Chong, Norman, was interested in 78,000 Shares; and (iii) the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, were interested in 78,000 Shares and 78,000 Shares respectively. As at the Latest Practicable Date, none of the Directors had indicated whether they would accept the Share Offer or not.

Comparisons of value:

The Share Offer Price of HK$0.65 per Share is equal to the consideration paid by the Offeror for each Sale Share under the Acquisition Agreement and represents:

(i) a premium of approximately 51.2% over the theoretical ex-dividend price of HK$0.43 per Share as quoted on the Stock Exchange as at 13 November 2006, which was arrived at based on the closing price of HK$1.63 per Share as quoted on the Stock Exchange as at 13 November 2006, being the last trading day of the Shares on the Stock Exchange prior to the Suspension after deduction of the Special Dividend to be paid to the Qualifying Shareholders of HK$1.20 per Share;

(ii) a premium of approximately 50.5% over the theoretical ex-dividend 10-day average closing price of the Shares of HK$0.432 per Share, which was arrived at based on the average closing price of HK$1.632 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including 13 November 2006 after deduction of the Special Dividend to be paid to the Qualifying Shareholders of HK$1.20 per Share;

(iii) a premium of approximately 43.8% over the theoretical ex-dividend 30-day average closing price of the Shares of HK$0.452 per Share, which was arrived at based on the average closing price of HK$1.652 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including 13 November 2006 after deduction of the estimated amount of the Special Dividend to be paid to the Qualifying Shareholders of HK$1.20 per Share;

(iv) a discount of approximately 59.9% to the closing price of HK$1.62 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(v) a premium over the audited consolidated net deficit of the Group of approximately HK$1.02 per Share as at 30 June 2006; and

(vi) a discount of approximately 36.9% to the unaudited pro forma consolidated net assets value per Share of approximately HK$1.03 immediately after the Disposal Completion and the Special Dividend.

Total consideration:

As at the Latest Practicable Date, the Company had 97,692,069 Shares in issue. Based on the Share Offer Price of HK$0.65 per Share, the entire issued share capital of the Company is valued at approximately HK$63.5 million. Based on the 26,263,557 Shares which are subject to the Share Offer, the Share Offer is valued at approximately HK$17.1 million.

The Offeror will finance the Share Offer by way of shareholder's loan from Mr. Lo. In addition, the Offeror does not intend that any payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to such shareholder's loan will depend to any significant extent on the business of the Group. Taifook Capital is satisfied that there are sufficient financial resources available to the Offeror to meet its obligations in case of full acceptance of the Share Offer by the Offer Shareholders.

Effect of accepting the Share Offer:

By accepting the Share Offer, the Offer Shareholders will sell their Shares to the Offeror free from all liens, claims, charges, encumbrances, equities and third party rights and together with all rights and benefits at any time accruing thereto including all rights to any dividend or other distributions declared, made or paid on or after the Acquisition Completion (save and except for the Special Dividend which will be distributed to the Qualifying Shareholders on or before 11 January 2007).

The Share Offer is unconditional in all respects and, unless extended, will remain open for acceptance until 4:00 p.m. on Thursday, 1 February 2007. Acceptances of the Share Offer shall be irrevocable and once given cannot be withdrawn except in accordance with Rule 19.2 of the Takeovers Code. The Executive may require that the acceptors be granted a right of withdrawal, on terms acceptable to the Executive until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the Share Offer are set out in Appendix I to this document.

Stamp duty:

Seller's ad valorem stamp duty at a rate of HK$1.00 for every HK$1,000 (or part thereof) of the consideration arising on acceptance of the Share Offer, or at the market value of the Shares, whichever is greater, will be deducted from the consideration payable to the relevant Offer Shareholders who accept the Share Offer.

The Offeror will bear its own portion of buyer's ad valorem stamp duty at a rate of HK$1.00 for every HK$1,000 (or part thereof) of the consideration payable in respect of relevant acceptances of the Share Offer, or at the market value of the Shares, whichever is greater, and will be responsible to account to the Stamp Office of Hong Kong all the stamp duty payable for sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

Payment:

Payment in cash in respect of acceptance of the Share Offer will be made to each Offer Shareholder within ten days of the date on which the Form of Acceptance and all relevant documents of title are received by the Registrar to render each acceptance complete and valid.

Dealings in the Shares:

Save for (i) the acquisition of the Sale Shares by the Offeror pursuant to the Acquisition Agreement; (ii) Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman and Mr. Chow Yu Chun, Alexander, being the executive Directors, exercised their 780,000 options, 300,000 options, 482,000 options and 482,000 options granted under the share option schemes of the Company on 4 December 2006, 4 December 2006, 4 December 2006 and 30 November 2006 respectively at the exercise price of HK$1.26 per Share; (iii) Mr. Ho Hau Chong, Norman, being a non-executive Director, exercised his 78,000 options granted under the share option schemes of the Company on 28 November 2006 at the exercise price of HK$1.26 per Share; and (iv) Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors, exercised their 78,000 options and 78,000 options granted under the share option schemes of the Company on 28 November 2006 and 4 December 2006 at the exercise prices of HK$1.26 per Share and HK$1.276 per Share respectively, none of the Offeror, its beneficial owner and parties presumed to be acting in concert with any of them has dealt in any securities of the Company during the Relevant Period.

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them under the provisions of the Companies Law (2001 2nd Revision) of the Cayman Islands to acquire compulsorily any outstanding issued Shares not acquired under the Share Offer after the Share Offer is closed but reserve the right to do so.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company which was incorporated in the British Virgin Islands with limited liability. Save for the entering into of the Acquisition Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities save for the cash and corresponding shareholder's loan made available for the Acquisition and the making of the Share Offer. As at the Latest Practicable Date, the Offeror was beneficially and wholly-owned by Mr. Lo, the sole director of the Offeror who will be re-designated as an executive Director with effect from 11 January 2007, the date of despatch of this document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the principal existing business of the Group and will maintain the listing status of the Company on the Stock Exchange following the close of the Share Offer. Meanwhile, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, no such investment or business opportunities had been identified as at the Latest Practicable Date. As at the Latest Practicable Date, the Offeror had no intention to re-deploy the employees or the fixed assets of the Group other than in its ordinary course of business.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Mr. Lo and Mr. Ho Hau Chong, Norman, both of them being the non-executive Directors, are proposed to be re-designated as the executive Directors with effect from 11 January 2007, the date of despatch of this document. Other Directors comprising (i) the executive Directors, namely Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander and Mr. To Hin Tsun, Gerald; and (ii) the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, are expected to resign with effect from the Closing Date. Mr. Tsui Hing Chuen, William, *JP*, being the independent non-executive Director, will remain on the Board with the same directorship after the Closing Date.

The biographical details of Mr. Lo and Mr. Ho Hau Chong, Norman are set out below:

Mr. Lo, aged 51, joined the Company in March 2000 and is currently a non-executive Director. Mr. Lo possesses over 20 years of experience in the financial, securities and future industries and over six years of experience in the management of the provision of technology-related business including mobile Internet-related services, which is the principal business of the Technology Business. Mr. Lo is the chairman of NWCB and the deputy chairman of Taifook Securities Group Limited. He is also an executive director of International Entertainment Corporation and a non-executive director of and Macau Prime Properties Holdings Limited, all of which are companies whose issued shares are listed on the Stock Exchange. Mr. Lo is also a non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited, the issued H shares of which are listed on the Stock Exchange.

Mr. Ho Hau Chong, Norman, aged 51, was appointed as a non-executive Director in November 2000. He is an executive director of Miramar Hotel and Investment Company Limited, a non-executive director of each of Taifook Securities Group Limited and Macau Prime Properties Holdings Limited and an independent non-executive director of each of CITIC Pacific Limited, Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Shun Tak Holdings Limited and Starlight International Holdings Limited, all of which are companies whose issued shares are listed on the Stock Exchange.

Save for the directorship in the Company, none of Mr. Lo and Mr. Ho Hau Chong, Norman holds any other positions in the Group. None of Mr. Lo and Mr. Ho Hau Chong, Norman has entered into any service contract with the Company, and they are subject to retirement by rotation and re-election pursuant to the articles of association of the Company. Each of Mr. Lo and Mr. Ho Hau Chong, Norman will be entitled to a director's fee as determined by the Board from time to time upon their re-designation as executive Directors.

As at the Latest Practicable Date, (i) Mr. Lo was interested in 278,000 options of the Company entitling him to subscribe for 278,000 Shares and was the sole beneficial owner of the Offeror which owned 55,336,666 Shares acquired pursuant to the Acquisition Agreement; and (ii) Mr. Ho Hau Chong, Norman was interested in 78,000 Shares. Save as disclosed herein and the information required under Rule 13.51(2)(g) of the Listing Rules, the Board is not aware of any other matters that need to be brought to the attention of the Shareholders in respect of Mr. Lo and Mr. Ho Hau Chong, Norman and there is no other information which is required to be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules.

The Offeror is of the view that the experience of Mr. Lo in technology related businesses as well as the general management and business development expertise of Mr. Ho Hau Chong, Norman would be able to enhance the performance and operations of the Group, and the business network of each of Mr. Lo and Mr. Ho Hau Chong, Norman would bring more business opportunities to the Group.

Further announcement will be made by the Company in respect of the appointment of the new independent non-executive Directors in accordance with the requirements of the Listing Rules.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatise the Company and intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer. The Board will undertake to the Stock Exchange to use its best endeavours to take appropriate steps to ensure that, as soon as possible following the close of the Share Offer, not less that 25% of the issued Shares will be held by the public.

The Stock Exchange has stated that if, at the close of the Share Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; and (ii) there are insufficient issued Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. In this connection, it should be noted that upon the close of the Share Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

So long as the Company remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets of the Company. Any acquisitions or disposals of assets by the Group will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require the Company to issue an announcement and a circular to the Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Group. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of the Group and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.

THE OFFER PERIOD AND TAX IMPLICATIONS

It is currently intended that the Share Offer will be open for acceptance from the date of despatch of this document on Thursday, 11 January 2007 to Thursday, 1 February 2007, both days inclusive. It is the responsibility of the Overseas Shareholders who wish to accept the Share Offer and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The Overseas Shareholders will be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of any jurisdiction.

None of the Company, the Offeror, Mr. Lo, the Directors, the professional advisers to the Company and the Offeror or any other parties involved in the Share Offer is in a position to advise the Offer Shareholders on their individual tax implications. The Offer Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Share Offer. None of the Company, the Offeror, Mr. Lo, the Directors, the professional advisers to the Company and the Offeror or any other parties involved in the Share Offer accepts any responsibility for any tax effect on, or liabilities of, the Offer Shareholders.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this document and the Form of Acceptance.

GENERAL

To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Shareholders is drawn to paragraph 7(h) in Appendix I to this document.

All documents and remittances sent to the Offer Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Offer Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Offer Shareholders, to the Offer Shareholder whose name appears first in the register of members of the Company, as applicable. None of the Company, the Offeror, Taifook Capital, Taifook Securities, CIMB-GK, the Registrar, or any of their respective directors or any other persons involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Taifook Securities Company Limited
William Lee
Managing Director

新世界移動控股有限公司
New World Mobile Holdings Limited

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

Directors:
Executive Directors:
Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Doo Wai Hoi, William, *JP* *(Vice Chairman)*
Dr. Wai Fung Man, Norman *(Chief Executive Officer)*
Mr. To Hin Tsun, Gerald
Mr. Chow Yu Chun, Alexander

Non-executive Directors:
Mr. Ho Hau Chong, Norman *(who will be re-designated as an executive Director with effect from 11 January 2007)*
Mr. Lo Lin Shing, Simon *(who will be re-designated as an executive Director with effect from 11 January 2007)*

Independent non-executive Directors:
Mr. Hui Chiu Chung, *JP*
Mr. Kwong Che Keung, Gordon
Mr. Tsui Hing Chuen, William, *JP*

Registered office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
17th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

11 January 2007

To the Offer Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY TAIFOOK SECURITIES COMPANY LIMITED ON BEHALF OF MORAL GLORY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF NEW WORLD MOBILE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MORAL GLORY INTERNATIONAL LIMITED AND NEW WORLD CYBERBASE LIMITED)

INTRODUCTION

On 22 November 2006, the Offeror and the Company jointly announced, among other things, that the Offeror entered into the Acquisition Agreement with NWD, pursuant to which the Offeror had conditionally agreed to purchase, and NWD had conditionally agreed to procure the sale of the Sale Shares at HK$0.65 per Sale Share. The Sale Shares, being 55,336,666 Shares, represented approximately

56.64% of the voting rights of the Company as at the Latest Practicable Date. As at 22 November 2006, the date of the Announcement, (i) NWCB (which was beneficially owned as to approximately 14.57% by Mr. Lo, the chairman and an executive director of NWCB as well as the sole beneficial owner of the Offeror as at the Latest Practicable Date) was interested in 16,091,846 Shares, representing approximately 16.88% of the voting rights of the Company as at the date of the Announcement; and (ii) the Directors did not hold any Shares.

On 4 January 2007, the Offeror and the Company jointly announced, among other things, that all the conditions precedent to the Acquisition Agreement had been fulfilled and the Acquisition Completion took place on that day. Immediately after the Acquisition Completion, the Offeror owned an aggregate of 55,336,666 Shares, representing approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date; (ii) NWCB, being a party presumed to be acting in concert with the Offeror, was interested in 16,091,846 Shares, representing approximately 16.47% of the voting rights of the Company as at the Latest Practicable Date; and (iii) the Directors (save for Mr. Lo), being parties presumed to be acting in concert with the Offeror, were interested in 2,278,000 Shares, representing approximately 2.33% of the voting rights of the Company as at the Latest Practicable Date. As such, immediately after the Acquisition Completion, the Offeror and parties presumed to be acting in concert with it were interested in 73,706,512 Shares, representing approximately 75.45% of voting rights of the Company as at the Latest Practicable Date. Accordingly, the Offeror is making an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and NWCB pursuant to Rule 26.1 of the Takeovers Code.

The terms of the Share Offer are set out in "Letter from Taifook Securities" of this document, Appendix I to this document and the Form of Acceptance.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established by the Company to advise the Offer Shareholders in respect of the Share Offer. As at the Latest Practicable Date, (i) Mr. Lo, a non-executive Director, was the beneficial owner and the sole director of the Offeror; (ii) Mr. Ho Hau Chong, Norman, a non-executive Director, would be re-designated as an executive Director with effect from 11 January 2007, the date of despatch of this document; and (iii) Mr. Tsui Hing Chuen, William, *JP*, an independent non-executive Director, was also an independent non-executive director of NWCB, which in turn is a party presumed to be acting in concert with the Offeror. As such, the abovementioned non-executive Directors and independent non-executive Director are considered not eligible to constitute the Independent Board Committee to advise the Offer Shareholders in respect of the Share Offer. Accordingly, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors who are considered to be independent of the Share Offer, have been invited to constitute the Independent Board Committee to provide the recommendation to the Offer Shareholders in respect of the Share Offer. CIMB-GK has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Share Offer. Such appointment has been approved by the Independent Board Committee.

The purpose of this document is to provide you with, among other things, further information relating to the Group and the Share Offer, as well as the respective recommendation and advice of the Independent Board Committee and CIMB-GK regarding the Share Offer.

THE SHARE OFFER

Taifook Securities, on behalf of the Offeror, is making the Share Offer to acquire all the Shares not already owned or agreed to be acquired by the Offeror and NWCB it on the following basis:

For each Share .... HK$0.65 in cash

Save for 278,000 options granted under the share option schemes of the Company to Mr. Lo, the sole director and sole beneficial owner of the Offeror, which entitle Mr. Lo to subscribe for 278,000 Shares, there were no outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date. Mr. Lo has undertaken in writing not to exercise his options from 22 November 2006, being the date of the Announcement, until the Closing Date.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Stock Exchange. As at Latest Practicable Date, the principal business of the Group is the Technology Business, namely the technology-related services including mobile Internet-related services in the PRC.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed "Intention of the Offeror regarding the Group" in the "Letter from Taifook Securities" as set out on pages 7 to 14 of this document.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Offer Shareholders set out on page 18 of this document and the letter from CIMB-GK to the Independent Board Committee set out on pages 19 to 33 of this document, which set out their respective advice and recommendation in respect of the Share Offer and the principal factors considered by them in arriving at their respective advice and recommendation.

ADDITIONAL INFORMATION

In considering what action to take in connection with the Share Offer, the Offer Shareholders should consider their own tax position and, if they are in doubt, they should consult their own professional advisers.

You are recommended to read the "Letter from Taifook Securities" set out on pages 7 to 14 of this document, the further procedures for acceptance of the Share Offer as set out in Appendix I to this document and the Form of Acceptance.

Your attention is also drawn to the information set out in other appendices to this document.

Yours faithfully,
For and on behalf of the Board
New World Mobile Holdings Limited
Dr. Wai Fung Man, Norman
Executive Director and Chief Executive Officer

新世界移動控股有限公司
New World Mobile Holdings Limited

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

11 January 2007

To the Offer Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY TAIFOOK SECURITIES COMPANY LIMITED ON BEHALF OF MORAL GLORY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF NEW WORLD MOBILE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MORAL GLORY INTERNATIONAL LIMITED AND NEW WORLD CYBERBASE LIMITED)

We refer to the composite offer document dated 11 January 2007 (the "Document") jointly issued by the Offeror and the Company of which this letter forms part. Terms defined in the Document shall have the same meanings in this letter unless the context otherwise requires. We have been appointed as members of the Independent Board Committee to consider the Share Offer and to advise you as to whether, in our opinion, the terms of the Share Offer are fair and reasonable so far as your interests are concerned.

CIMB-GK has been appointed to advise us in respect of the Share Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from CIMB-GK on pages 19 to 33 of the Document. We also wish to draw your attention to: (i) the "Letter from the Board" set out on pages 15 to 17 of the Document; (ii) the "Letter from Taifook Securities" set out on pages 7 to 14 of the Document; and (iii) the additional information set out in the appendices to the Document.

Having taken into account the terms of the Share Offer and the advice and recommendation of CIMB-GK, we consider that the terms of the Share Offer are fair and reasonable so far as the Offer Shareholders are concerned and accordingly, we recommend the Offer Shareholders to accept the Share Offer.

Yours faithfully,
Independent Board Committee
Kwong Che Keung, Gordon **Hui Chiu Chung,** *JP*
Independent non-executive Directors

The following is the full text of the letter of advice from CIMB-GK to the Independent Board Committee in respect of the Share Offer prepared for incorporation in this document.

CIMB
CIMB-GK Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

11 January 2007

To the Independent Board Committee

Dear Sirs,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY TAIFOOK SECURITIES COMPANY LIMITED ON BEHALF OF MORAL GLORY INTERNATIONAL LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF NEW WORLD MOBILE HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY MORAL GLORY INTERNATIONAL LIMITED AND NEW WORLD CYBERBASE LIMITED)

INTRODUCTION

We refer to our appointment, as approved by the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in relation to the Share Offer, details of which are set out in the composite offer document of the Company dated 11 January 2007 (the "Composite Offer Document"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

As at the Latest Practicable Date, (i) Mr. Lo, a non-executive Director, was the beneficial owner and the sole director of the Offeror; (ii) Mr. Ho Hau Chong, Norman, a non-executive Director, will be re-designated as an executive Director with effect from 11 January 2007, the date of despatch of the Composite Offer Document; and (iii) Mr. Tsui Hing Chuen, William, *JP*, an independent non-executive Director, was also an independent non-executive director of NWCB, which in turn is a party presumed to be acting in concert with the Offeror. As such, the abovementioned non-executive Directors and independent non-executive Director are considered not eligible to constitute the Independent Board Committee to advise the Offer Shareholders in respect of the terms of the Share Offer. Accordingly, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP,* being the independent non-executive Directors who are considered to be independent of the Share Offer, have been invited to constitute the Independent Board Committee to provide recommendation to the Offer Shareholders in respect of the terms of the Share Offer.

In our capacity as the independent financial adviser to the Independent Board Committee, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Share Offer are fair and reasonable and whether the Offer Shareholders should accept the Share Offer.

In formulating our recommendation, we have relied on the information and facts provided by the Directors and contained or referred to in the Composite Offer Document. The Directors have declared in a responsibility statement set out in Appendix V to the Composite Offer Document that they collectively and individually accept full responsibility for the accuracy of the information contained in the Composite Offer Document (other than those information relating to the Offeror). We have assumed that the information and representations provided to us by the Directors or contained or referred to in the Composite Offer Document were true and accurate at the time they were made and continue to be so up to the date of despatch of the Composite Offer Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Composite Offer Document.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, the Offeror or any of their respective associates.

We have not considered the tax implications on the Offer Shareholders of their acceptances or non-acceptances of the Share Offer since this is particular to their own individual circumstances. In particular, the Offer Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Share Offer and, if in doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

I. Background to and terms of the Share Offer

On 22 November 2006, the Offeror entered into the Acquisition Agreement with NWD, pursuant to which the Offeror has conditionally agreed to purchase, and NWD has conditionally agreed to procure the sale of, subject to, among other things, the Disposal Completion, the Sale Shares at HK$0.65 per Sale Share. The Sale Shares, being 55,336,666 Shares, represented approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date. The Acquisition Completion took place on 4 January 2007. As at the Latest Practicable Date, the Offeror and parties presumed to be acting in concert with it owned an aggregate of 73,706,512 Shares, representing approximately 75.45% of the voting rights of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is making an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and NWCB.

Taifook Securities is making, on behalf of the Offeror, the Share Offer on the basis of HK$0.65 in cash for each Share. The Share Offer is unconditional and is not conditional on the attaining of any particular level of acceptance in respect of the Share Offer. The Share Offer Price is equivalent to the price per Sale Share paid by the Offeror under the Acquisition Agreement.

As disclosed in the "Letter from Taifook Securities" of the Composite Offer Document, save for (i) the acquisition of the Sale Shares by the Offeror pursuant to the Acquisition Agreement; (ii) Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman and Mr. Chow Yu Chun, Alexander, being the executive Directors, exercised their 780,000 options, 300,000 options, 482,000 options and 482,000 options granted under the share option schemes of the Company on 4 December 2006, 4 December 2006, 4 December 2006 and 30 November 2006 respectively at the exercise price of HK$1.26 per Share; (iii) Mr. Ho Hau Chong, Norman, being a non-executive Director, exercised his 78,000 options granted under the share option schemes of the Company on 28 November 2006 at the exercise price of HK$1.26 per Share; and (iv) Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors, exercised their 78,000 options and 78,000 options granted under the share option schemes of the Company on 28 November 2006 and 4 December 2006 at the exercise prices of HK$1.26 per Share and HK$1.276 per Share respectively, none of the Offeror, its beneficial owner and parties acting in concert with any of them has dealt in any securities of the Company during the period commencing on the date falling six months prior to the date of the Announcement and up to the Latest Practicable Date.

As at the Latest Practicable Date, save for 278,000 options granted under the share option schemes of the Company to Mr. Lo, the sole director and sole beneficial owner of the Offeror, the Company had no other convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivative of the Company. Mr. Lo has undertaken not to exercise his share options until the Closing Date.

Further terms and conditions of the Share Offer, including the procedure for acceptance, are set out in the "Letter from Taifook Securities" of the Composite Offer Document.

II. Background of the Offeror, its intention regarding the Group and proposed change of board composition

As stated in the "Letter from Taifook Securities" of the Composite Offer Document, the Offeror is an investment holding company beneficially and wholly-owned by Mr. Lo, a non-executive Director and sole director of the Offeror.

We note, from the "Letter from Taifook Securities" of the Composite Offer Document, that while the Offeror intends to continue the principal business of the Group and will maintain the listing status of the Company on the Stock Exchange following the close of the Share Offer, it will conduct a review on the Group's business operations and financial position and may consider diversifying the business of the Group to broaden its income source should suitable investment or business opportunities arise. Nevertheless, as stated in the "Letter from Taifook Securities" of the Composite Offer Document, as at the Latest Practicable Date, no such investment or business opportunities had been identified by the Offeror.

We also note, from the "Letter from Taifook Securities" of the Composite Offer Document, the following changes to the board composition of the Company have been proposed:

i. Mr. Lo and Mr. Ho Hau Chong, Norman, each being a non-executive Director, would be re-designated as the executive Directors with effect from 11 January 2007, the date of despatch of the Composite Offer Document;

ii. the executive Directors, namely Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander and Mr. To Hin Tsun, Gerald are expected to resign with effect from the Closing Date; and

iii. the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, are expected to resign with effect from the Closing Date.

The biographical details of Mr. Lo and Mr. Ho Hau Chong, Norman are set out in the "Letter from Taifook Securities" of the Composite Offer Document.

As stated in the "Letter from Taifook Securities" of the Composite Offer Document, the Company will make further announcement in respect of the appointment of the new independent non-executive Directors in accordance with the requirements of the Listing Rules.

As the Offeror has yet to formulate the business plans and strategies for the future business development of the Group, we are not in a position to comment on whether the intention of the Offeror to diversify the business of the Group and hence broaden the income source of the Group would materialise.

III. Historical financial performance of the Technology Business

As stated in the "Letter from the Board" of the Composite Offer Document, as at the Latest Practicable Date, the principal business of the Group is the Technology Business, namely the technology-related business including mobile Internet-related services in the PRC. The Technology Business was acquired by the Group in October 2005 when it acquired New World CyberBase Solutions (BVI) Limited ("NWCS") from NWCB (the "NWCS Acquisition"). As advised by the Directors, NWCS has always been the holding company for the Technology Business. Set out below is a summary of the financial performance of NWCS and its subsidiaries (the "NWCS Group"):

Period	**Turnover** *HK$' 000*	**Loss on the operation** *HK$' 000*	*Note*
For the year ended 31 March 2004 ("**FY 2004**")	11,302	23,699	*1*
For the year ended 31 March 2005 ("**FY 2005**")	19,294	15,511	*2*
For the period commencing from 1 April 2005 to 21 October 2005 (the "**Pre-Acquisition Period**")	14,548	7,685	*2*
For the period commencing from 22 October 2005 to 30 June 2006 (the "**Post-Acquisition Period**")	16,515	14,759	*3*

Notes:

1. Being the turnover and segment results of technology related services segment, which represented the financial performance of the NWCS Group, for FY 2004 as disclosed in NWCB's annual report for FY 2004.

2. Being the turnover and segment results of the discontinued operations for FY 2005 and the year ended 31 March 2006 as disclosed in the annual report of NWCB for the year ended 31 March 2006. As the NWCS Acquisition was completed on 21 October 2005, the figures reported for the year ended 31 March 2006 represented the turnover and segment results of the NWCS Group for the Pre-Acquisition Period.

3. Being the turnover and segment results of the technology related services segment for the year ended 30 June 2006 as disclosed in the annual report of the Company for the year ended 30 June 2006. As the NWCS Acquisition was completed on 21 October 2005, these figures represented the turnover and the segment results of the NWCS Group for the Post-Acquisition Period.

The turnover of the NWCS Group for FY 2005 increased by approximately 70.7% as compared to FY 2004. As advised by the Directors, the increase was mainly attributable to the growth of the mobile-Internet business, and the increase in subscriber base and the launch of "ijcool" website in May 2004. With the growth in turnover, the NWCS Group recorded a reduced operating loss for FY 2005.

The turnover and segment results of the NWCS Group for the Pre-Acquisition Period (which covered a period of slightly more than six months) amounted to approximately HK$14.5 million and approximately HK$7.7 million respectively. For the Post-Acquisition Period (which covered a period of slightly more than 8 months), the NWCS Group recorded a turnover and segment result of approximately HK$16.5 million and approximately HK$14.8 million respectively. As advised by the Directors, the increase in turnover during the Pre-Acquisition Period and the Post-Acquisition Period as compared to FY 2005 was mainly due to the increase in the subscribers during the periods. Notwithstanding the increase in turnover, the NWCS Group continued to incur operating loss, recording an aggregate operating loss of approximately HK$22.5 million for the 15-month period from 1 April 2005 to 30 June 2006 because of the decreased profit margin resulting from keen competition.

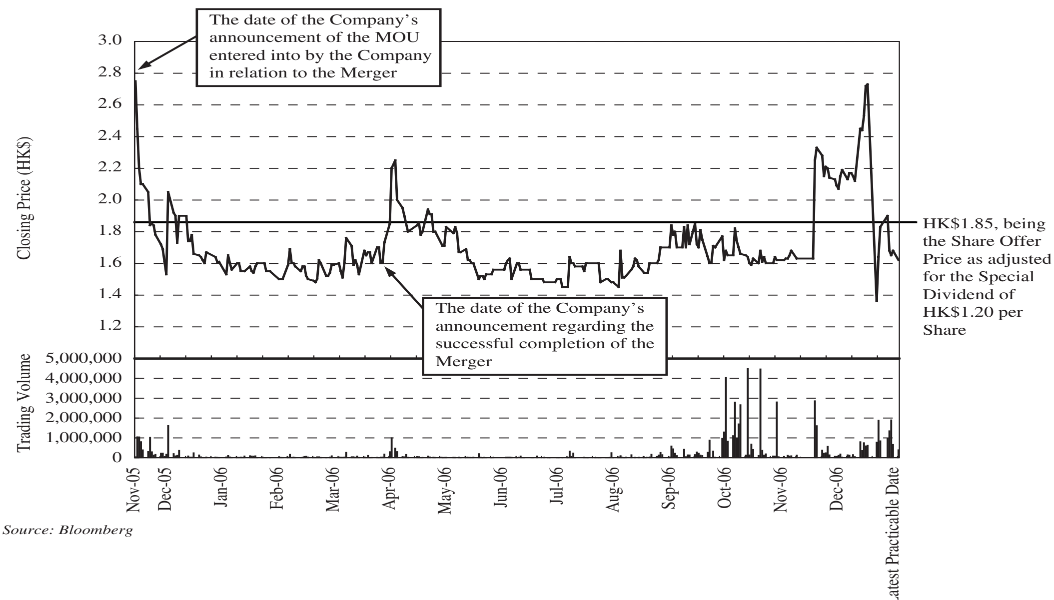
Based on the above analysis, we note that despite the continuous increase in turnover for the past three years, the Technology Business has yet to record a profit from its operations. Given the lack of entry barrier to and keen competition in the mobile Internet service industry, we are of the view that the operating environment for the Technology Business will continue to remain highly competitive and tough.

We would like to highlight that in the above analysis of the performance of the Technology Business, we have not taken into account the general and administrative expenses, which mainly include legal and professional fees, directors' emoluments and staff costs, for the maintenance of the listing status of the Company. As advised by the Directors, the aforesaid general and administrative expenses amounted to approximately HK$19.1 million for the year ended 30 June 2006.

IV. Share Offer Price

(i) Historical market price and liquidity of the Shares

The following chart shows the closing price and trading volume of the Shares as quoted on the Stock Exchange from 14 November 2005, being the trading day falling twelve months prior to 13 November 2006 (the "Last Trading Day") (the last trading day of the Shares immediately prior to the Suspension), to the Latest Practicable Date (both dates inclusive) (the "Review Period"):



Source: Bloomberg

As shown in the above chart, during the period from 14 November 2005 to the Last Trading Day (both dates inclusive) (the "Pre-Announcement Period"), the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$2.75 per Share recorded on 14 November 2005, and HK$1.45 per Share recorded on 7 July 2006, 10 July 2006 and 7 August 2006 respectively. During the Pre-Announcement Period, the closing prices of the Shares were generally below HK$1.85 per Share, being the Share Offer Price as adjusted for the Special Dividend of HK$1.20 per Share, save for (i) a short period from 15 November 2005, being the first trading day after the Company's announcement of the memorandum of understanding (the "MOU") entered into by the Company in relation to the proposed merger (the "Merger") of the mobile telecommunication businesses of New World PCS Holdings Limited, a wholly-owned subsidiary of the Company prior to the completion of the Merger, and Hong Kong CSL Limited, an independent third party of the Company prior to the completion of the Merger, up to early December 2005; and (ii) a short period in early April 2006 (as announced by the Company on 4 April 2006, it was not aware of the reasons for the increase in Share prices around that period save for the Company's announcement dated 31 March 2006 regarding the successful completion of the Merger).

Compared to the Share prices during the Pre-Announcement Period, the Share Offer Price represents:

(i) a discount of approximately 58.1% to the highest theoretical ex-dividend price of HK$1.550 per Share, being the highest closing price of the Shares quoted on the Stock Exchange during the Pre-Announcement Period of HK$2.750 per Share after deduction of the Special Dividend of HK$1.20 per Share;

(ii) a substantial premium of approximately 160.0% over the lowest theoretical ex-dividend price of HK$0.250 per Share, being the lowest closing price of the Shares quoted on the Stock Exchange during the Pre-Announcement Period of HK$1.450 per Share after deduction of the Special Dividend of HK$1.20 per Share; and

(iii) a considerable premium of approximately 42.9% over the average theoretical ex-dividend price of HK$0.455 per Share, being the average closing price of Shares quoted on the Stock Exchange during the Pre-Announcement Period of HK$1.655 per Share after deduction of the Special Dividend of HK$1.20 per Share.

On 23 November 2006, being the trading day on which the Shares resumed trading on the Stock Exchange upon release of the Announcement, there was a surge in the Share price, with the closing price of the Share rising to HK$2.25 per Share, which was above the closing price of HK$1.63 per Share on the Last Trading Day. During the period from 23 November 2006 to the Latest Practicable Date (both dates inclusive) (the "Post-Announcement Period"), the highest and lowest closing prices of the Shares as quoted on the Stock Exchange, adjusted by deducting the Special Dividend of HK$1.20 per Share for the period commencing from 23 November 2006 to 22 December 2006, were HK$1.90 per Share recorded on 2 January 2007 and HK$0.87 per Share recorded on 6 December 2006 respectively. The Share Offer Price represents a discount of approximately 65.8% and 25.3%, respectively, to such highest and lowest closing price of the Shares.

The following table sets out the trading volume of the Shares during the Review Period:

	Total trading volume for the month/period	Average daily trading volume for the month/period *(Note 1)*	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date *(Note 2)*
2005				
November (from 14 November 2005)	5,777,200	444,400	0.45%	1.85%
December	3,251,140	180,619	0.18%	0.75%
2006				
January	754,320	39,701	0.04%	0.17%
February	643,020	32,151	0.03%	0.13%
March	1,144,220	49,749	0.05%	0.21%
April	2,655,600	156,212	0.16%	0.65%
May	456,400	22,820	0.02%	0.10%
June	318,020	14,455	0.01%	0.06%
July	695,880	33,137	0.03%	0.14%
August	1,523,800	66,252	0.07%	0.28%
September	4,562,100	217,243	0.22%	0.91%
October	27,608,657	1,380,433	1.41%	5.76%
November (up to and including the Last Trading Date)	3,429,340	381,038	0.39%	1.59%
November (from 23 November 2006 to 30 November 2006, both dates inclusive)	5,898,600	983,100	1.01%	4.10%
December	7,741,360	407,440	0.42%	1.70%
2007				
January (up to and including the Latest Practicable Date)	5,312,500	1,062,500	1.09%	4.43%

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on 23,985,557 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the average daily trading volume of the Shares in each month during the Pre-Announcement Period ranged from 14,455 Shares to 1,380,433 Shares, representing less than approximately 0.01% and approximately 1.41% respectively of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.06% and 5.76% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date.

Trading volume of the Shares increased to approximately 2,868,900 Shares on 23 November 2006, the date of publication of the Announcement. Trading volume of the Shares decreased after 24 November 2006, with an average daily trading volume of the Shares during the Post-Announcement Period of 631,749 Shares, representing approximately 0.65% of the total number of Shares in issue as at the Latest Practicable Date and approximately 2.63% of the total number of Shares held by the public Shareholders as at the Latest Practicable Date.

In view of the above, we consider that the overall liquidity of the Shares was low in the Review Period. As such, Offer Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares. We consider that the Share Offer provides an alternative exit to such Offer Shareholders to realize their investment in the Shares.

(ii) Share Offer Price

The Share Offer Price of HK$0.65 per Share represents:

(i) a premium of approximately 51.2% over the theoretical ex-dividend price of HK$0.430 per Share on the Last Trading Day, which was arrived at by deducting the Special Dividend of HK$1.20 per Share from the closing price of the Shares of HK$1.630 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 50.5% over the theoretical ex-dividend average closing price of the Shares of HK$0.432 per Share for the last 10 consecutive trading days up to and including the Last Trading Day (the "Last 10 Trading Days"), which was arrived at by deducting the Special Dividend of HK$1.20 per Share from the average closing price of the Shares as quoted on the Stock Exchange for the Last 10 Trading Days of HK$1.632 per Share;

(iii) a premium of approximately 43.8% over the theoretical ex-dividend average closing price of the Shares of HK$0.452 per Share for the last 30 consecutive trading days up to and including the Last Trading Day (the "Last 30 Trading Days"), which was arrived at by deducting the Special Dividend of HK$1.20 per Share from the average closing price of the Shares as quoted on the Stock Exchange for the Last 30 Trading Days of HK$1.652 per Share;

(iv) a premium of approximately 42.9% over the theoretical ex-dividend average closing price during the Pre-Announcement Period of the Shares of HK$0.455 per Share, which was arrived at by deducting the Special Dividend of HK$1.20 per Share from the average closing price of the Shares as quoted on the Stock Exchange during the Pre-Announcement Period of HK$1.655 per Share;

(v) a discount of approximately 46.9% to the theoretical ex-dividend average closing price during the Post-Announcement of the Shares of HK$1.225 per Share, which was calculated with reference to (i) the closing price of Shares as quoted on the Stock Exchange for the period commencing from 23 November 2006 to 22 December 2006 and deducting the Special Dividend of HK$1.20 per Share, and (ii) the ex-dividend price of the Shares as quoted on the Stock Exchange for the period commencing from 27 December 2006 up to the Latest Practicable Date;

(vi) a discount of approximately 59.9% to the ex-dividend price of HK$1.620 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(vii) a discount of approximately 37.0% to the unaudited pro forma net asset value per Share of approximately HK$1.031, calculated with reference to the unaudited pro forma consolidated net asset value of the Group of approximately HK$100.7 million as at 30 June 2006 as disclosed in Appendix IV to the Composite Offer Document and 97,692,069 Shares in issue as at the latest Practicable Date.

(iii) Price earnings multiple ("PER")

PER is regarded as the most common valuation method to value a company with recurrent income base. While we note there is a gain on disposal of associated companies of approximately HK$380.0 million as stated in the pro forma consolidated income statement of the Remaining Group for the year ended 30 June 2006 of Appendix IV to the Composite Offer Document, the gain represents the gain on the Disposal as if the Disposal Completion had taken place on 1 July 2005 and is not related to the Technology Business. Given the fact that the Technology Business of the Group has been incurring losses for the past few years, PER comparison is inappropriate for evaluating the Share Offer Price.

(iv) Comparison of the Share Offer Price to Net Asset Value

As stated in the "Letter from the Board" of the Composite Offer Document, at the Latest Practicable Date, the principal business of the Group is the Technology Business, namely the provision of technology-related services including mobile Internet-related services in the PRC. Based on our best knowledge, the only companies whose issued shares are listed on the Stock Exchange as at the Latest Practicable Date which are also principally engaged in the provision of value-added mobile services we have identified are Tencent Holdings Limited (stock code: 700) ("Tencent"), TOM Online Inc. (stock code: 8282)

("TOM"), China.com Inc. (stock code: 8006) ("China.com") and Mobile Telecom Network (Holdings) Limited (stock code: 8266) ("Mobile Telecom"). Of these four companies, we do not consider Tencent, TOM and China.com are directly comparable to the Company because of their substantially larger market capitalisation (ranging from approximately HK$2.2 billion to HK$48.9 billion as at the Latest Practicable Date), scale of operation (with turnover for the latest financial year ranging from approximately HK$387 million to HK$1,425 million) and asset base (with latest audited consolidated net assets ranging from approximately HK$1.5 billion to HK$2.9 billion).

Based on the above analysis, to the best of our knowledge, the only company listed on the Stock Exchange that is directly comparable to the Company is Mobile Telecom (the "Comparable"). The table below ("Table A") sets out the comparison between the Company and the Comparable:

Stock Code	Name of company	Market capitalisation	Net losses	Net asset value	Closing price as at the Latest Practicable Date	Premium/ discount of closing price over/ to net asset value
		HK$' million	*HK$' million*	*HK$' million*		
8266	Mobile Telecom	38.3 *(Note 1)*	1.3 *(Note 2)*	25.6 *(Note 3)*	HK$0.081	50%
	The Company	63.1 *(Note 4)*	22.5 *(Note 5)*	100.7 *(Note 6)*	HK$1.620	(37)%

Notes:

1. Based on the market capitalisation as quoted on Bloomberg on the Latest Practicable Date.

2. Based on the latest published annual report for the year ended 31 March 2006.

3. Based on the latest published second quarterly report for the six months ended 30 September 2006.

4. Based on the Share Offer Price and 97,692,069 Shares in issue as at the Latest Practicable Date.

5. Being the aggregate operating loss of the Technology Business for the 15-month period from 1 April 2005 to 30 June 2006 (please refer to the section headed "III. Historical financial performance of the Technology Business" above for details).

6. Based on the unaudited pro forma consolidated net asset value of the Group (the "Pro Forma NAV") of approximately HK$100.7 million as at 30 June 2006, as disclosed in Appendix IV to the Composite Offer Document.

As set out in Table A, the closing price of the Comparable as at the Latest Practicable Date represents a premium of approximately 50% over its unaudited consolidated net asset value per share of approximately HK$0.054 as at 30 September 2006 (based on the net asset value of approximately HK$25.6 million and 472,811,363 Shares in issue as at 30 September 2006 as disclosed in the latest published quarterly report of Mobile Telecom). On the other hand, the Share Offer Price represents a discount of approximately 37% to the Pro Forma NAV per Share of approximately HK$1.031, being the Pro Forma NAV divided by the 97,692,069 Shares in issue as at the Latest Practicable Date. We would like to highlight that the Pro Forma NAV has not taken into account the interest paid/payable on the Subscription Note, the Convertible Bond and the Existing Loans (together the "Borrowings") made by the Group from 1 July 2006 to 4 January 2007, the date on which all the Borrowings were fully repaid pursuant to the Set-off. As disclosed in the Circular, the aggregate monthly cash interest payments on the Borrowings is estimated to amount to approximately HK$5.2 million for the year ending 30 June 2007. Without taking into account any other factors which may affect the net asset value of the Group such as the operating results of the Technology Business and the general administrative expenses incurred by the Group since 1 July 2006, the current net asset value per Share will be lower than the Pro Forma NAV per Share as at 30 June 2006 as a result of the aforesaid cash interest payments and accordingly the discount of the Share Offer Price to the current net asset value per Share will be lower than 37%.

We note that the Comparable has recently demonstrated a turnaround of its operation, reversing its loss-making situation in each of the past five years with a net loss attributable to shareholders of approximately HK$1.3 million for the year ended 31 March 2006 to a profitable operation in 2006 with profit attributable to shareholders of approximately HK$7.7 million for the six months ended 30 September 2006. Given the turnaround of the Comparable, we consider that the earnings potential of the Comparable may have a bearing on the share price of the Comparable whereas the factor is not applicable in the case of the Technology Business. Accordingly, we are of the view that the measurement of the share price of the Comparable against its net asset value may not be directly comparable to that for the Technology Business.

In view of the persistent losses recorded and hence the continuous depletion of net asset value for the Technology Business in the past few years, the anticipated difficult and competitive business environment for the Technology Business and the lack of indication of when the Technology Business can turn around, we consider that the discount of the Share Offer Price to the Pro Forma NAV per Share justifiable.

(v) Comparison to Past Takeover Transactions

In assessing the fairness and reasonableness of the Share Offer Price, we have also reviewed all the takeover transactions announced during the period from 1 January 2006 to the Last Trading Day listed in the statistics on takeovers available on the Stock Exchange's website. Based on our review and to the best of our knowledge, none of these takeover transactions involves takeover of companies having businesses substantially similar to the Technology Business. Nevertheless, we have identified, to the best of our knowledge, Shine Software (Holdings) Limited ("Shine Software") as the closest comparable taking into consideration (i) the fact that Shine Software is principally engaged in the provision of technology related services; (ii) the loss-making situation of Shine Software, which is also experienced by the Technology Business; and (iii) the small market capitalisation of Shine Software, which is relatively close to that of the Technology Business. Details relating to the takeover of Shine Software are set out in the table ("Table B") below:

Stock Code	Offeree	Announcement date	Market capitalisation	Net losses	Offer price	Net asset value per share	Discount of offer price to the consolidated net asset value per share
			HK$' million	RMB' million			
8270	Shine Software	30 March 2006	56.8	0.94(1)	HK$0.021(2)	HK$0.079(3)	(73)%
The Share Offer					HK$0.65	HK$1.031(4)	(37)%

Source: www.hkex.com.hk and the announcement/circular containing details of the takeover transaction.

Notes:

(1) Based on the latest published annual report for the year ended 31 December 2005.

(2) Based on the offer price per share as disclosed in the announcement of Shine Software in respect of the takeover.

(3) Based on the audited consolidated net asset value per share as disclosed in the announcement/ circular of Shine Software in respect of the takeover.

(4) Based on the Pro Forma NAV per Share of approximately HK$1.031.

As set out in Table B, the offer price of Shine Software represents a discount of approximately 73% to its consolidated net asset value. The Share Offer Price, which represents a discount of approximately 37% to the Pro Forma NAV per Share, is more favourable when compared to the offer price for the takeover of Shine Software. Nevertheless, it should be noted that the difference in the business activity of Shine Software as compared to the Technology Business may hamper the comparability of the two companies.

RECOMMENDATION

Having considered the above principal factors, in particular:

– the considerable premium of approximately 42.9% of the Share Offer Price over the theoretical ex-dividend average price of HK$0.455 per Share during the Pre-Announcement Period, being the average closing price of Shares as quoted on the Stock Exchange during the Pre-Announcement Period after deduction of the Special Dividend of HK$1.20 per Share;

– the fact that the Shares were generally traded throughout the Pre-Announcement Period at prices below HK$1.85 per Share, being the Share Offer Price as adjusted for the Special Dividend of HK$1.20 per Share, save for two short periods following the Company's announcements in relation to the Merger;

– the potential downward pressure on the price of the Shares in the event that the Offer Shareholders dispose of large number of Shares in the market given the low liquidity of the Shares during the Review Period;

– the persistent loss-making history of the Technology Business in the past few years and the anticipated difficult and competitive business environment for the Technology Business in the years ahead given the lack of entry barrier to and keen competition in the mobile Internet service industry; and

– the absence of concrete business plans and strategies regarding the future of the Group,

we consider the terms of the Share Offer, in particular the Share Offer Price, to be fair and reasonable so far as the Offer Shareholders are concerned and the Share Offer provides the Offer Shareholders with the opportunity to fully realise their investments in the Shares in cash. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer.

Irrespective of the above, we would like to remind the Offer Shareholders that the Shares have been trading at cum dividend prices ranging from HK$2.07 to HK$2.73 per Share and ex-dividend prices ranging from HK$1.36 to HK$1.90 per Share during the Post-Announcement Period, which represent a premium ranging from 33.8% to 192.3% over the Share Offer Price (as adjusted for the Special Dividend of HK$1.20 per Share in the case of cum dividend prices). Accordingly, Offer Shareholders may be able to sell all or some of their Shares on the market a price higher than the Share Offer Price. The Offer Shareholders who wish to realise all or part of their investment in the Shares should monitor the Share price performance during the Offer Period. Should the market price of the Shares exceed the Share Offer Price, those Offer Shareholders who wish to accept the Share Offer should consider realizing their investments on the stock market. Those Offer Shareholders who are attracted by the future prospects of the Group, which will have a new management team with two non-executive Directors to be re-designated as executive Directors, may consider retaining some or all of their Shares.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau	**Flavia Hung**
Executive Vice President	*Senior Vice President*

1. PROCEDURES FOR ACCEPTANCE

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Abacus Share Registrar Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominee Limited.

(c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Taifook Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Share Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and is:

(i) accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Offer Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(g) The address of the Registrar is at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

2. SETTLEMENT

(a) Provided that the relevant Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the cash consideration due to each accepting Offer Shareholder in respect of the Shares tendered by him under the Share Offer, less seller's ad valorem stamp duty payable by him, will be despatched to each accepting Offer Shareholder by ordinary post at his own risk within 10 days of the date on which the relevant documents which render such acceptance complete and valid are received by the Registrar.

(b) Settlement of the consideration to which any Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Share Offer has previously been revised or extended with the consent of the Executive, all acceptances must be received by the Registrar by 4:00 p.m. on 1 February 2007.

(b) If the Share Offer are extended or revised, the announcement of such extension or revision will state the next Closing Date and the Share Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Offer Shareholders and, unless previously extended or revised, shall be closed on the subsequent Closing Date. If the Offeror revises the terms of the Share Offer, all Offer Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms.

(c) The Offeror may introduce new conditions to be attached to any revision to the terms of the Share Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Share Offer and subject to the consent of the Executive.

(d) If the Closing Date is extended, any reference in this document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Share Offer as so extended.

4. NOMINEE REGISTRATION

(a) To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

(b) The completed Form of Acceptance and remittances sent by or to the Offer Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of the Company (or in the case of joint Offer Shareholders, to the Offer Shareholder whose name stands first in the register of members of the Company).

(c) All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, Taifook Capital, Taifook Securities, CIMB-GK, the Registrar or any of their respective directors or any other persons involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on Thursday, 1 February 2007 (or such later time and/or date as the Executive agrees) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Share Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer has been revised or extended or expired. Such announcement must publish on the next Business Day in accordance with the requirements set out in sub-paragraph (c) below.

The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Share Offer has been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or persons acting in concert with it before the offer period (as defined under the Takeovers Code); and

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) by the Offeror or persons acting in concert with it.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

(b) In computing the total number of Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verification may only be included where they could be counted towards fulfilling the acceptance condition under paragraph 1(e) of this Appendix.

(c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Share Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulated generally in Hong Kong.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Share Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Offer Shareholders who have tendered acceptances to the Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

7. GENERAL

(a) All communications, notices, Form of Acceptance, certificates of Shares, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents through post at their own risk, and none of the Company, the Offeror, Taifook Capital, Taifook Securities, CIMB-GK, the Registrar nor any of their respective directors or agents or other parties involved in the Share Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Share Offer.

(c) The accidental omission to despatch this document and/or Form of Acceptance or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.

(d) The Share Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Taifook Securities or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Share Offer.

(f) Acceptance of the Share Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Share Offer are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto on or after the Acquisition Completion (save and except for the Special Dividend).

(g) References to the Share Offer in this document and in the Form of Acceptance shall include any revision and/or extension thereof.

(h) The making of the Share Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Share Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent, exchange control and any registration or filing which may be required in compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties imposed by whomsoever payable in respect of the relevant jurisdictions.

(i) Acceptances of the Share Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Share Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

(j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Share Offer) to all or any Offer Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Taifook Securities knows to be nominees, trustees or custodians for such persons by announcement or paid advertisement in any daily newspaper published and circulated in Hong Kong in which case such notice, and all references in this document to notice in writing shall be construed accordingly.

(k) In making their decision, the Offer Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer, including the merits and risks involved. The contents of this document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on part of the Company, the Offeror or Taifook Securities. The Offer Shareholders should consult their own professional advisers for professional advice.

(l) The English texts of this document and the Form of Acceptance shall prevail over their Chinese texts for the purpose of interpretation.

Set out below is the accountants' report of the Group for the three years ended 30 June 2006 issued by PricewaterhouseCoopers, the auditors and reporting accountants of the Company, without any qualification, as extracted from Appendix I to the Circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

15 December 2006

The Directors
New World Mobile Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to New World Mobile Holdings Limited (the "Company") as at 31 December 2003, 30 June 2005 and 30 June 2006, and the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 30 June 2004, 2005 and 2006 (the "Relevant Periods") for inclusion in the circular of the Company dated 15 December 2006 (the "Circular") in connection with the proposed disposal of the entire issued share capital of, and loan to, Upper Start Holdings Limited by the Company to New World Development Company Limited, the controlling shareholder of the Group (the "Disposal").

The Company was incorporated in the Cayman Islands on 25 May 1998 with limited liability. As at the date of this report, the Company has direct and indirect interests in the subsidiaries and associated companies as set out in notes 20 and 21 respectively of Section II below, all of which are private companies. All companies now comprising the Group have adopted 30 June as their financial year end date, except for those companies incorporated in the People's Republic of China which adopt 31 December as their financial year end, and those as disclosed in note 21 of Section II below.

We acted as auditors of the Company for the year ended 31 December 2003, for the eighteen months ended 30 June 2005 and for the year ended 30 June 2006. We also acted as the auditors of the Group for the three years ended 30 June 2004, 2005 and 2006, other than those specified in note 21 of Section II below.

For the purpose of this report, we have examined the financial information of the Group for each of the three years ended 30 June 2004, 2005 and 2006 and of the Company as at 31 December 2003, 30 June 2005 and 30 June 2006 (the "Financial Information"), and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information as set out in Sections I and IV has been prepared in accordance with accounting principles generally accepted in Hong Kong and accounting standards issued by the HKICPA, based on the audited financial statements of the Group for the Relevant Periods, after making such adjustments as are appropriate.

The directors of the Company are responsible for preparing these financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are also responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2003, 30 June 2005 and 30 June 2006, and of the Group as at 30 June 2004, 2005 and 2006 and of the consolidated results and cash flows of the Group for the years then ended.

I FINANCIAL INFORMATION

(a) CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 30 June 2004 *HK$'000* As restated	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Continuing operations:				
Turnover	*6*	–	4,261	16,515
Cost of sales	*11*	–	(1,330)	(4,842)
Gross profit		–	2,931	11,673
Other income	*9*	–	108	823
Other net gains/(losses)	*10*	–	942	(65,436)
Selling expenses	*11*	–	(290)	(9,775)
Administrative expenses	*11*	–	(5,993)	(35,797)
Operating loss		–	(2,302)	(98,512)
Finance costs	*12*	–	(44,739)	(62,786)
Share of results of associated companies	*21*	–	–	27,731
Loss before taxation		–	(47,041)	(133,567)
Taxation	*16*	–	(51)	–
Loss from continuing operations		–	(47,092)	(133,567)
Discontinued operations:				
Profit from discontinued operations	*8*	111,177	36,693	1,045,209
Profit/(loss) attributable to shareholders		111,177	(10,399)	911,642
Basis earnings/(loss) per share				
– Continuing operations	*17*	–	(HK$0.60)	(HK$1.48)
– Discontinued operations	*17*	HK$2.67	HK$0.47	HK$11.56
		HK$2.67	(HK$0.13)	HK$10.08
Diluted earnings/(loss) per share	*17*	N/A	N/A	N/A

(b) CONSOLIDATED BALANCE SHEETS

		Group		
		As at 30 June 2004	As at 30 June 2005	As at 30 June 2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*
		As restated		
ASSETS				
Non-current assets				
Property, plant and equipment	*19*	1,186,236	1,068,301	6,183
Investments in associated companies	*21*	–	–	2,142,737
Intangible assets	*22*	–	65,964	–
Deferred taxation	*23*	188,487	167,472	–
Rental and other deposits		10,659	8,882	–
		1,385,382	1,310,619	2,148,920
Current assets				
Inventories	*24*	29,657	38,024	–
Trade receivables	*25*	83,218	94,015	4,266
Prepayments, deposits, and other receivables		11,285	42,112	1,368
Rental and other deposits		33,380	39,421	–
Amounts due from fellow subsidiaries		3,098	29	–
Amount due from an associated company	*27*	–	–	113,328
Amount due from a related company	*28*	–	813	813
Cash and bank balances	*29*	94,444	116,534	27,691
		255,082	330,948	147,466
Total assets		1,640,464	1,641,567	2,296,386
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*31*	1	300	16,154
Other reserves	*32*	999	(88,051)	(82,905)
Accumulated losses		(931,781)	(942,180)	(30,538)
Deficit on shareholders' funds		(930,781)	(1,029,931)	(97,289)

	Note	Group As at 30 June 2004 HK$'000 As restated	As at 30 June 2005 HK$'000	As at 30 June 2006 HK$'000
LIABILITIES				
Non-current liabilities				
Amount due to the immediate holding company	*33*	933,592	–	–
Loans from a fellow subsidiary	*33*	–	877,500	278,024
Promissory note issued to a fellow subsidiary	*33*	–	–	886,749
Non-current portion of long-term liabilities		102,500	–	–
Convertible bond	*34*	–	28,250	28,261
Subscription note	*2*	–	1,131,199	1,178,008
Asset retirement obligations		5,908	6,529	–
		1,042,000	2,043,478	2,371,042
Current liabilities				
Trade payables	*30*	44,305	108,086	809
Accrued charges, other payables, deposits received and deferred income		356,867	405,456	15,779
Amount due to the ultimate holding company		73	–	–
Amounts due to fellow subsidiaries	*26*	–	11,132	420
Amount due to an associated company	*27*	–	–	5,625
Amount due to a related company		–	846	–
Promissory note issued to the immediate holding company	*33*	858,000	–	–
Current portion of long-term liabilities		270,000	102,500	–
		1,529,245	628,020	22,633
Total liabilities		2,571,245	2,671,498	2,393,675
Total equity and liabilities		1,640,464	1,641,567	2,296,386
Net current (liabilities)/assets		(1,274,163)	(297,072)	124,833
Total assets less current liabilities		111,219	1,013,547	2,273,753

(c) BALANCE SHEETS

		Company		
		As at 31 December 2003	As at 30 June 2005	As at 30 June 2006
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*19*	1,380	90	–
Investments in subsidiaries	*20*	137,312	1,521,385	2,497,576
		138,692	1,521,475	2,497,576
Current assets				
Amount due from an associated company	*27*	161	–	113,328
Amount due from a jointly controlled entity		203	–	–
Amount due from a related company	*28*	–	225	225
Prepayments, deposits and other receivables		103	74	87
Cash and bank balances		22,383	188	10,564
		22,850	487	124,204
Total assets		161,542	1,521,962	2,621,780
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	*31*	37,515	79,182	95,336
Other reserves	*32*	452,101	119,297	124,143
Retained profits		(358,118)	162,354	16,781
Shareholders' funds		131,498	360,833	236,260

		Company		
		As at 31 December 2003	**As at 30 June 2005**	**As at 30 June 2006**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Loans from a fellow subsidiary	*33*	–	–	278,024
Promissory note issued to a fellow subsidiary	*33*	–	–	886,749
Convertible bond	*34*	27,881	28,250	28,261
Subscription note	*2*	–	1,131,199	1,178,008
		27,881	1,159,449	2,371,042
Current liabilities				
Amount due to an associated company	*27*	12	–	5,625
Amounts due to fellow subsidiaries	*26*	376	563	420
Accrued charges and other payables		1,775	1,117	8,433
		2,163	1,680	14,478
Total liabilities		30,044	1,161,129	2,385,520
Total equity and liabilities		161,542	1,521,962	2,621,780
Net current assets/(liabilities)		20,687	(1,193)	109,726
Total assets less current liabilities		159,379	1,520,282	2,607,302

(d) CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 30 June 2004 HK$'000 As restated	30 June 2005 HK$'000	30 June 2006 HK$'000
Operating activities				
Cash used in continuing operations	*35*	–	(4,822)	(26,304)
Interest paid		–	(1,473)	(16,108)
Hong Kong profits tax paid		–	(51)	–
Net cash used in continuing operations		–	(6,346)	(42,412)
Net cash generated from discontinued operations		403,605	388,521	131,421
Net cash generated from operating activities		403,605	382,175	89,009
Investing activities				
Purchase of property, plant and equipment		–	–	(86)
Acquisition of subsidiaries	*36(a)*	–	45,630	9,896
Disposal of subsidiaries	*37*	–	–	384
Acquisition of associated companies	*36(b)*	–	–	(276,384)
Dividend received from an associated company	*21*	–	–	7,523
Sales of other investments		–	900	–
Sales of investment securities		–	3,609	–
Interest received		–	108	823
Net cash generated from/(used in) continuing operations		–	50,247	(257,844)
Net cash used in discontinued operations		(152,790)	(140,259)	(96,302)
Net cash used in investing activities		(152,790)	(90,012)	(354,146)
Financing activities				
Increase in loans from a fellow subsidiary		–	–	278,024
Repayment of bank loan and amount due to the ultimate holding company of discontinued operations		(270,010)	(270,073)	(102,500)
Net cash generated from/(used in) financing activities		(270,010)	(270,073)	175,524
Net (decrease)/increase in cash and cash equivalents		(19,195)	22,090	(89,613)
Cash and cash equivalents as at the beginning of the year		113,639	94,444	116,534
Cash and cash equivalents as at the end of the year		94,444	116,534	26,921
Analysis of cash and cash equivalents:				
Cash and bank balances		94,444	116,534	27,691
Less: Restricted bank balances	*29*	–	–	(770)
		94,444	116,534	26,921

(e) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2003	1	999	(1,042,958)	(1,041,958)
Profit for the year, as previously stated	–	–	163,131	163,131
Effect of change in accounting policy of handset subsidies *(Note 3a)*	–	–	(51,954)	(51,954)
Profit for the year, as restated	–	–	111,177	111,177
At 30 June 2004, as restated	1	999	(931,781)	(930,781)
At 30 June 2004, as previously stated	1	999	(879,827)	(878,827)
Effect of change in accounting policy of handset subsidies *(Note 3(a))*	–	–	(51,954)	(51,954)
At 30 June 2004, as restated	1	999	(931,781)	(930,781)
Issue of shares *(Notes 31 and 32(a))*	299	913,793	–	914,092
Arising from Reverse Acquisition *(Note 2)*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond	–	40	–	40
Issue of subscription note	–	112,655	–	112,655
Loss for the year	–	–	(10,399)	(10,399)
At 30 June 2005	300	(88,051)	(942,180)	(1,029,931)
At 30 June 2005	300	(88,051)	(942,180)	(1,029,931)
Issue of shares *(Note 31 and 32(a))*	16,154	4,846	–	21,000
Disposal of subsidiaries *(Note 31(a))*	(300)	300	–	–
Profit for the year	–	–	911,642	911,642
At 30 June 2006	16,154	(82,905)	(30,538)	(97,289)

II NOTES TO THE FINANCIAL STATEMENTS

1 General information

On 31 March 2006, New World Mobile Holdings Limited (the "Company") disposed of its entire interests in New World PCS Holdings Limited ("NWPCS Holdings") and its subsidiaries (hereinafter collectively referred to as the "NWPCS Group") in exchange for the acquisition of 23.6% interests of the issued share capital of CSL New World Mobility Limited ("CSL NWM") and its subsidiaries (hereinafter collectively referred to as the "CSL NWM Group" which represents the enlarged group combining Telstra CSL Limited and NWPCS Group).

Before 31 March 2006, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") was principally engaged in offering mobile telecommunications services including voice and data services tailored to the specific needs of individual customer groups via mobile technology in Hong Kong and technology-related business including mobile Internet services in The People's Republic of China (the "PRC"). After 31 March 2006, the Group is principally engaged in technology related business including mobile Internet services in Mainland China and holds 23.6% interest in the CSL NWM Group which offer mobile communications services in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company's issued shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

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 Company'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 5.

On 29 March 2004, the Company, formerly known as Asia Logistics Technologies Limited ("ALT"), entered into a conditional subscription agreement (the "Subscription Agreement") with Power Palace Group Limited ("PPG"), a wholly-owned subsidiary of New World Development Company Limited ("NWD"), pursuant to which PPG agreed to subscribe for:

(a) 4,166,666,667 shares of newly issued ordinary share of the Company (the "Subscription Shares", equivalent to 41,666,666 consolidated shares after the share consolidation of the Company on 7 July 2004) at an issue price of HK$0.012 per Subscription Share, representing the closing price of the last trading day of the ALT shares prior to suspension; and

(b) a convertible note (the "Subscription Note") of a principal amount of HK$1,200,000,000, unless previously converted, will be repaid by the Company upon its maturity on the business day immediately preceding the third anniversary of the date of its issue. It bears a coupon from its date of issue at the rate of 0.75% per annum and, at the discretion of the holder, can be converted, in whole or in part thereof, into ordinary shares of the Company at an initial conversion price of HK$0.012 per share, subject to adjustment. The conversion price was subsequently adjusted to HK$1.20 per share after the share consolidation of the Company on 7 July 2004.

Both the Subscription Shares and the Subscription Note were issued on 6 July 2004.

The fair values of the liability component and the equity component of the Subscription Note were determined at issuance of the Subscription Note.

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

The fair value of the liability component of the Subscription Note as at 30 June 2005 and 30 June 2006 approximated its carrying value respectively.

Interest expenses on the Subscription Note are calculated using the effective interest method by applying the effective interest rate of 4.1% per annum to the liability component.

On 29 March 2004, the Company entered into a conditional sale and purchase agreement (the "S&P Agreement") with New World Telephone Holdings Limited ("NWTHL"), a wholly-owned subsidiary of NWD, pursuant to which the Company agreed to purchase the 100% equity interest of the NWPCS Group from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Reverse Acquisition") was completed on 6 July 2004 (the "Completion Date").

Under the generally accepted accounting principles in Hong Kong, the Reverse Acquisition, after taking into account the issuance of Subscription Shares, should constitute a reverse acquisition from accounting perspective since NWD has become the controlling shareholder of the Company after the Reverse Acquisition. For accounting purposes, NWPCS Holdings is regarded as the acquirer while the Company and its subsidiaries before the Reverse Acquisition (collectively, the "Logistics Group") are deemed to have been acquired by NWPCS Holdings. As a result, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the NWPCS Group which has a financial year end date of 30 June, and accordingly:

(i) the assets and liabilities of the Logistics Group are recognised and recorded at the Completion Date at their fair values (the "Net Fair Value");

(ii) the assets and liabilities of the NWPCS Group are recognised and recorded at the Completion Date at their historical carrying values prior to the Reverse Acquisition;

(iii) the purchase consideration is deemed to have been incurred by NWPCS Holdings for the Reverse Acquisition and is determined by the total fair value of all the issued shares of the Company at the Completion Date (the "Deemed Consideration");

(iv) the goodwill arising from the Reverse Acquisition is determined by the surplus of the Deemed Consideration over the Net Fair Value;

(v) the capital and reserves of the Logistics Group upon the Completion Date are eliminated as the pre-acquisition reserves;

(vi) the consolidated issued equity of the Group as shown in the consolidated balance sheet represents the issued share capital and share premium balances of NWPCS Holdings upon the Completion Date, plus all the post-acquisition changes in the issued share capital and share premium of the Company, if any. On the other hand, the number and type of issued shares presented represent the actual equity structure of the Company;

(vii) the difference between the actual consideration paid by the Company for the Reverse Acquisition and the Deemed Consideration is transferred to a consolidation reserve of the Group; and

(viii) the information for the year ended 30 June 2004 in these consolidated financial statements is that of the NWPCS Group.

In order to have a coterminous financial year end date with NWD and the NWPCS Group, the Board has resolved on 10 December 2004 that the financial year end date of the Company be changed from 31 December to 30 June. Accordingly, the Company's balance sheets are based on 31 December 2003, 30 June 2005 and 30 June 2006 audited financial statements of the Company.

3 Principal accounting policies

(a) Changes in accounting policies

(i) New accounting standards

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 June 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 Amendment	Net investment in a foreign operation
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS 1 and 6 Amendment	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS-Int 4	Determining whether an arrangement contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK (IFRIC)-Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK (IFRIC)-Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of embedded derivatives

Effective for the year ending 30 June 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: disclosures
HK (IFRIC)-Int 10	Interim reporting and impairment

HKAS 1 Amendment introduces disclosures about the level of an entity's capital and how it manages capital. HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

HK (IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of intragroup transactions, HKFRS 6, HKFRS 1 and 6 Amendment, HKFRS-Int 5, HK (IFRIC)-Int 6 and HK (IFRIC)-Int 7 are not relevant to the Group's operations. Except as stated above, the Group expects that the adoption of the other amendments and interpretations listed above will not have any significant impact on the Group's financial statement in the period of initial application.

(ii) Changes in accounting policies in respect of handset subsidies

In prior years, when handset and mobile subscription services were sold at a package with handset subsidies offered to customers, consideration would be allocated to handset sales and mobile subscription services using the relative fair value model. Accordingly, the portion allocated to handset sales was recognised as sales upon delivery of goods, and the remaining amount allocated to mobile subscription services was amortised on a straight-line basis over the contract period. Handset subsidies were capitalised and amortised on a straight-line basis over the same contract period.

During the year ended 30 June 2006, the Group changed its accounting policy to expense handset subsidies as incurred. The directors consider that the new accounting policy involves less subjective judgement and estimates. The financial impact has been restated retrospectively in the year ended 30 June 2004. There was no financial impact for the year ended 30 June 2003 or before.

The effect of the change resulted in:

	Year ended 30 June 2004 *HK$'000*
Decrease in turnover of discontinued operations	(42,602)
Increase in cost of sales of discontinued operations	(9,352)
Decrease in profit for the year	(51,954)
Decrease in basic earnings per share	HK$1.25

	As at 30 June 2004 *HK$'000*
Decrease in handset subsidies	(9,352)
Increase in accrued charges, other payables, deposits received and deferred income	(42,602)
Decrease in net assets	(51,954)
Increase in accumulated losses	(51,954)

(b) Group accounting

(i) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and all its direct and indirect subsidiaries made up to 30 June.

Subsidiaries are all entities (including special purpose 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 values 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.

The gain or loss on the disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of their net assets.

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

(ii) 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 investments 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. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) 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 or associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	20%
Furniture and fittings	20%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicles	20%
Testing equipment	33.33%
Digital, switching and transmission system	10% – 20%

Building situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

No depreciation is provided for any part of the construction in progress.

Historical costs of property, plant and equipment include expenditures that are directly attributable to the construction or acquisition of the assets. 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.

The gain or loss on disposal of a 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.

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.

(d) Impairment of 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 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).

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(f) Trade and other receivables

Trade 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 trade 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 assets' 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.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees in Hong Kong, the assets of which are held in separate trustee administered funds. The Group's contribution to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

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.

(iii) Bonus

Provisions for bonus due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iv) 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.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(k) Contingent liabilities

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

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

(l) Revenue recognition

Mobile communications services revenue was recognised when the service was rendered and was based on the usage of the digital mobile radio telecommunication network and facilities. Mobile communications services revenue in respect of standard service plans billed in advance at year end was deferred and recognised when the service was rendered. Revenue received in advance for the provision of mobile communications services using prepaid cards was deferred and amortised based on the actual usage by customers. The portion of deferred revenue was included under current liabilities as deferred income.

Revenue from sales of mobile handsets and accessories was recognised when goods were delivered and title had passed.

The Group derives technology related services revenue from the provision of value-added telecommunications services ("VAS"). Wireless VAS revenue is derived principally from providing mobile phones users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or a per message basis ("Service Fees"). These services are predominately delivered through the platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

Operating lease rental income is recognised on a straight-line basis over the period of the leases.

Revenue from the provision of logistics technology services and logistics management services is recognised when services are rendered.

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

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(n) 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. Segment assets exclude deferred taxation, goodwill, operating assets of the investment holding companies in the Group, amount due from an associated company arising from disposal of subsidiaries, and cash and bank balances. Segment liabilities exclude operating liabilities of investment holding companies in the Group or borrowings.

(o) Foreign currency translation

(i) 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 HK dollars, which is the Company's functional and presentation currency.

(ii) 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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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.

(iii) 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:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) 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

(3) 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 of borrowings and other currency instruments designated as hedges of such investments, 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.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings 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 bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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.

(q) Investments

From 1 January 2003 to 30 June 2005, the Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities. Investment securities were stated at cost less any provision for impairment losses. The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such securities would be reduced to its fair value. The impairment loss was recognised as an expense in the income statement. This impairment loss was written back to income statement when the circumstances and events that led to the write-downs or write-offs ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

From 1 July 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

(r) 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 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 active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale under HKFRS 5.

(s) Licences

Licences are capitalised on the basis of the costs incurred to acquire and bring to us a specific licence. Licences have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. Other costs associated with the licences are recognised as expenses as incurred.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow and fair value interest rate risks and foreign exchange risk.

The Group's risk management program seeks to minimise the potential adverse effects of financial risks on the Group's performance.

(i) Credit risk

The Group has policies in place to ensure that provision of services are made to customers with an appropriate credit history.

(ii) Liquidity risk

The Group monitors current and expected liquidity requirements to ensure sufficient cash and adequate amount of committed credit facilities are maintained.

(iii) Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

(iv) Foreign exchange risk

The Group mainly operates in the Mainland China and Hong Kong with most of the transactions settled in Hong Kong dollars and Renminbi ("RMB"). The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to RMB. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. 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 amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(d). The recoverable amounts of cash generating units have been determined based on the higher of their fair values less costs and their value-in-use calculations. These value-in-use calculations require the use of estimates. If the revised estimated gross margin at 30 June 2007 had been lower than management's estimates at 30 June 2006, the Group may need to reduce the carrying value of goodwill. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been higher than management's estimates, the Group may need to reduce the carrying value of goodwill. Further, if the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(ii) Estimated useful lives and impairment of property, plant and equipment

For the years ended 30 June 2004 and 30 June 2005, property, plant and equipment used in the network of the NWPCS Group were long-lived but might be subject to technical obsolescence. The annual depreciation charges were affected by the estimated useful lives the Group allocated to each type of property, plant and equipment. Management performed annual reviews to assess the appropriateness of their estimated useful lives. Such reviews took into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. Management also regularly reviewed whether there were any indications of impairment and would recognise an impairment loss if the carrying amount of an asset was lower than its recoverable amount which was the greater of its net selling price or its value in use. In determining the value in use, management assessed the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements were applied in determining these future cash flows and the discount rate. Management estimated the future cash flows based on certain assumptions, such as the market competition and development and the expected growth in subscribers and average revenue per subscriber.

(iii) Asset retirement obligations

The Group evaluated and recognised, on a regular basis, the fair value of assets retirement obligations of the NWPCS Group which arose from future reinstatement of leased properties upon end of lease terms. To establish the fair value of the asset retirement obligations, estimates and judgement were applied in determining these future cash flows and the discount rate. Management estimated the future cash flows based on certain assumptions, such as the types of leased properties, probability of renewal of lease terms and restoration costs. The discount rate used was referenced to the Group's historical weighted average cost of capital.

(iv) Deferred tax

The Group provides for deferred taxation 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. Deferred tax assets are only recognised to the extent that it is probable future taxation profits will be available against which the unused tax losses or unused tax credits can be utilised, and significant judgement is required in determining whether it is probable.

6 Turnover

The Group is principally engaged in the provision of mobile communications services, the sales of mobile handsets and accessories and the provision of technology related services. The Group has ceased the provision of mobile communications services and the sale of mobile handsets and accessories following the disposal of subsidiaries set out in Note 37. Revenues from the provision of mobile communications services and the sales of mobile handsets and accessories recognised the years ended 30 June 2004 and 2005 and during the year up to the date of disposal of the subsidiaries are set out in Note 8. Revenues from continuing operations recognised during the years are as follows:

	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Technology related services	–	–	16,381
Gross rental income from an investment property	–	–	134
Logistics services	–	4,261	–
	–	4,261	16,515

7 Segment reporting

(a) For the year ended 30 June 2004, more than 90% of the Group's turnover and operating profit were attributable to the discontinued mobile telecommunications operations of the NWPCS Group in Hong Kong. Accordingly, no analysis by either business or geographical segment is presented.

(b) Primary reporting format – business segments

For the year ended 30 June 2006, the business segments include:

- technology related services; and
- mobile communications services.

The segment results for the year ended 30 June 2006 are as follows:

	Continuing			Discontinued
	Technology related services *HK$'000*	**Mobile communications services** *HK$'000*	**Total** *HK$'000*	**Mobile communications services** *(Note 8)* *HK$'000*
Turnover	16,515	–	16,515	1,402,827
Segment results	(14,759)	–	(14,759)	60,706
Other income			823	716
Other net (losses)/gains	(6,995)	–	(6,995)	1,022,979
Other net losses – unallocated			(58,441)	–
Unallocated corporate expenses			(19,140)	–
Operating (loss)/profit			(98,512)	1,084,401
Finance costs			(62,786)	(34,319)
Share of results of associated companies	–	27,731	27,731	–
(Loss)/profit before taxation			(133,567)	1,050,082
Taxation			–	(4,873)
(Loss)/profit for the year			(133,567)	1,045,209
Depreciation	(867)	–	(867)	(198,703)
Unallocated depreciation			(129)	–
			(996)	(198,703)
Capital expenditures	86	–	86	97,354
(Impairment loss)/reversal of impairment loss of				
– intangible assets arising from the acquisition of the NWCS Group *(Note 36(a))*	(6,995)	–	(6,995)	–
– intangible assets (goodwill arising from Reverse Acquisition)			(65,964)	–
– investments in associated companies			7,523	–
– trade receivables	(215)	–	(215)	(8,706)
			(65,651)	(8,706)

The turnover and operating loss before finance costs derived from the Group's operation in logistics services constituted less than 10% of the Group's turnover and operating loss before finance costs, therefore, the logistics services business segment ceased to be a reportable segment for the year ended 30 June 2006.

The segment results for the year ended 30 June 2005 are as follows:

	Continuing		**Discontinued**
	Logistics services	**Total**	**Mobile communications services** *(Note 8)*
	HK$'000	*HK$'000*	*HK$'000*
Turnover	4,261	4,261	1,662,873
Segment results	(1,246)	(1,246)	77,729
Other income		108	527
Other gains		2,189	–
Unallocated corporate expenses		(3,353)	–
Operating (loss)/profit		(2,302)	78,256
Finance costs		(44,739)	(20,548)
(Loss)/profit before taxation		(47,041)	57,708
Taxation		(51)	(21,015)
(Loss)/profit for the year		(47,092)	36,693
Depreciation	(722)	(722)	(258,191)
Unallocated depreciation		(345)	–
		(1,067)	(258,191)
Capital expenditures	–	–	140,791

(b) The segment assets and liabilities as at 30 June 2006 are as follows:

	Technology related services *HK$'000*	**Mobile communications services** *HK$'000*	**Total** *HK$'000*
Segment assets	11,292	–	11,292
Investments in associated companies	–	2,142,737	2,142,737
Intangible assets	–	–	–
Unallocated assets			142,357
Total assets			2,296,386
Segment liabilities	6,458	–	6,458
Unallocated liabilities			2,387,217
Total liabilities			2,393,675

The assets of the Group's operations in logistics services constituted less than 10% of the total assets of the Group's as at 30 June 2006, therefore, the logistics services business segment ceased to be a reportable segment.

The segment assets and liabilities as at 30 June 2005 are as follows:

	Mobile communications services *HK$'000*	**Logistics services** *HK$'000*	**Total** *HK$'000*
Segment assets	1,290,080	1,129	1,291,209
Investments in associated companies	–	–	–
Intangible assets	65,964	–	65,964
Unallocated assets			284,394
Total assets			1,641,567
Segment liabilities	522,764	189	522,953
Unallocated liabilities			2,148,545
Total liabilities			2,671,498

As a result of the adoption of HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the presentation of the consolidated income statement and consolidated cash flow statement has been changed retrospectively for the year ended 30 June 2004.

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

Hong Kong : Mobile communications services, which are classified as discontinued operations, and technology related services; and

Mainland China : Technology related services.

	Segment assets	
	As at 30 June 2005	As at 30 June 2006
	HK$'000	*HK$'000*
Hong Kong	1,290,643	207
Mainland China	566	11,085
	1,291,209	11,292

	Turnover		Capital expenditure	
	30 June 2005	30 June 2006	30 June 2005	30 June 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong – continuing	4,261	–	–	–
Hong Kong – discontinued	1,662,873	1,402,827	140,791	97,354
Mainland China	–	16,515	–	86
	1,667,134	1,419,342	140,791	97,440

8 Discontinued operations

During the year ended 30 June 2006, the Group entered into a merger agreement and amendment agreements pursuant to which the Group disposed of its entire interests in the NWPCS Group to Telstra CSL Limited which has changed its name to CSL NWM and made a cash payment of HK$244,024,000 in exchange for the acquisition of 23.6% of the issued share capital of the CSL NWM Group representing the enlarged group combining Telstra CSL Limited and the NWPCS Group, and an amount due from CSL NWM, the associated company, of HK$113,328,000 (the "Merger Transaction"). The Merger Transaction was approved by the shareholders of the Company at the Extraordinary General Meeting on 24 March 2006 and completed on 31 March 2006. Hence, the NWPCS Group ceased to be subsidiaries of the Group and became part of the CSL NWM Group, being the associated companies of the Group after the Merger Transaction.

The consolidated income statement and consolidated cash flow statement have been represented for the year ended 30 June 2004 in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

	Year ended 30 June 2004 *HK$'000* As restated	Year ended 30 June 2005 *HK$'000*	Nine months ended 31 March 2006 *HK$'000*
Turnover	1,656,142	1,662,873	1,402,827
Cost of sales	(782,576)	(890,316)	(836,095)
Gross profit	873,566	772,557	566,732
Other revenue	115	527	716
Other charge	(3,690)	(1,081)	(545)
Selling expenses	(104,506)	(101,178)	(85,313)
Administrative expenses	(611,106)	(592,569)	(420,168)
Operating profit	154,379	78,256	61,422
Finance costs	(7,336)	(20,548)	(34,319)
Gain on disposal of subsidiaries	–	–	1,022,979
Profit before tax	147,043	57,708	1,050,082
Taxation	(35,866)	(21,015)	(4,873)
Profit from discontinued operations	111,177	36,693	1,045,209

9 Other income

	Year ended		
	30 June 2004 *HK$'000* As restated	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Bank interest income	–	108	823

10 Other net gains/(losses)

	Year ended		
	30 June 2004 *HK$'000* As restated	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Loss on disposal of property, plant and equipment	–	(1,247)	–
Gains on disposal of other investments	–	100	–
Gain on disposal of investment securities	–	2,089	–
Impairment loss on intangible assets	–	–	(72,959)
Reversal of impairment on investments in associated companies *(Note 21)*	–	–	7,523
	–	942	(65,436)

11 Expenses by nature

Expenses included in cost of sales, selling and administrative expenses are analysed as follows:

	Year ended 30 June 2004 HK$'000 As restated	30 June 2005 HK$'000	30 June 2006 HK$'000
Auditors' remuneration			
– Over provision in prior years for principal auditors	–	–	(190)
– Current year provision for principal auditors	–	1,182	1,100
– Current year provision for non-principal auditors	270	–	1,185
	270	1,182	2,095
Less: Current year provision for principal auditors included in discontinued operations	–	(598)	(400)
Current year provision for non-principal auditors included in discontinued operations	(270)	–	(348)
	–	584	1,347
Depreciation of property, plant and equipment	–	1,067	996
Net exchange losses	–	13	384
Operating lease rentals for land and buildings	–	–	1,021
Provision for impairment of trade receivables	–	–	215
Staff costs, including directors' emoluments *(Note 13)*	–	4,257	20,213

12 Finance costs

	Year ended 30 June 2004 HK$'000 As restated	30 June 2005 HK$'000	30 June 2006 HK$'000
Interest on loans from a fellow subsidiary	–	–	3,618
Interest on promissory note issued to a fellow subsidiary	–	–	11,499
Interest on convertible bond *(Note 34)*	–	885	860
Interest on Subscription Note *(Note 2)*	–	43,854	46,809
	–	44,739	62,786

13 Staff costs (including directors' emoluments)

	Year ended		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Wages and salaries	–	1,864	12,182
Bonuses	–	1,200	6,165
Pension costs – defined contribution plans	–	–	1,866
Termination benefits	–	1,193	–
	–	4,257	20,213

14 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the years are as follows:

	Year ended		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Fees	–	770	780
Other emoluments:			
Salaries and allowances	–	3,000	3,000
Bonuses	–	2,902	6,505
Pension costs – defined contribution plans	–	150	225
	–	6,822	10,510

No emoluments were paid to the directors of the Company during the year ended 30 June 2004 as the Company was not yet consolidated into the NWPCS Group in the year ended 30 June 2004.

For the year ended 30 June 2006, directors' emoluments of HK$5,786,000 (2005: HK$1,970,000) was included in staff costs of loss from continuing operations which was included in note 13 presented above while the remaining HK$4,724,000 (2005: HK$4,852,000) was included in profit from discontinued operations.

Details of the emoluments paid and payable to the directors of the Company are as follows:

	Year ended 30 June 2005				
Name of Director	**Fees**	**Basic salaries and allowances**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	50	3,000	1,702	150	4,902
Dr. Cheng Kar Shun, Henry	119	–	–	–	119
Mr. Doo Wai Hoi, William, *JP*	49	–	–	–	49
Mr. To Hin Tsun, Gerald	51	–	600	–	651
Mr. Chow Yu Chun, Alexander	49	–	600	–	649
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	51	–	–	–	51
Mr. Ho Hau Chong, Norman	50	–	–	–	50
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	120	–	–	–	120
Mr. Kwong Che Keung, Gordon	119	–	–	–	119
Mr. Cheng Ming Fun, Paul *JP (Note)*	83	–	–	–	83
Mr. Hui Chiu Chung, *JP*	29	–	–	–	29
	770	3,000	2,902	150	6,822

Note:

Mr. Cheng Ming Fun, Paul, *JP* resigned as director of the Company on 6 April 2005.

	Year ended 30 June 2006				
Name of Director	**Fees**	**Basic salaries and allowances**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	50	3,000	5,305	225	8,580
Dr. Cheng Kar Shun, Henry	120	–	–	–	120
Mr. Doo Wai Hoi, William, *JP*	50	–	–	–	50
Mr. To Hin Tsun, Gerald	50	–	600	–	650
Mr. Chow Yu Chun, Alexander	50	–	600	–	650
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	50	–	–	–	50
Mr. Ho Hau Chong, Norman	50	–	–	–	50
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny *(Note)*	120	–	–	–	120
Mr. Kwong Che Keung, Gordon	120	–	–	–	120
Mr. Hui Chiu Chung, *JP*	120	–	–	–	120
	780	3,000	6,505	225	10,510

Note:

Mr. Wei Chi Kuan, Kenny resigned on 8 September 2006.

None of the directors of the Company waived any emoluments during the years ended 30 June 2005 and 2006.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, one and no director whose emoluments are reflected in the analysis presented above for the years ended 30 June 2006, 2005 and 2004 respectively. The emoluments payable to the remaining four, four and five individuals during the years ended 30 June 2006, 2005 and 2004 respectively are as follows:

	Year ended		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	9,624	6,098	4,636
Bonuses	3,108	2,838	2,188
Pension costs – defined contribution plans	499	300	281
	13,231	9,236	7,105

The emoluments of the individuals fell within the following bands:

	Number of individuals		
	30 June 2004	**30 June 2005**	**30 June 2006**
Emolument bands			
HK$1,000,001 to HK$1,500,000	–	–	2
HK$1,500,001 to HK$2,000,000	2	2	1
HK$2,000,001 to HK$2,500,000	2	1	1
HK$2,500,001 to HK$3,000,000	–	1	–
HK$3,000,001 to HK$3,500,000	–	–	–
HK$3,500,001 to HK$4,000,000	–	–	–
HK$4,000,001 to HK$4,500,000	1	–	–

15 Retirement benefits

During the years ended 30 June 2004 and 2005 and the nine months ended 31 March 2006, the Group contributed to an Occupational Retirement Scheme (the "ORSO Scheme") for employees in Hong Kong. Under the ORSO Scheme, the employees are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at a range from 5% to 10% of the monthly salaries of employees. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years of service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the Group's contributions. Since 1 April 2006, the Group ceased to contribute to the ORSO Scheme as all existing employees under the ORSO scheme had selected to change to a mandatory provident fund scheme (the "MPF Scheme") established by the Company under Hong Kong Mandatory Provident Fund Scheme Ordinance for employees in Hong Kong.

Under the MPF Scheme, the employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution, while the Group's contribution are calculated at a range from 5% to 10% of each individual's relevant income. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. Employees may also elect to contribute more than the minimum as a voluntary contribution.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in the PRC for employees in the PRC.

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the consolidated income statement during the years are as follows:

	Year ended		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Gross scheme contributions	9,959	4,420	6,272
Less: Forfeited contributions utilised to offset contributions for the year	(1,545)	(793)	(643)
Net scheme contributions	8,414	3,627	5,629
Less: Amount included in discontinued operations	(8,414)	(3,627)	(3,763)
Net scheme contributions of continuing operations	–	–	1,866

As at 30 June 2006, 2005 and 2004, forfeited contributions of HK$nil, HK$212,000 and HK$102,000 were available to reduce future contributions. Contributions of HK$nil, HK$1,082,000 and HK$3,832,000 were payable by the Group as at 30 June 2006, 2005 and 2004.

16 Taxation

Hong Kong profits tax has been calculated at 17.5% for the years ended 30 June 2006, 2005 and 2004. Taxation on profits in the PRC has been calculated on the estimated assessable profits at tax rates ranging from 15% to 33% for the year ended 30 June 2006 (2005 and 2004: Nil).

No provision for Hong Kong profits tax and overseas taxation has been made for the years as the Company and a number of its subsidiaries have no assessable profit for the years ended 30 June 2006, 2005 and 2004 and certain subsidiaries have sufficient tax losses brought forward to offset their estimated assessable profit for the years.

The amount of taxation charged to the consolidated income statement for the years represents:

		Year ended	
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Current taxation:			
– Under provisions in prior years	–	51	–
Taxation charge	–	51	–

The taxation on the Group's operating loss before share of results of associated companies and discontinued operations differs from the theoretical amount that would arise using the taxation rate prevailing in the country in which the Group operates as follows:

		Year ended	
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Loss before taxation and share of results of associated companies	–	(47,041)	(161,298)
Calculated at a taxation rate of	17.5%	17.5%	17.5%
Notional tax credit on loss before taxation	–	(8,232)	(28,227)
Effect of different taxation rates in other countries	–	–	(2,195)
Income not subject to taxation	–	–	(321)
Expenses not deductible for taxation purpose	–	8,232	22,840
Tax losses not recognised	–	–	7,903
Under provisions in prior years	–	51	–
Taxation charge	–	51	–

17 Earnings/(loss) per share

The calculations of basic earnings/(loss) per share based on the share capital of the Company are as follows:

	Year ended		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
	As restated		
Loss for continuing operations attributable to shareholders *(HK$'000)*	–	(47,092)	(133,567)
Profit from discontinued operations attributable to shareholders *(HK$'000)*	111,177	36,693	1,045,209
Profit/(loss) attributable to shareholders *(HK$'000)*	111,177	(10,399)	911,642
Number of shares *(Note a)*			
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share *(Note b)*	41,666,666	78,668,311	90,379,272

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating the earnings/(loss) per share have been adjusted retrospectively for the one hundred-to-one share consolidation of the Company which took place on 7 July 2004 (Note 31(d)).

(b) Under the reverse acquisition method of accounting, the 4,166,666,667 Subscription Shares issued by the Company to PPG to effect the Reverse Acquisition described in Note 2 are deemed to be in issue throughout the years ended 30 June 2005 and 2004 for the purpose of calculating the basic earnings/(loss) per share.

(c) No diluted earnings/(loss) per share are presented for the years ended 30 June 2006, 2005 and 2004 as the conversion of convertible bond and subscription note would not have dilutive effect on the loss from continuing operations.

18 Profit/(loss) attributable to shareholders

The profit/(loss) attributable to shareholders is dealt with in the financial statements of the Company to the extent of loss of HK$145,573,000, profit of HK$108,528,000 and nil profit/loss for the years ended 30 June 2006, 2005 and 2004 respectively.

19 Property, plant and equipment

(a) Group

	Investment properties HK$'000	Leasehold buildings HK$'000	Computer equipment HK$'000	Furniture and fittings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Testing equipment HK$'000	Digital, switching and transmission system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation										
At 1 July 2003	–	–	173,378	21,102	41,712	1,898	28,186	1,986,488	–	2,252,764
Additions	–	–	34,417	634	3,886	118	18	103,384	11,295	153,752
Disposals	–	–	(161)	(714)	(4,631)	(616)	(29)	(5,912)	–	(12,063)
At 30 June 2004	–	–	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
At 1 July 2004	–	–	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
Additions	–	–	8,017	437	4,942	394	–	115,498	11,503	140,791
Acquisition of subsidiaries	–	–	1,231	890	64	680	–	–	–	2,865
Disposals	–	–	(1,231)	(1,051)	(572)	(378)	–	(1,867)	–	(5,099)
At 30 June 2005	–	–	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
At 1 July 2005	–	–	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
Additions	–	–	4,177	171	1,997	–	–	82,307	8,788	97,440
Acquisition of subsidiaries	3,900	–	2,118	232	114	177	–	–	–	6,541
Disposal of subsidiaries	–	–	(216,333)	(21,374)	(47,328)	(920)	(28,175)	(2,278,842)	(32,389)	(2,625,361)
Reclassification	(3,900)	3,900	(743)	(46)	(30)	–	–	16	803	–
Disposals	–	–	(2,674)	(41)	(39)	(495)	–	(1,072)	–	(4,321)
At 30 June 2006	–	3,900	2,196	240	115	858	–	–	–	7,309
Accumulated depreciation										
At 1 July 2003	–	–	96,888	17,288	19,189	1,683	26,297	801,725	–	963,070
Charge for the year	–	–	26,666	1,595	7,752	103	1,197	215,360	–	252,673
Disposals	–	–	(161)	(636)	(3,604)	(616)	(29)	(2,480)	–	(7,526)
At 30 June 2004	–	–	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
At 1 July 2004	–	–	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
Charge for the year	–	–	27,524	1,529	7,875	279	504	221,547	–	259,258
Disposals	–	–	(781)	(280)	(398)	(377)	–	(930)	–	(2,766)
At 30 June 2005	–	–	150,136	19,496	30,814	1,072	27,969	1,235,222	–	1,464,709
Charge for the year	–	25	18,778	862	6,102	276	150	173,506	–	199,699
Disposals	–	–	(2,654)	(40)	(20)	(495)	–	(231)	–	(3,440)
Disposal of subsidiaries	–	–	(165,616)	(20,256)	(36,798)	(556)	(28,119)	(1,408,497)	–	(1,659,842)
Reclassification	–	–	(38)	38	–	–	–	–	–	–
At 30 June 2006	–	25	606	100	98	297	–	–	–	1,126
Net book value										
At 30 June 2004	–	–	84,241	2,775	17,630	230	710	1,069,355	11,295	1,186,236
At 30 June 2005	–	–	65,515	1,802	14,587	1,024	206	962,369	22,798	1,068,301
At 30 June 2006	–	3,875	1,590	140	17	561	–	–	–	6,183

Note: The leasehold buildings are situated on leasehold land in Mainland China held on a medium term lease.

(b) Company

	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2003	1,341	792	242	2,375
Additions	20	313	234	567
Disposals	–	–	(234)	(234)
Written off	–	(205)	–	(205)
At 31 December 2003	1,361	900	242	2,503
Disposals	(1,361)	(900)	–	(2,261)
At 30 June 2005	–	–	242	242
Disposals	–	–	(242)	(242)
At 30 June 2006	–	–	–	–
Accumulated depreciation				
At 1 January 2003	373	117	32	522
Charge for the year	414	177	64	655
Disposals	–	–	(16)	(16)
Written off	–	(38)	–	(38)
At 31 December 2003	787	256	80	1,123
Charge for the period	414	180	72	666
Disposals	(1,201)	(436)	–	(1,637)
At 30 June 2005	–	–	152	152
Charge for the year	–	–	–	–
Disposals	–	–	(152)	(152)
At 30 June 2006	–	–	–	–
Net book value				
At 31 December 2003	574	644	162	1,380
At 30 June 2005	–	–	90	90
At 30 June 2006	–	–	–	–

20 Investments in subsidiaries

	Company		
	As at 31 December 2003	As at 30 June 2005	As at 30 June 2006
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments, at costs *(Note a)*	10,939	1,262,670	31,939
Amounts due from subsidiaries *(Note b)*	338,540	577,673	2,753,071
	349,479	1,840,343	2,785,010
Less: Provision for impairment	(212,167)	(318,958)	(287,434)
	137,312	1,521,385	2,497,576

Notes:

(a) Particulars of the principal subsidiaries of the Company as at the date of this report are as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Interest held by the Company	Interest held by the Group	Principal activities
New World CyberBase Solutions (BVI) Limited	British Virgin Islands	1 Ordinary share of US$1 each	100%	–	Investment holding
Upper Start Holdings Limited	British Virgin Islands	1 Ordinary share of US$1 each	100%	–	Investment holding
Jetco Technologies Limited	Hong Kong	1,250,000 Ordinary shares of HK$1 each	–	100%	Investment holding and property investment
上海易圖通信息技術有限公司*	The PRC	Registered capital of RMB10,000,000	–	80%	Provision of Internet content services and telecommunication value-added services in the PRC

* This company has adopted 31 December as its financial year end date as required by the PRC statutory reporting requirement.

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

21 Investments in associated companies

	Group		
	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Beginning of the year	–	–	–
Acquisition of associated companies *(Note 36(b))*	–	–	2,115,006
Share of results of associated companies			
– Profit before taxation	–	–	34,952
– Taxation	–	–	(7,221)
	–	–	27,731
Reversal of impairment loss *(Note b)*	–	–	7,523
Dividend income *(Note b)*	–	–	(7,523)
	–	–	2,142,737

Investments in associated companies as at 30 June 2006 include goodwill of HK$1,007,935,000.

(a) Particulars of the principal associated companies as at 30 June 2006 are as follows:

Name	Place of incorporation/ and operation	Particulars of issued share capital	Interest held indirectly	Principal activities
CSL New World Mobility Limited	Bermuda	655,886,331 shares of US$0.3163 each	23.6%	Investment holding
Hong Kong CSL Limited	Hong Kong	Nominal value of HK$2,031,043,443	23.6%	Provision of mobile telecommunications services and products
New World PCS Holdings Limited	Cayman Islands/ Hong Kong	Nominal value of HK$1,112,039,279	23.6%	Investment holding
New World PCS Limited	Hong Kong	Nominal value of HK$887,749,279	23.6%	Provision of mobile communications services and products

(b) During the year ended 30 June 2006, the Group received dividend income of HK$7,523,000 from an associated company, Han International Consulting Company Limited, in which the Company held 30% interest of its issued share capital. Full provision for investment in this associated company was made in previous years. Hence, the provision for impairment of the investment in the associated company was reversed by HK$7,523,000. The associated company was subsequently dissolved in January 2006.

(c) Summary financial information on associated companies, which was extracted from the consolidated financial statements of the CSL NWM Group audited by another auditors, Ernst & Young, after making appropriate fair value adjustments, is set out below:

	Three months ended 30 June 2006
	HK$'000
Revenue for the period	1,539,662
Post acquisition profit for the period	117,505

	As at 30 June 2006
	HK$'000
Non-current assets	6,708,649
Current assets	982,712
Non-current liabilities	(860,479)
Current liabilities	(2,022,404)
	4,808,478

(d) Following the disposal of a wholly owned subsidiary, Upper Start Holdings Limited, the Group's investments in associated companies set out in (a) above will be disposed of. These companies will cease to be the associated companies of the Group, and hence their results and net assets will not be consolidated in the consolidated financial statements of the Group after the completion of the disposal. Details are set out in Section III headed "Subsequent Event" of the report.

22 Intangible assets

	Group		
	Licence	**Goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 July 2003 and 2004	–	–	–
Acquisition of subsidiaries *(Note 2 and 36(c))*	–	65,964	65,964
At 30 June 2005	–	65,964	65,964
Acquisition of subsidiaries *(Note 36(a))*	1,470	5,525	6,995
At 30 June 2006	1,470	71,489	72,959
Accumulated impairment			
At 1 July 2003, 1 July 2004 and 30 June 2005	–	–	–
Impairment loss for the year *(Note a)*	1,470	71,489	72,959
At 30 June 2006	1,470	71,489	72,959
Net book value			
At 30 June 2004	–	–	–
At 30 June 2005	–	65,964	65,964
At 30 June 2006	–	–	–

Note:

(a) The impairment loss was provided for the licence for the operation of a music website.

As at 30 June 2006, the carrying amounts of the assets of the respective business unit exceed the recoverable amount of the respective business unit, which is determined based on value-in-use calculation using cash flow projections covering a 5-year period based on annual revenue growth rate ranging from 0% to 20% and a discount rate of 5%. Hence, impairment loss of HK$71,489,000 was provided for the goodwill during the year ended 30 June 2006.

23 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax assets account is as follows:

	30 June 2004	**30 June 2005**	**30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	224,353	188,487	167,472
Deferred taxation charged to income statement *(Note 8)*	(35,866)	(21,015)	(4,873)
Disposal of subsidiaries	–	–	(162,599)
At end of the year	188,487	167,472	–

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

As at 30 June 2006, 2005 and 2004, the Group has unrecognised tax losses of HK$257,767,000, HK$58,759,000 and HK$nil respectively to carry forward against future taxable income subject to the agreement by the relevant tax authorities. Except for tax losses of HK$90,091,000, HK$nil and HK$nil as at 30 June 2006, 2005 and 2004 expiring within 5 years, the remaining balance has no expiry date.

As at 30 June 2006, 30 June 2005 and 31 December 2003, the Company has unrecognised tax losses of HK$68,084,000, HK$49,194,000 and HK$46,047,000 respectively to carry forward against future taxable income subject to the agreement by the relevant tax authority. The unrecognised tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Group		
Deferred tax assets	**Provision**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2003	3,473	353,184	356,657
Charged to income statement	(804)	(52,667)	(53,471)
At 30 June 2004	2,669	300,517	303,186
Charged to income statement	(593)	(39,854)	(40,447)
At 30 June 2005	2,076	260,663	262,739
Charged to income statement	(24)	(22,446)	(22,470)
Disposal of subsidiaries	(2,052)	(238,217)	(240,269)
At 30 June 2006	–	–	–

Deferred tax liabilities	Group Accelerated tax depreciation *HK$'000*
At 1 July 2003	132,304
Credited to income statement	(17,605)
At 30 June 2004	114,699
Credited to income statement	(19,432)
At 30 June 2005	95,267
Credited to income statement	(17,597)
Disposal of subsidiaries	(77,670)
At 30 June 2006	–

24 Inventories

	Group		
	As at 30 June 2004 *HK$'000*	**As at 30 June 2005** *HK$'000*	**As at 30 June 2006** *HK$'000*
Merchandise	29,657	38,024	–

25 Trade receivables

	Group		
	As at 30 June 2004 *HK$'000*	**As at 30 June 2005** *HK$'000*	**As at 30 June 2006** *HK$'000*
Trade receivables	98,471	105,881	10,629
Less: Provision for impairment of trade receivables	(15,253)	(11,866)	(6,363)
Trade receivables – net	83,218	94,015	4,266

The Group allows an average credit period of thirty to sixty days to its subscribers and other customers. The ageing analysis of trade receivables is as follows:

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
1 – 30 days	60,066	71,091	2,483
31 – 60 days	14,015	13,455	1,648
61 – 90 days	4,776	9,469	112
Over 90 days	4,361	–	23
	83,218	94,015	4,266

26 Amounts due to fellow subsidiaries

The balances are unsecured, interest free and have no fixed terms of repayment.

27 Amounts due from/to associated companies

The balances are unsecured, interest free and have no fixed terms of repayment.

The amount due from an associated company as of 30 June 2006 represented sales consideration for the disposal of subsidiaries (Note 37).

The amount due to an associated company as at 30 June 2006 was reclassified from amount due from a subsidiary when the subsidiary was disposed of (Note 37) and became an associated company after the Merger Transaction (Note 8). The balance represents payments made by the then subsidiary on behalf of the Group.

28 Amount due from a related company

The balance represents expenses for sharing of offices to be reimbursed by a related company, New World CyberBase Limited. It is unsecured, interest free and repayable on demand.

Mr. To Hin Tsun, Gerald, a director of the Company, is a director of New World CyberBase Limited. Mr Lo Lin Shing, a non-executive director of the Company, is the substantial shareholder of New World CyberBase Limited.

29 Cash and bank balances

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Balance with original maturities of three months or less *(Note a)*	94,444	116,534	26,921
Restricted bank balances *(Note b)*	–	–	770
	94,444	116,534	27,691

Notes:

(a) Included in the cash and bank balances of the Group are balances with the PRC banks totalling HK$804,000, HK$226,000 and HK$nil which were denominated in RMB as at 30 June 2006, 2005 and 2004 respectively. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

(b) Bank balances denominated in RMB of certain subsidiaries of the Group in the amount of approximately HK$770,000, HK$nil and HK$nil as at 30 June 2006, 2005 and 2004 respectively have been frozen under PRC court order in relation to claims filed against the subsidiaries. Lawyers considered these claims were without merits, therefore, no disclosure of contingent liability is considered necessary.

30 Trade payables

The ageing analysis of the trade payables is as follows:

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
1 – 30 days	19,651	62,013	80
31 – 60 days	6,473	26,100	120
61 – 90 days	3,692	2,345	172
Over 90 days	14,489	17,628	437
	44,305	108,086	809

31 Share capital

	Group
	(Note a)
	HK$'000
At 1 July 2003 and 2004	1
Issue of shares *(Note b)*	299
At 30 June 2005	300
Issue of shares *(Note e)*	16,154
Disposal of subsidiaries *(Note a)*	(300)
At 30 June 2005	16,154

	Company	
	No. of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2003 and 2004	10,000,000,000	100,000
Creation of additional shares *(Note c)*	190,000,000,000	1,900,000
Share consolidation *(Note d)*	(198,000,000,000)	–
Ordinary shares of HK$1.00 each at 30 June 2005 and 2006	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2003	3,641,555,700	36,415
Issued of new shares upon partial conversion of convertible bond *(Note 34)*	110,000,000	1,100
Ordinary shares of HK$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares *(Note 2(a))*	4,166,666,667	41,667
Share consolidation *(Note d)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 30 June 2005	79,182,223	79,182
Issue of shares *(Note e)*	16,153,846	16,154
Ordinary shares of HK$1.00 each at 30 June 2006	95,336,069	95,336

Notes:

(a) Before the disposal of the NWPCS Group on 31 March 2006, due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS Holdings prior to the Reverse Acquisition and shares issued by the Company after the Reverse Acquisition. After the disposal of the NWPCS Group on 31 March 2006, the amount of share capital and share premium in the consolidated balance sheet represented that of the Company issued after the Reverse Acquisition after transferring the amount of share capital and share premium of NWPCS Holdings prior to the Reverse Acquisition to the consolidation reserve of the Group.

The equity structure (i.e. the number and types of shares) reflects the equity structure of the legal parent, the Company.

(b) 298,911,000 shares were issued on 6 July 2004 by the legal subsidiary, NWPCS Holdings, for capitalisation of loans.

(c) On 6 July 2004, the authorised share capital of the Company was increased from HK$100,000,000 to HK$2,000,000,000 by the creation of additional 190,000,000,000 ordinary shares of HK$0.01 each.

(d) On 7 July 2004, every 100 issued or unissued ordinary share of HK$0.01 each of the Company was consolidated into one consolidated ordinary share of HK$1.00 each.

(e) On 21 October 2005, 16,153,846 ordinary shares of HK$1.00 each of the Company were issued at HK$1.3 each to New World CyberBase Limited ("NWC") for acquisition of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS") (Note 36(a)).

(f) Share option schemes

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchanges (the "Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The 2002 Share Option Scheme is valid and effective for a period of 10 years commencing on 28 May 2002. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time unless separately approved by the shareholders in general meeting.

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors at their absolute discretion determine and in any event such period shall not be more than 10 years from the date upon which the offer of the option is made to the grantee. The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant. The subscription price of a share in respect of any option granted shall be determined by the board of directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(i) Movements in the share options are as follows:

1998 Share Option Scheme:

	Exercise period	Exercise price *HK$*	Number of options
At 1 January 2003			159,900,000
Lapsed	15.8.2000 to 14.8.2003	0.284	(114,000,000)
	9.2.2002 to 8.2.2008	0.150 *(Note b)*	(900,000)
At 31 December 2003			45,000,000
Adjusted *(Note a)*			(44,352,000)
Lapsed			(448,000)
At 30 June 2005 and 30 June 2006			200,000

Note:

(a) The number and the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the Subscription Agreement (Note 2) and the consolidation of the Company's shares (Note 31(d)).

(b) Exercise price has been adjusted from HK$0.150 to HK$2.440.

2002 Share Option Scheme:

	Exercise period	Exercise price *HK$*	Number of options
At 1 January 2003 and 31 December 2003	–	–	–
Granted	28.1.2005 to 31.12.2010	1,260	2,916,000
	8.4.2005 to 31.12.2010	1.276	78,000
At 30 June 2005			2,994,000
Lapsed	28.1.2005 to 31.12.2010	1.260	(78,000)
At 30 June 2006			2,916,000

(ii) Share options outstanding at the end of the year have the following terms:

Exercise period	Exercise price	As at 31 December 2003 Number of options	As at 30 June 2005 Number of options	As at 30 June 2006 Number of options
	HK$			
9.2.2002 to 8.2.2008	2.440	45,000,000	200,000	200,000
28.1.2005 to 31.12.2010	1.260	–	2,916,000	2,838,000
8.4.2005 to 31.12.2010	1.276	–	78,000	78,000
		45,000,000	3,194,000	3,116,000

32 Other reserves

(a) Group

	Share premium *(Note 31(a))*	Consolidation reserve *(Note 2)*	Convertible bond reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2003 and 2004	999	–	–	999
Premium on issue of shares *(Note 31(b))*	913,793	–	–	913,793
Arising from Reverse Acquisition *(Note 2 and 36(c))*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond	–	–	40	40
Issue of subscription note	–	–	112,655	112,655
At 30 June 2005	914,792	(1,115,538)	112,695	(88,051)
At 1 July 2005	914,792	(1,115,538)	112,695	(88,051)
Premium on issue of shares *(Note 31(e))*	4,846	–	–	4,846
Disposal of subsidiaries *(Note 31(a))*	(914,792)	915,092	–	300
At 30 June 2006	4,846	(200,446)	112,695	(82,905)

(b) Company

	Share premium *HK$'000*	Convertible bond reserve *HK$'000*	Total *HK$'000*
At 1 January 2003	440,870	1,849	442,719
Partial conversion of convertible bond *(Note 34)*	9,900	(518)	9,382
At 31 December 2003	450,770	1,331	452,101
At 1 January 2004 *(Note)*	450,770	1,331	452,101
Capital reduction *(Note)*	(444,168)	–	(444,168)
Renewal of convertible bond	–	(1,291)	(1,291)
Issue of subscription note	–	112,655	112,655
At 30 June 2005	6,602	112,695	119,297
At 1 July 2005	6,602	112,695	119,297
Premium on issue of shares *(Note 31(e))*	4,846	–	4,846
At 30 June 2006	11,448	112,695	124,143

Note: Pursuant to a special resolution passed at the extraordinary general meeting held on 25 June 2004, the amount outstanding to the credit of the share premium of the Company of HK$450,770,000 was applied first to set off the accumulated losses of the Company as at 31 December 2003, and then to effect the distribution of special dividend. The remaining balance, if any, is to be applied as the directors of the Company may consider appropriate, subject to the compliance with the laws of the Cayman Islands.

33 Promissory note issued to and loans from a fellow subsidiary – Group and Company

Pursuant to the S&P Agreement (Note 2), if the total of the bank loan and amounts due to immediate holding company and ultimate holding company (collectively, the "Aggregate Liabilities") by the NWPCS Group on the business day prior to the completion of the Reverse Acquisition exceeds HK$1,250 million, the exceeding amount due to immediate holding company and ultimate holding company would be capitalised so that the Aggregate Liabilities at the Completion Date would not exceed HK$1,250 million.

As such, prior to the completion of the Reverse Acquisition, an amount of approximately HK$914,092,000 due to the then immediate holding company by the NWPCS Group was capitalised through the issuance of 298,911,000 shares of ordinary shares on 6 July 2004 (Note 31(b)). The remaining balance of amounts due to the then immediate holding company and ultimate holding company of HK$877,500,000 was repaid by a fresh loan from a fellow subsidiary which was repayable upon demand after 29 September 2005 and interest bearing at 0.65% above HIBOR per annum.

On 30 March 2006, the loan from a fellow subsidiary of HK$877,500,000 and accrued interest of HK$9,249,000 of the NWPCS Group was capitalised through the issuance of shares of NWPCS Holdings to the Company to extinguish debts of the NWPCS Group prior to the completion of the Merger Transaction (Note 8). On 30 March 2006, the aforesaid loan and accrued interest was replaced by a promissory note (the "Promissory Note") issued to the fellow subsidiary by the Company in an amount of HK$886,749,000. The Promissory Note is unsecured, repayable upon demand after eighteen months from the date of issue and bears interest at 0.65% above HIBOR per annum payable every three months in arrears. The effective interest rate of the Promissory Note was 5.1% per annum (2005: 1.9% for the loan of HK$877,500,000 from a fellow subsidiary).

On 31 March 2006, a new loan of HK$244,024,000 was drawn from the fellow subsidiary and is repayable upon demand after eighteen months from 31 March 2006. On 6 June 2006, an additional loan of HK$34,000,000 was drawn from the fellow subsidiary and is repayable upon demand after 28 August 2007. Both loans are unsecured and bear interest at 0.65% above HIBOR per annum payable every three months in arrears. The effective interest rate of the loans was 5.1% and 5.2% per annum respectively.

The carrying amounts of the Promissory Note issued to and loans from the fellow subsidiary approximated their fair values.

34 Convertible bond – Group and Company

On 2 November 2001, a convertible bond (the "Convertible Bond") of HK$39,286,000 (the "Principal Amount") was issued by the Company in favour of New World CyberBase Nominee Limited ("NWCBN"), a fellow subsidiary. It bears a flat-rate interest at 3% per annum accrued on a day-to-day basis on the outstanding Principal Amount of the Convertible Bond which is payable semi-annually in arrears. The effective interest rate of the Convertible Bond was 3.1% per annum (2005: 3.1%). The original maturity date of the Convertible Bond was on 1 November 2004.

In December 2003, a portion of the Principal Amount of the Convertible Bond of HK$11,000,000 was converted into 110,000,000 ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.10 per share.

In November 2004, the Company agreed with NWCBN to extend the maturity date of the Convertible Bond to 1 November 2007.

The conversion price of the remaining portion of the Convertible Bond was adjusted to HK$1.22 per ordinary share after the completion of the Reverse Acquisition and share consolidation as detailed in Notes 2 and 31(d) respectively.

The carrying amount of the liability portion of the Convertible Bond approximated its fair value.

35 Notes to consolidated cash flow statements

Reconciliation of loss before taxation to cash used in operations:

	30 June 2004 HK$'000 As restated	30 June 2005 HK$'000	30 June 2006 HK$'000
Loss before taxation	–	(47,041)	(133,567)
Share of results of associated companies	–	–	(27,731)
Depreciation	–	1,067	996
Loss on disposal of property, plant and equipment	–	1,247	–
Gain on disposal of other investments	–	(100)	–
Gain on disposal of investment securities	–	(2,089)	–
Interest income	–	(108)	(823)
Interest expenses	–	44,739	62,786
Impairment loss on intangible assets	–	–	72,959
Reversal of impairment of investments in associated companies *(Note 21)*	–	–	(7,523)
Changes in working capital			
(Increase)/decrease in trade receivables	–	8,613	(1,252)
Decrease in prepayments, deposits, other receivables, rental and other deposits	–	5,335	490
Decrease in amounts due to fellow subsidiaries and a related company	–	(581)	(48)
Decrease in trade payables	–	–	(393)
Increase/(decrease) in accrued charges, other payables, deposits received and deferred income	–	(15,904)	7,785
Decrease in restricted bank balances	–	–	17
Cash used in operations	–	(4,822)	(26,304)

36 Business combinations

(a) Acquisition of NWCS Group on 21 October 2005

On 12 September 2005, the Company entered into a conditional sale and purchase agreement with NWC. Pursuant to the agreement, the Company agreed to acquire, and NWC agreed to dispose of, the entire issued share capital of NWCS and its subsidiaries (collectively, the "NWCS Group"), and the interest of NWC in the interest-free shareholder's loan due from NWCS for an aggregate consideration of HK$21 million. The consideration was satisfied by the issue of 16,153,846 ordinary shares of HK$1.00 each by the Company at an issue price of HK$1.3 per share, representing a discount of approximately 1.2% to the 10-day average closing price of the Company's share of approximately HK$1.316 per share for the last 10 consecutive trading days up to and including 12 September 2005 as quoted on the Stock Exchange. The acquisition was completed on 21 October 2005. The acquired business contributed revenues of HK$16,515,000 and net loss of HK$21,465,000 to the Group for the period from 22 October 2005 to 30 June 2006. If the acquisition had occurred on 1 July 2005, the contribution to the Group's revenue and net loss would have been HK$22,874,000 and HK$26,251,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Shares issued *(Note 31(e))*	21,000
Less: Fair values of net assets acquired – shown as below	(15,475)
Goodwill *(Note 22)*	5,525

With the acquisition of the NWCS Group, the Group's capability to develop value-added mobile products and services and competitiveness in the mobile telecommunication industry are enhanced. In light of the growing demand for mobile Internet services in the PRC, the acquisition will also enable the Group to capitalise on the mobile Internet service market in the PRC. The goodwill is attributable to the aforesaid factors.

The fair values of the assets and liabilities of the NWCS Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	6,541
Intangible asset	1,470
Trade receivables and other current assets	4,719
Cash and cash equivalents	9,896
Restricted bank balances	787
Accruals and other payables	(7,938)
Fair values of net assets acquired	15,475

The carrying amounts of the assets and liabilities of the NWCS Group approximated their fair values at the date of acquisition.

	HK$'000
Cash and cash equivalents acquired	9,896
Restricted bank balances	787
Cash inflow on acquisition	10,683

(b) Acquisition of CSL NWM Group on 31 March 2006

As mentioned in Note 8, the Group completed the acquisition of 23.6% of the CSL NWM Group on 31 March 2006. As a consequence, the CSL NWM Group has become associated companies of the Group. Since the acquisition, the CSL NWM Group contributed HK$27,731,000 to the Group's share of results of associated companies for the three months ended 30 June 2006. If the acquisition had occurred on 1 July 2005, the contribution to the Group's share of results of associated companies would have been HK$117,682,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Carrying amounts of 23.6% of net assets of the NWPCS Group at the date of disposal *(Note 37)*	219,237
Fair value of 76.4% of net assets of the NWPCS Group at the date of disposal	1,732,713
Amount due from an associated company	(113,328)
Sales consideration of disposal of the NWPCS Group *(Note 37)*	1,838,622
Cash consideration	244,024
Professional fee incurred for the acquisition	32,360
Total purchase consideration	2,115,006
Less: Fair values of share of net assets acquired – shown as below	(1,107,071)
Goodwill *(Note 21)*	1,007,935

The fair values and carrying amounts of the share of assets and liabilities of the CSL NWM Group at the date of acquisition are as follows:

	Fair values *HK$'000*	**Carrying amounts** *(Note)* *HK$'000*
Non-current assets	6,736,856	7,512,480
Current assets	600,566	598,743
Non-current liabilities	(838,348)	(959,348)
Current liabilities	(1,808,097)	(1,808,097)
Net assets of the CSL NWM Group	4,690,977	5,343,778
Share of 23.6% of the net assets	1,107,071	1,261,132

Note: The carrying amounts were extracted from the financial statements of the CSL NWM Group as at 31 March 2006 audited by another auditors.

	HK$'000
Cash consideration	244,024
Professional fee paid for the acquisition	32,360
Cash outflow on acquisition	276,384

(c) Acquisition of Logistics Group on 6 July 2004

As mentioned in Note 2, NWPCS Holdings was deemed to have acquired the Logistics Group on 6 July 2004. The acquired business contributed revenues of HK$4,261,000 and net loss of HK$47,092,000 for the period from 6 July 2004 to 30 June 2005.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	
Cash consideration	50,000
Subscription Note issued *(Note 2)*	1,200,000
Reverse Acquisition adjustment *(Note 2(vii) and 32(a))*	(1,115,538)
Deemed consideration	134,462
Professional fee incurred for the acquisition	1,731
Total purchase consideration	136,193
Less: Fair values of net assets acquired at the date of acquisition – shown as below	(70,229)
Goodwill *(Note 22)*	65,964

As a result of the acquisition of the Logistics Group, the NWPCS Group became part of a listed group and would be able to provide investors, research analysts and rating agencies with greater clarity on its mobile telecommunications business and financial positions arousing greater interest from investors focused on mobile telecommunications business. The goodwill is attributable to the aforesaid considerations.

The fair values of the assets and liabilities of the Logistics Group at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	2,865
Investment securities	1,520
Other investments	800
Cash and bank balances	97,361
Trade receivables and other current assets	7,340
Accruals and other payables	(11,403)
Convertible bond	(28,254)
	70,229

The carrying amounts of the assets and liabilities of the Logistics Group approximated their fair values at the date of acquisition.

	HK$'000
Cash and cash equivalents acquired	97,361
Purchase consideration settled in cash	(50,000)
Professional fee paid	(1,731)
Net cash inflow on acquisition	45,630

37 Disposal of subsidiaries

As mentioned in Note 8, the Group disposed of its interests in the NWPCS Group on 31 March 2006.

Details of net assets disposed of and gain on the disposal are as follows:

	HK$'000
Sales consideration:	
Investments in associated companies	1,838,622
Amount due from an associated company *(Note 27)*	113,328
Total sales consideration	1,951,950
Net book values of net assets disposed of	(928,971)
Gain on disposal of subsidiaries	1,022,979

The assets and liabilities disposed of at the date of disposal are as follows:

Property, plant and equipment	965,519
Deferred taxation	162,599
Rental and other deposits	5,949
Amount due from the immediate holding company	5,625
Amount due from fellow subsidiaries	1,784
Inventories	25,594
Trade receivables	107,035
Prepayment, other receivables, rental and other deposits	69,949
Bank overdraft	(384)
Trade payables	(73,251)
Other payables and accruals	(334,709)
Amount due to a related company	(40)
Asset retirement obligations	(6,699)
	928,971

38 Contingent liabilities

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Bank guarantees in lieu of deposits	9,126	8,528	–

39 Commitments

(a) Capital Commitments

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for	249,205	123,680	–
Authorised but not contracted for	15,340	138,284	–
	264,545	261,964	–

(b) Commitments under operating leases

At 30 June 2006, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group		
	As at 30 June 2004	**As at 30 June 2005**	**As at 30 June 2006**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	136,842	167,406	873
In the second to fifth year inclusive	60,878	98,298	368
After the fifth year	6,524	12,458	–
	204,244	278,162	1,241

40 Related party transactions

(a) The continuing and discontinued operations of the Group undertook the following material transactions with related parties, which were carried out in the normal course of the business, during the year:

	Note	30 June 2004 HK$'000	30 June 2005 HK$'000	30 June 2006 HK$'000
Purchases from fellow subsidiaries	*(a)*	(103,985)	(38,794)	(25,853)
Purchases of property, plant and equipment from:	*(b)*			
– fellow subsidiaries		(697)	–	–
– a related company		–	(6,320)	(1,615)
Service fee income from fellow subsidiaries	(c)	958	2,566	3,443
Rental expenses paid/payable to fellow subsidiaries	*(d)*	(26,242)	(24,431)	(14,469)
Loan interest paid/payable to a fellow subsidiary	*(e)*	–	(16,226)	(34,190)
Interest paid/payable for the promissory note issued to a fellow subsidiary	*(e)*	–	–	(11,499)
Interest paid/payable for the subscription note to an immediate holding company	*(f)*	–	(8,877)	(9,000)
Interest paid/payable for the convertible bond to a fellow subsidiary	*(g)*	–	(849)	(849)
Reimbursement of office administrative expenses and fee charged from a related company	*(h)*	(3,242)	(5,656)	(6,636)

Notes:

(a) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved.

(b) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved. Certain directors of the Company are also directors of the related company.

(c) Service fee was subject to the terms of the contracts entered by the parties involved.

(d) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.

(e) The interest was charged at 0.65% above HIBOR per annum.

(f) Interest charged by PPG, the subscription note holder and the immediate holding company of the Company, was charged at 0.75% per annum.

(g) Interest charged by NWCBN, the convertible bond holder and a fellow subsidiary, was charged at 3% per annum and was payable semi-annually in arrears.

(h) The reimbursement of office administrative expenses were charged on actual cost basis at a mark-up of 15%.

(b) Key management compensation of the continuing and discontinued operations of the Group during the year is as follows:

	30 June 2004 *HK$'000*	30 June 2005 *HK$'000*	30 June 2006 *HK$'000*
Salaries and other short-term employee benefits	12,732	15,608	17,747
Post-employment benefits	499	450	506
	13,231	16,058	18,253

III SUBSEQUENT EVENT

On 6 July 2004, the Group acquired from NWTHL the entire equity interest in the NWPCS Group at an aggregate cash consideration of HK$1,250,000,000 (see Note 2 of this report and the circular issued by the Company dated 2 June 2004 for details).

On 31 March 2006, the Group acquired the 23.6% interest in the CSL NWM Group in exchange for the Company's entire equity interest in the NWPCS Group to the CSL NWM Group, a cash payment of HK$244,024,000 and an amount due from CSL NWM of HK$113,328,000. The Group then injected the 23.6% interest in the CSL NWM Group into Upper Start Holdings Limited ("Upper Start"), which is wholly owned by the Company and was incorporated in the British Virgin Islands with limited liability on 18 October 2005 (see Note 8 of this report and the circular issued by the Company dated 7 March 2006 for details).

On 22 November 2006, the Company and NWD entered into the conditional sale and purchase agreement (the "Agreement") in relation to the sale and purchase of the entire issued share capital of Upper Start, pursuant to which the Company has conditionally agreed to sell, and NWD has conditionally agreed to purchase or procure the purchases of the entire issued share capital of Upper Start and the entire amount of the interest free shareholder's loan owing from Upper Start to the Company (collectively referred to as the "Disposal"). Pursuant to the Agreement, the consideration is HK$2,500 million (the "Consideration"). Accordingly, the Disposal represents the disposal of the 23.6% interest in the CSL NWM Group.

Subject to (i) the completion of the Disposal in accordance with the terms and conditions of the Agreement (the "Disposal Completion"); (ii) compliance with the articles of association of the Company; and (iii) the sufficiency of the distributable reserves of the Company as at the date of the Disposal Completion, the Board intends to declare cash dividend of HK$1.2 per Company's share (the "Special Dividend"), subject to finalisation, to the qualifying shareholders of the Company. The Special Dividend will be financed by the Consideration.

Based on 97,692,069 shares of the Company in issue as at the date of this report and the Special Dividend of HK$1.20 per share (subject to finalisation), the total amount of the Special Dividend will be approximately HK$117.2 million.

The financial information of Upper Start (as adjusted for the attributable interest to the Group), which constitutes a discontinuing operation as pursuant to Rule 4.06A of the Listing Rules, are as follows:

Consolidated results

	From 18 October 2005 (date of incorporation) to 30 June 2006
	HK$'000
Turnover	–
Administrative expenses	–
Profit before taxation	–
Share of results of associated companies	27,731
Profit before and after taxation	27,731
Retained profits brought forward	–
Retained profits carried forward	27,731

Consolidated cash flow

	From 18 October 2005 (date of incorporation) to 30 June 2006
	HK$'000
Cash flow from operating activities	–
Cash flow from investing activities	–
Cash flow from financing activities	–
Total net cash flow	–

Consolidated assets and liabilities

	As at 30 June 2006 *HK$'000*
ASSETS	
Non-current assets	
Investment in associated companies	2,142,737
Total assets	2,142,737
LIABILITIES	
Current liabilities	–
Total liabilities	–
Net current assets	–
Net assets attributable to the Group	2,142,737
Total assets less current liabilities	2,142,737

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or its subsidiaries in respect of any period subsequent to 30 June 2006. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 30 June 2006.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. MATERIAL CHANGES SINCE 30 JUNE 2006

Save as disclosed below, the Board is not aware of any material changes in the financial or trading position or outlook of the Group since 30 June 2006, the date to which the latest published audited accounts of the Group were made up:

(i) on 22 November 2006, the Company and NWD entered into the S&P Agreement, pursuant to which the Company has conditionally agreed to sell, and NWD has conditionally agreed to purchase, or procure the purchase of, the entire issued share capital of Upper Start Holdings Limited and the relevant shareholder's loan. The Disposal Completion took place on 4 January 2007, and the principal business of the Group has become the Technology Business since then; and

(ii) the Board declared the Special Dividend of HK$1.20 per Share to the Qualifying Shareholders. The Special Dividend is financed by the Cash Consideration.

2. INDEBTEDNESS

As at the close of business on 31 October 2006 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document), an aggregate amount of approximately HK$2,294,842,000 was owing by the Group, which comprised an amount owing under unsecured loans from a fellow subsidiary of approximately HK$181,216,000 repayable within one year, an amount owing under an unsecured promissory note of approximately HK$890,646,000 repayable within one year, an amount owing under an unsecured subscription note issued to the immediate holding company of approximately HK$1,194,285,000 repayable within one year, and an amount owing under an unsecured convertible bond issued to a fellow subsidiary of approximately HK$28,695,000 repayable within a period of more than one year but not exceeding two years.

Save as the aforesaid and apart from intra-group liabilities, normal trade payables, accrued charges, other payables, deposits received and deferred income in the ordinary course of business, as at the close of business on 31 October 2006, the Group did not have any outstanding indebtedness, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 October 2006, save for the repayment or redemption of the indebtedness owed by the Group upon the Disposal Completion which took place on 4 January 2007.

3. THE INFORMATION ON THE GROUP

The Group is principally engaged in the Technology Business, being the provision of technology-related services in the PRC which include mobile Internet-related services.

The major mobile Internet-related services provided by the Group comprise city information service, mobile entertainment, game and interactive media services. The services provide content with a combination of text, sounds and images to Multimedia Messaging Service capable handsets. Content includes music, photos, games and other entertainment services.

The interactive mobile entertainment website platform, www.ijcool.com launched by the Group provides the cross platform forum for mobile users to enjoy interactive entertainment through a mobile Internet environment. The Technology Business, through this website, has established alliance relationship with over 800 popular web portals, online advertising agents, music and multimedia websites in the PRC covering 50 million Internet users. The Technology Business has also provided new services in two major areas: (i) digital music related services in mobile entertainment sector; and (ii) "local" city directory search services.

The operations bases of the Technology Business are in Beijing, Shanghai and Guangzhou, the PRC, with four marketing offices in Shenyang, Nanjing, Chengdu and Xian, the PRC. Whilst the offices in Beijing, Shanghai and Guangzhou, the PRC are set up for the purposes of call center business, mobile Internet corporate support and mobile Internet respectively, the above four marketing offices are set up for the liaison with local offices of the PRC customers. The Technology Business currently employs around 120 employees in the PRC.

The business model of the Technology Business remains substantially unchanged after the Disposal Completion. The Technology Business requires working capital for its operations and business development, which mainly include salaries, marketing and promotional expenses, purchases of contents for provision of services, audit fees, rental and general office expenses as well as utilities expenses. The Directors consider that, after taking into account, among other things, the customer base and the business development of the Group, the remaining balance of the Cash Consideration is sufficient for the working capital requirements of the Group for the next 12 months from the date of this document. The Group will re-align the strategic imperatives of the business to minimise the impact while capturing the growth opportunities in the explosive market potential in the long-term.

The Group is determined to carry on its expansion into the mobile Internet-related services area, with a focus on music and city infotainment services. In the music sector, the Group will continue its effort in building a platform for local music talents to create and publicise their works. Currently, a platform has been created for enjoying pop music as well as new local music. In addition to forming partnership with international record labels, building alliances with music industry players is essential to the Group's business expansion. Therefore, the Group has established strategic alliances with over 15 local record labels. Continuous alliance formation will be an important component to the success of the Group in the coming years.

In 2006, the Group re-launched ChinaQuest.com, a web-based city infotainment service, with a powerful search engine. The partnership with China Telecom's yellow page has not only enabled the Group to increase the spectrum of services, but also contributed to the enrichment of the city information content. Currently, the Group has rolled out city information content services in 12 cities. In 2007, the Group will expand the city infotainment service in these cities and into other untapped markets.

In 2006, the Group strengthened its mobile Internet platform. Building on this foundation, the Group will seek to secure greater market share in 2007. One of the key strategic directions for the provision of services in 2007 is to increase user interactivities by implementing Web 2.0 applications in both the Internet and WAP services.

Set out below is the unaudited pro forma information on the Remaining Group as extracted from Appendix V to the Circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP AS AT 30 JUNE 2006

The following is a pro forma consolidated balance sheet of the Remaining Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 30 June 2006. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 30 June 2006 or at any future dates.

	Audited consolidated balances of the Group	Pro forma adjustments			Unaudited pro forma consolidated balances of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
ASSETS					
Non-current assets					
Property, plant and equipment	6,183				6,183
Investments in associated companies	2,142,737	(2,142,737)			–
Intangible assets	–				–
	2,148,920				6,183
Current assets					
Trade receivables	4,266				4,266
Prepayments, deposits and other receivables	1,368				1,368
Amount due from an associated company	113,328				113,328
Amount due from a related company	813				813
Cash and bank balances	27,691	83,644			111,335
	147,466				231,110
Total assets	2,296,386				237,293
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	16,154				16,154
Other reserves	(82,905)	(53,185)	(59,510)		(195,600)
(Accumulated losses)/retained profits	(30,538)	365,554	59,510	(114,403)	280,123
	(97,289)				100,677

	Audited consolidated balances of the Group	**Pro forma adjustments**			**Unaudited pro forma consolidated balance of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
LIABILITIES					
Non-current liabilities					
Loans from a fellow subsidiary	278,024	(278,024)			–
Promissory note issued to a fellow subsidiary	886,749	(886,749)			–
Convertible bond	28,261	(28,261)			–
Subscription note	1,178,008	(1,178,008)			–
	2,371,042				–
Current liabilities					
Trade payables	809				809
Accrued charges, other payables, deposits received and deferred income	15,779				15,779
Amounts due to fellow subsidiaries	420	(420)			–
Amount due to an associated company	5,625				5,625
Dividend payable				114,403	114,403
	22,633				136,616
Total liabilities	2,393,675				136,616
Total equity and liabilities	2,296,386				237,293
Net current assets	124,833				94,494
Total assets less current liabilities	2,273,753				100,677

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix I to this circular.

2. The adjustments have been made to record (a) a gain of approximately HK$13,291,000 in the consolidated income statement and a decrease of approximately HK$53,185,000 in convertible bond reserve in other reserves on extinguishment of the Subscription Note and the Convertible Bond before their respective original maturity dates in accordance with Hong Kong Accounting Standard 32 Financial Instruments – Disclosure and Presentation, (b) a gain on the Disposal of approximately HK$352,263,000, and (c) net cash inflows of approximately HK$83,644,000 being the sales proceeds from the Disposal of HK$2,500,000,000 from NWD after set-off of the aggregate amount of approximately HK$2,411,356,000 owing by NWM to PPG under the Subscription Note, NWCBN under the Convertible Bond and amounts due to fellow subsidiaries and NWF under the promissory note issued to a fellow subsidiary, loans from a fellow subsidiary and amounts due to fellow subsidiaries, and payment of professional fee incurred for the Disposal.

   The financial impact of the extinguishment of the Subscription Note and the Convertible Bond before their respective original maturity dates is arrived based on an assumption that at the date of the extinguishment, the Company could have issued non-convertible debt with similar term bearing a coupon interest rate of 5.21% per annum and 5.20% per annum for the Subscription Note and the Convertible Bond respectively.

3. The adjustments have been made to transfer the remaining balance in convertible bond reserve in other reserves to accumulated losses due to the extinguishment of the Subscription Note and the Convertible Bond.

4. The adjustment represents declaration of the Special Dividend to be financed by the Cash Consideration. Based on 95,336,069 Shares in issue as at 30 June 2006 and the Special dividend of HK$1.20 per Share, the total amount of the Special Dividend will be approximately HK$114.4 million.

5. Save for the Disposal, no adjustment has been made to reflect any other results of transactions of the Group entered into subsequent to 30 June 2006.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP FOR THE YEAR ENDED 30 JUNE 2006

The following is an illustrative and pro forma consolidated income statement of the Remaining Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 1 July 2005. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 1 July 2005 or at any future dates.

	Audited consolidated amounts of the Group	**Pro forma adjustments**		**Unaudited pro forma consolidated amounts of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Continuing operations:				
Turnover	16,515			16,515
Cost of sales	(4,842)			(4,842)
Gross profit	11,673			11,673
Other income	823			823
Other net losses	(65,436)			(65,436)
Selling expenses	(9,775)			(9,775)
Administrative expenses	(35,797)			(35,797)
Operating loss	(98,512)			(98,512)
Finance costs	(62,786)	60,526		(2,260)
Share of results of associated companies	27,731	(27,731)		–
Gain on disposal of associated companies	–		379,994	379,994
(Loss)/profit before taxation	(133,567)			279,222
Taxation	–			–
Loss from continuing operations	(133,567)			279,222
Discontinued operations:				
Profit from discontinued operations	1,045,209	(1,045,209)		–
Profit attributable to shareholders	911,642			279,222

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix I to the circular.

2. The adjustments have been made to (a) the reverse interest expenses of approximately HK$62,786,000 for the year ended 30 June 2006 on the Subscription Note, the Convertible Bond, the promissory note issued to a fellow subsidiary and loans from a fellow subsidiary which would have been avoided assuming they have been redeemed or fully repaid on 1 July 2005; (b) recognise a net loss of approximately HK$2,260,000 on extinguishment of the Subscription Note and Convertible Bond before their respective original maturity dates in accordance with Hong Kong Accounting Standard 32 Financial Instruments – Disclosure and Presentation; and (c) the reverse share of results of the CSL NWM Group, the associated companies, for the three months ended 30 June 2006 and profit from discontinued operations as it is assumed the Disposal had taken place on 1 July 2005.

   The financial impact of the extinguishment of the Subscription Note and the Convertible Bond before their respective original maturity dates is arrived based on an assumption that at the date of the extinguishment, the Company could have issued non-convertible debt with similar term bearing a coupon interest rate of 4.00% per annum and 4.02% per annum for the Subscription Note and the Convertible Bond respectively.

3. The adjustment represents the gain on the Disposal as if the Disposal Completion had taken place on 1 July 2005.

4. Save for the Disposal, no adjustment has been made to reflect any other results of transactions of the Group entered into subsequent to 30 June 2006.

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP FOR THE YEAR ENDED 30 JUNE 2006

The following is an illustrative and pro forma consolidated cash flow statement of the Remaining Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if it had taken place on 1 July 2005. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 1 July 2005 or at any future dates.

	Audited consolidated amounts of the Group	**Pro forma adjustments**				**Unaudited pro forma consolidated amounts of the Remaining Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Operating activities						
Cash used in continuing operations	(26,304)					(26,304)
Interest paid	(16,108)		6,668			(9,440)
Dividend paid	–				(114,403)	(114,403)
Net cash used in continuing operations	(42,412)					(150,147)
Net cash generated from discontinued operations	131,421	(131,421)				–
Net cash generated from/(used in) operating activities	89,009					(150,147)
Investing activities						
Purchase of property, plant and equipment	(86)					(86)
Acquisition of subsidiaries	9,896					9,896
Disposal of subsidiaries	384					384
Acquisition of associated companies	(276,384)					(276,384)
Disposal of associated companies	–			2,495,000		2,495,000
Dividend received from an associated company	7,523					7,523
Interest received	823					823
Net cash (used in)/generated from continuing operations	(257,844)					2,237,156
Net cash used in discontinued operations	(96,302)	96,302				–
Net cash (used in)/generated from investing activities	(354,146)					2,237,156

	Audited consolidated amounts of the Group	Pro forma adjustments				Unaudited pro forma consolidated amounts of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Financing activities						
Increase in loans from a fellow subsidiary	278,024					278,024
Repayment of loans from fellow subsidiary, promissory note issued to a fellow subsidiary, subscription note and convertible bond				(2,393,059)		(2,393,059)
Net cash used in repayment of bank loan and amount due to the ultimate holding company of discontinued operations	(102,500)	102,500				–
Net cash generated from/(used in) financing activities	175,524					(2,115,035)
Net decrease in cash and cash equivalents	(89,613)					(28,026)
Cash and cash equivalents at the beginning of the year	116,534					116,534
Cash and cash equivalents at the end of the year	26,921					88,508

Notes:

1. The amounts have been extracted without adjustment from the accountants' report on the Group as set out in Appendix I to the circular.

2. The adjustments have been made to reverse cash flows of the NWPCS Group for the nine months from 1 July 2005 to 31 March 2006 (date of actual disposal of the NWPCS Group) as if the disposal of the NWPCS Group had taken place on 1 July 2005.

3. The adjustment has been made to reverse interest paid for interest expenses during the year ended 30 June 2006 as if the repayment of the relevant loans, the promissory note and the Convertible Bond had been made on 1 July 2005.

4. The adjustments have been made to record cash inflow generated from the Consideration of HK$2,500,000,000 from NWD after payment of professional fee for the Disposal, and cash outflow for the repayment of all amounts owing to PPG under the Subscription Note, NWCBN under the Convertible Bond and New World Finance under the promissory note and loans from a fellow subsidiary by way of set-off against the Consideration from NWD.

5. The adjustment represents payment of the Special Dividend to be financed by the Cash Consideration. Based on 95,336,069 Shares in issue as at 30 June 2006 and the Special dividend of HK$1.20 per Share, the total amount of the Special Dividend will be approximately HK$114.4 million.

6. Save for the Disposal, no adjustment has been made to reflect any other results of transactions of the Group entered into subsequent to 30 June 2006.

4. REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the Company's auditors and reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix V to the Circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF NEW WORLD MOBILE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of New World Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 160 to 166 under the heading of "Unaudited Pro Forma Financial Information" (the "Unaudited Pro Forma Financial Information") in Appendix V to the Company's circular dated 15 December 2006, in connection with the proposed very substantial disposal of the entire issued share capital of, and loan to Upper Start Holdings Limited (the "Transaction") by the Company (the "Circular"). 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 Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 160 to 166 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 audited consolidated balance sheet as at 30 June 2006, and income and cash flows statements of the Group for the year ended 30 June 2006 with the accountants' report as set out in Appendix I to this 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, it 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 June 2006 or any future date, or

– the results and cash flows of the Group for the year ended 30 June 2006 or any future periods.

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, 15 December 2006

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than those information relating to the Offeror), and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this document (other than those information relating to the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this document (other than those information relating to the Offeror), the omission of which would make any such statement contained in this document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document (other than those information relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, the opinions expressed in this document (other than those relating to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document (other than those information relating to the Group), the omission of which would make any statement contained in this document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands with limited liability under the law of the Cayman Islands. Its registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business in Hong Kong is at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares		*HK$*
Authorised:		
2,000,000,000	Shares	2,000,000,000
Issued and fully paid or credited as fully paid:		
97,692,069	Shares	97,692,069

Save for 2,278,000 Shares which had been issued upon the full exercise of 2,278,000 options granted under the share option schemes of the Company to the relevant holders thereof, since 30 June 2006 (being the date to which the latest published audited accounts of the Group were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company. All Shares currently in issue rank pari passu in all respects with each others, including, in particular, as to dividends, voting rights and return of capital.

Save for 278,000 options granted under the share option schemes of the Company to Mr. Lo, the sole director and sole beneficial owner of the Offeror, which entitle Mr. Lo to subscribe for 278,000 Shares, there were no outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date. Mr. Lo has undertaken in writing not to exercise his options from 22 November 2006 (being the date of the Announcement) until the close of the Share Offer.

The issued Shares are listed and traded on the main board of the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchanges.

4. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last trading day for each of the six calendar months immediately preceding the date of the Announcement; (ii) 30 November 2006; (iii) 29 December 2006; and (iv) the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
30 May 2006	1.56
30 June 2006	1.48
31 July 2006	1.50
31 August 2006	1.70
29 September 2006	1.70
31 October 2006	1.60
30 November 2006	2.20
29 December 2006	1.83 *(Note)*
Latest Practicable Date	1.62 *(Note)*

Note: Dealings in the Shares on an ex-dividend basis in relation to the Special Dividend commenced on 27 December 2006.

The closing price of the Shares quoted on the Stock Exchange on 13 November 2006, being the last trading day prior to the Suspension, was HK$1.63 per Share. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$2.73 per Share on 22 December 2006 and HK$1.36 per Share on 27 December 2006 respectively.

5. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange or were required to be disclosed in this document pursuant to the requirements of the Takeovers Code, were as follows:

(i) the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares were as follows:

	Number of Shares				
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of issued capital as at the Latest Practicable Date**
Dr. Cheng Kar Shun, Henry	780,000[1]	–	–	780,000	0.80%
Mr. Doo Wai Hoi, William, *JP*	300,000[1]	–	–	300,000	0.31%
Dr. Wai Fung Man, Norman	482,000[1]	–	–	482,000	0.49%
Mr. Chow Yu Chun, Alexander	482,000[1]	–	–	482,000	0.49%
Mr. Ho Hau Chong, Norman	78,000[1]	–	–	78,000	0.08%
Mr. Kwong Che Keung, Gordon	78,000[1]	–	–	78,000	0.08%
Mr. Hui Chiu Chung, *JP*	78,000[1]	–	–	78,000	0.08%
Mr. Lo	–	–	55,336,666[2]	55,336,666	56.64%

Note:

(1) The 2,278,000 Shares were issued by the Company to the relevant Directors following the full exercise of the options granted pursuant to the share option schemes of the Company at the respective exercise prices. Details of these options already exercised are set out below:

Name	Number of share options granted	The underlying Shares under the share options	Date of grant	Exercise price	Exercise period	Exercise date
Dr. Cheng Kar Shun, Henry	780,000	780,000	28 January 2005	1.26	28 January 2005 to 31 December 2010	4 December 2006
Mr. Doo Wai Hoi, William, *JP*	300,000	300,000	28 January 2005	1.26	28 January 2005 to 31 December 2010	4 December 2006
Dr. Wai Fung Man, Norman	482,000	482,000	28 January 2005	1.26	28 January 2005 to 31 December 2010	4 December 2006
Mr. Chow Yu Chun, Alexander	482,000	482,000	28 January 2005	1.26	28 January 2005 to 31 December 2010	30 November 2006
Mr. Ho Hau Chong, Norman	78,000	78,000	28 January 2005	1.26	28 January 2005 to 31 December 2010	28 November 2006
Mr. Kwong Che Keung, Gordon	78,000	78,000	28 January 2005	1.26	28 January 2005 to 31 December 2010	28 November 2006
Mr. Hui Chiu Chung, *JP*	78,000	78,000	8 April 2005	1.276	8 April 2005 to 31 December 2010	4 December 2006

(2) Upon the Acquisition Completion, 55,336,666 Shares were acquired by the Offeror, which is beneficially wholly owned by Mr. Lo, from NWD. As such, Mr. Lo is deemed to be interested in these Shares.

(ii) the associated corporations of the Company

As at the Latest Practicable Date, none the Directors had any interests in the shares of the associated corporations of the Company.

(iii) interests in underlying shares – share options of the Company

As at the Latest Practicable Date, the following Director had personal interest in options to subscribe for the Shares granted under the share option schemes of the Company:

Name of Director	**Number of share options as at the Latest Practicable Date**	**Date of grant**	**Exercise price** *HK$*	**Exercise period**
Mr. Lo	200,000 *(Note)*	8 February 2002	2.440	9 February 2002 to 8 February 2008
	78,000 *(Note)*	28 January 2005	1.260	28 January 2005 to 31 December 2010

Note:

Mr. Lo has undertaken in writing not to exercise his share options from 22 November 2006 up to the close of the Share Offer.

As at the Latest Practicable Date, save as disclosed above, 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange or were required to be disclosed in this document pursuant to the requirements of the Takeovers Code.

(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 the Directors or chief executive of the Company) had an interest or short position in the Shares or/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 were as follows:

Interests in the Shares and underlying Shares

Name	Capacity	Interests in the Shares	Interests in physically settled unlisted equity derivatives	Total	Approximate percentage of issued capital as at the Latest Practicable Date
Million Dollar Trading Limited	Beneficial owner	16,091,846	–	16,091,846	16.47%
NWCB	Interest of a controlled corporation	16,091,846 (1)	–	16,091,846	16.47%
The Offeror	Beneficial owner	55,336,666 (2)	–	55,336,666	56.64%
Mr. Lo	Interest of a controlled corporation	55,336,666 (2)	–	55,336,666	56.64%
Mr. Lo	Beneficial owner	–	278,000 (3)	278,000	0.28%

Notes:

(1) Million Dollar Trading Limited is a wholly-owned subsidiary of NWCB. Accordingly, NWCB is deemed to be interested in the Shares held by Million Dollar Trading Limited.

(2) Upon the Acquisition Completion, 55,336,666 Shares were acquired by the Offeror, which is beneficially wholly owned by Mr. Lo, from NWD. As such, Mr. Lo is deemed to be interested in these Shares.

(3) These 278,000 underlying Shares represent the Shares which may be issued upon the exercise of 278,000 share options granted to Mr. Lo pursuant to the share option schemes of the Company. Mr. Lo has undertaken in writing not to exercise his share options from 22 November 2006 up to the close of the Share Offer.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/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 members of the Group.

Save as stated above, as at the Latest Practicable Date, according to the register of interests required to be kept by the Company under Section 336 of the SFO, no other persons were recorded to hold any long or short positions in the Shares or underlying Shares of the equity derivatives of the Company.

6. DISCLOSURE OF SHAREHOLDING IN THE GROUP AND THE OFFEROR

As at the Latest Practicable Date,

(a) save for (i) 73,706,512 Shares owned by the Offeror and parties presumed to be acting in concert with it (of which 55,336,666 Shares were owned by the Offeror, 16,091,846 Shares were beneficially owned by NWCB, being a party presumed to be acting in concert with the Offeror and 2,278,000 Shares were owned by the Directors (save for Mr. Lo), being parties presumed to be acting in concert with the Offeror), representing approximately 75.45% of the voting rights of the Company as at the Latest Practicable Date; and (ii) 278,000 options to subscribe for 278,000 Shares granted under the share option schemes of the Company to Mr. Lo, being the sole beneficial owner and director of the Offeror, none of the Offeror and parties presumed to be acting in concert with it owned or controlled any securities of the Company;

(b) no subsidiary of the Company or any pension fund of the Group owned or controlled any securities in the Company;

(c) none of the professional advisers named under the paragraph headed ‘‘Consents and qualifications’’ below in this Appendix or any adviser to the Company as specified in class (2) of the definition of ‘‘associate’’ under the Takeovers Code, owned or controlled any securities of the Company;

(d) no Shares were managed on a discretionary basis by fund managers connected with the Company;

(e) none of the Shareholders had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with it;

(f) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of ‘‘associate’’ under the Takeovers Code had any interest in any securities of the Company; and

(g) save for Mr. Lo, who will be re-designated as an executive Director with effect from 11 January 2007, being the date of despatch of this document, and the sole director and sole beneficial owner of the Offeror, none of the Company and the other Directors were interested in the issued shares of the Offeror.

7. DEALINGS IN SECURITIES

During the Relevant Period,

(a) save for (i) the acquisition of the Sale Shares by the Offeror pursuant to the Acquisition Agreement; and (ii) the exercise of the options owned by the Directors as mentioned in sub-paragraph (b) below, none of the Offeror, Mr. Lo (being the sole beneficial owner and director of the Offeror) or parties presumed to be acting in concert with any of them had dealt for value in any securities of the Company;

(b) save for (i) the acquisition of the Sale Shares by the Offeror pursuant to the Acquisition Agreement; (ii) Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman and Mr. Chow Yu Chun, Alexander, being the executive Directors, exercised their 780,000 options, 300,000 options, 482,000 options and 482,000 options granted under the share option schemes of the Company on 4 December 2006, 4 December 2006, 4 December 2006 and 30 November 2006 respectively at the exercise price of HK$1.26 per Share; (iii) Mr. Ho Hau Chong, Norman, being a non-executive Director, exercised his 78,000 options granted under the share option schemes of the Company on 28 November 2006 at the exercise price of HK$1.26 per Share; and (iv) Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors, exercised their 78,000 options and 78,000 options granted under the share option schemes of the Company on 28 November 2006 and 4 December 2006 at the exercise prices of HK$1.26 per Share and HK$1.276 per Share respectively, neither the Company nor any of other Directors dealt for value in the securities of the Offeror or the Company;

(c) none of the subsidiaries of the Company or, any pension funds of the Group nor any adviser to the Company as specified in class (2) of the definition of ''associate'' under the Takeovers Code had dealt for value as principal in any securities of the Company;

(d) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any parties acting in concert with it had dealt for value in any securities of the Company;

(e) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of ''associate'' under the Takeovers Code had dealt for value in any securities of the Company; and

(f) no fund managers other than exempted fund managers who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities of the Company.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts with the Company or any of its subsidiaries or associated companies in force for the Directors which:

(i) had been entered into or amended within the Relevant Period; or

(ii) were continuous contracts with a notice period of 12 months or more; or

(iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group after the date of two years immediately preceding 22 November 2006, being the date of the Announcement, and up to the Latest Practicable Date, and are or may be material:

(a) the agreement dated 12 September 2005 entered into between the Company and NWCB in relation to the sale and purchase of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS") at a consideration of HK$20,999,999 which was satisfied by the issue of 16,153,846 Shares at an issue price of HK$1.30 per Share by the Company to NWCB;

(b) the deed of assignment of loan dated 21 October 2005 entered into between NWCB as assignor, the Company as assignee and NWCS in relation to the assignment of the interest-free shareholder's loan owed from NWCS to NWCB and its subsidiaries, at a consideration of HK$1.00, subject to and upon the terms and conditions contained therein;

(c) the loan agreement dated 9 November 2005 entered into between New World PCS Limited ("NWPCS") as borrower and New World Finance as lender pursuant to which New World Finance agreed to make available to NWPCS a loan facility of up to HK$60,000,000 subject to and upon the terms and conditions contained therein;

(d) the merger agreement dated 8 December 2005 (the "Merger Agreement") entered into between the Company, CSL NWM and Telstra Holdings (Bermuda) No. 2 Limited ("Telstra Holdings") in relation to CSL NWM;

(e) the shareholders' agreement dated 8 December 2005 entered into among NWD, the Company, Upper Start Holdings Limited, Telstra Corporation Limited ("Telstra Corporation"), Telstra Holdings and CSL NWM to set out the respective rights and obligations of the shareholders of CSL NWM in relation to the CSL NWM Group, including but without limitation to its principal business, board composition, management as well as dividend policy;

(f) the two subscription agreements dated 8 December 2005 entered into between (i) the Company, New World PCS Holdings Limited ("NWPCS Holdings") and CSL NWM; and (ii) Telstra Holdings, CSL NWM and the Company, in relation to the subscription for shares in NWPCS Holdings and CSL NWM respectively, at such amount of consideration so as to discharge all outstanding debts due by NWPCS Holdings and CSL NWM respectively and to give effect to certain adjustments under the Merger Agreement;

(g) the loan agreement dated 27 March 2006 entered into between New World Finance as lender and the Company as borrower for the advancement of a loan of HK$244,024,000;

(h) the loan agreement dated 30 March 2006 entered into between New World Finance as lender, the Company as borrower and pursuant to which New World Finance agreed to make available to the Company a loan facility of up to HK$900,000,000;

(i) the amendment agreement dated 30 March 2006 entered into between CSL NWM, Telstra Holdings, Telstra Corporation, NWD, Upper Start Holdings Limited and the Company in relation to the Merger Agreement;

(j) the loan agreement dated 29 May 2006 entered into between the Company as borrower and New World Finance as lender pursuant to which New World Finance agreed to make available to the Company a loan facility of up to HK$70,000,000;

(k) the amendment agreement dated 25 August 2006 entered into between CSL NWM, Telstra Holdings, Telstra Corporation, Upper Start Holdings Limited, NWPCS Holdings and the Company in relation to the Merger Agreement; and

(l) the S&P Agreement.

11. CONSENTS AND QUALIFICATIONS

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

Name	Qualification
CIMB-GK Securities (HK) Limited	Licensed by the SFC for carrying out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
PricewatershouseCoopers	Certified Public Accountants
Taifook Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Taifook Securities Company Limited	A licensed corporation to carry on Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities under the SFO

Each of CIMB-GK, Taifook Capital, Taifook Securities and PricewaterhouseCoopers has given and has not withdrawn its respective written consents to the issue of this document with the inclusion herein of its letters (if applicable) and references to its name in the form and context in which they respectively appear.

12. GENERAL

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for his loss of office or otherwise in connection with the Share Offer.

(b) As at the Latest Practicable Date, save for the Acquisition Agreement entered into among the Offeror, NWD and Mr. Lo, there were no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the outcome of the Share Offer.

(c) As at the Latest Practicable Date, save for (i) the Acquisition Agreement entered into among the Offeror, NWD and Mr. Lo; (ii) the re-designation of Mr. Lo and Mr. Ho Hau Chong, Norman as the executive Directors with effect from 11 January 2007, the date of despatch of this document; (iii) the resignation of Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander and Mr. To Hin Tsun, Gerald as executive Directors with effect from the Closing Date; and (iv) the resignation of Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP* as independent non-executive Directors with effect from the Closing Date, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer.

(d) As at the Latest Practicable Date, none of the Offer Shareholders had irrevocably committed to accepting or rejecting the Share Offer.

(e) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director has a material personal interest save for items (a) and (b) in the paragraph headed "Material contracts" of this Appendix and the Acquisition Agreement.

(f) As at the Latest Practicable Date, the Offeror had no intention to transfer, charge or pledge the Shares acquired in pursuance of the Share Offer to any other persons.

(g) NWCB, a party presumed to be acting in concert with the Offeror, the issued shares of which are listed on the main board of the Stock Exchange, was interested in 16,091,846 Shares, representing approximately 16.47% of voting rights of the Company as at the Latest Practicable Date. The head office and principal place of business of NWCB is at 21st Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. Based on publicly available information, save for Golden Infinity Co., Ltd. (a company which is wholly and beneficially owned by its sole director, Mr. Lo) which was interested in approximately 14.57% of the issues share capital of NWCB as at the Latest Practicable Date, there was no other substantial or controlling shareholder of NWCB as at the Latest Practicable Date. Based on publicly available information, as at the Latest Practicable Date, the directors of NWCB comprised (i) two executive directors, namely Mr. Lo and Ms. Yvette Ong; (ii) a non-executive director, namely Mr. To; and (iii) three independent non-executive directors, namely Mr. Tsui Hing Chuen, William, *JP* , Mr. Peter Pun, *OBE, JP*, and Mr. Lau Wai Piu.

(h) The following members of the Board, which comprise: (i) Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander and Mr. To Hin Tsun, Gerald, being the executive Directors as at the Latest Practicable Date; (ii) Mr. Ho Hau Chong, Norman, being a non-executive Director as at the Latest Practicable Date; and (iii) Mr. Kwong Che Keung, Gordon, Mr. Hui Chiu Chung and Mr. Tsui Hing Chuen, William, *JP*, being the independent non-executive Directors as at the Latest Practicable Date, are parties presumed to be acting in concert with the Offeror. The interests of the Directors in the voting rights of the Company are set out in the section headed "Disclosure of interests" of this Appendix. The correspondence address of the aforesaid Directors is the principal place of business of the Company in Hong Kong, at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong.

(i) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The Offeror is beneficially and wholly owned by Mr. Lo, who is the sole director of the Offeror. The correspondence address of Mr. Lo is at 25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong.

(j) The registered office of CIMB-GK is at 25/F., Central Tower, 28 Queen's Road Central, Hong Kong.

(k) The registered office of each of Taifook Capital and Taifook Securities is at 25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong.

(l) As at the Latest Practicable Date, there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with it and any other persons.

(m) The English texts of this document and the Form of Acceptance shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at (i) the principal place of business of the Company in Hong Kong at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong; (ii) the website of the SFC at www.sfc.hk; and (iii) the website of the Company at www.newworldmobile.com.hk, from 11 January 2007, the date of this document up to and including the Closing Date:

(a) the memorandum and articles of association the Offeror;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for the two years ended 30 June 2006;

(d) the letter dated 11 January 2007 from Taifook Securities, the text of which is set out on pages 7 to 14 of this document;

(e) the letter dated 11 January 2007 from CIMB-GK to the Independent Board Committee, the text of which is set out on pages 19 to 33 of this document;

(f) the letter dated 11 January 2007 from the Independent Board Committee to the Offer Shareholders, the text of which is set out on page 18 of this document;

(g) the accountants' report on the Group from PricewaterhouseCoopers dated 15 December 2006, the text of which is extracted from Appendix I to the Circular and the written statement signed by PricewaterhouseCoopers setting out the adjustments made by them in arriving at the figures shown in the accountants' report on the Group;

(h) the letter from PricewaterhouseCoopers on the unaudited pro forma financial information of the Remaining Group dated 15 December 2006, the text of which is extracted from Appendix V to the Circular;

(i) the letters of consents referred to in the paragraph headed "Consents and qualifications" in this Appendix;

(j) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix; and

(k) the Circular.