新移動

New World Mobile Holdings Limited

Corporate Information

BOARD OF 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. Chow Yu Chun, Alexander
Mr. To Hin Tsun, Gerald

Non-executive Directors:

Mr. Ho Hau Chong, Norman
Mr. Lo Lin Shing, Simon

Independent Non-executive Directors:

Mr. Hui Chiu Chung, *JP*
Mr. Kwong Che Keung, Gordon
Mr. Wei Chi Kuan, Kenny

COMPANY SECRETARY

Mr. Sien Yun Man

QUALIFIED ACCOUNTANT

Mr. Sien Yun Man

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

Standard Chartered Bank

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(Chairman)*
Mr. Hui Chiu Chung, *JP*
Mr. Wei Chi Kuan, Kenny

REMUNERATION COMMITTEE

Dr. Wai Fung Man, Norman *(Chairman)*
Mr. Hui Chiu Chung, *JP*
Mr. Wei Chi Kuan, Kenny

REGISTERED OFFICE

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George Town
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Chevalier Commercial Centre
8 Wang Hoi Road
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PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Cayman) Limited
Butterfield House
P.O. Box 705
George Town
Grand Cayman
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HONG KONG BRANCH SHARE REGISTRARS

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Member of New World Group

Condensed Consolidated Profit and Loss Statement

The board of directors (the "Board") of New World Mobile Holdings Limited (the "Company") is pleased to present the interim report and condensed consolidated accounts of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2005. The unaudited condensed consolidated accounts (namely, (a) condensed consolidated profit and loss statement, (b) condensed consolidated balance sheet, (c) condensed consolidated cash flow statement, and (d) condensed consolidated statement of changes in equity) of the Group for the six months ended 31 December 2005, which are all unaudited, together with the selected explanatory notes, are set out as below. The above unaudited consolidated results have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Statement of Auditing Standards SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and by the Audit Committee of the Board.

		Six months ended 31 December	
	Note	**2005 HK$'000 (Unaudited)**	2004 HK$'000 (Unaudited) (As restated)
Continuing operations:			
Turnover	3	**1,559**	4,261
Cost of sales		**(1,188)**	(1,332)
Gross profit		**371**	2,929
Other income		**180**	46
Selling expenses		**(681)**	–
Administrative expenses		**(67)**	(3,675)
Operating loss	5	**(197)**	(700)
Finance costs	6	**(23,819)**	(21,702)
Loss before taxation		**(24,016)**	(22,402)
Taxation	7	**–**	(51)
Loss from continuing operations		**(24,016)**	(22,453)
Discontinuing operations:			
Profit from discontinuing operations	8	**21,290**	60,577
(Loss)/profit for the period		**(2,726)**	38,124
Attributable to:			
Equity holders of the Company		**(2,726)**	38,124
Minority interest		**–**	–
		(2,726)	38,124
Dividend	9	**–**	–
Loss per share from continuing operations attributable to equity holders			
– Basic	10	**(HK$0.28)**	(HK$0.29)
– Diluted	10	**(HK$0.00)**	(HK$0.00)
Earnings per share from discontinuing operations attributable to equity holders			
– Basic	10	**HK$0.25**	HK$0.78
– Diluted	10	**HK$0.02**	HK$0.06

Condensed Consolidated Balance Sheet

	Note	**As at 31 December 2005 HK$'000 (Unaudited)**	As at 30 June 2005 HK$'000 (As restated)
ASSETS			
Non-current assets			
Fixed assets	11	**2,877**	1,068,301
Investment property	11	**3,900**	–
Investments in associated companies		**–**	–
Intangible assets	11	**72,959**	65,964
Deferred taxation		**–**	167,472
Rental and other deposits		**–**	8,882
		79,736	1,310,619
Current assets			
Inventories		**–**	38,024
Trade receivables	12	**2,441**	94,015
Prepayments and other receivables		**2,382**	42,112
Handset subsidies		**–**	34,886
Rental and other deposits		**–**	39,421
Amount due from fellow subsidiaries		**–**	29
Amount due from a related company		**777**	813
Cash and bank balances	13	**25,743**	116,534
		31,343	365,834
Assets directly associated with discontinuing operations	8	**1,492,203**	–
		1,523,546	365,834
Total assets		**1,603,282**	1,676,453
EQUITY			
Capital and reserves attributable to the Group's equity holders			
Share capital	16	**16,454**	300
Other reserves	17	**(83,205)**	(88,051)
Accumulated losses	17	**(825,499)**	(822,773)
Total deficit on shareholders' fund		**(892,250)**	(910,524)

Condensed Consolidated Balance Sheet

	Note	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000 (As restated)
LIABILITIES			
Non-current liabilities			
Convertible bond	18	**27,984**	28,250
Subscription note	1(b)	**1,154,856**	1,131,199
Loan from a fellow subsidiary		**–**	877,500
Asset retirement obligations		**–**	6,529
		1,182,840	2,043,478
Current liabilities			
Trade payables	14	**974**	108,086
Accrued charges, other payables, deposits received and deferred income		**7,704**	320,935
Amount due to a fellow subsidiary		**570**	11,132
Amount due to a related company		**–**	846
Bank loan	15	**–**	102,500
		9,248	543,499
Liabilities directly associated with discontinuing operations	8	**1,303,444**	–
		1,312,692	543,499
Total liabilities		**2,495,532**	2,586,977
Total equity and liabilities		**1,603,282**	1,676,453
Net current assets/(liabilities)		**210,854**	(177,665)
Total assets less current liabilities		**290,590**	1,132,954

The assets and liabilities of New World PCS Holdings Limited ("NWPCS Holdings") and its subsidiaries (collectively, the "NWPCS Group") as at 30 June 2005 included in the condensed consolidated balance sheet were not presented as discontinuing operations in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5 ("HKFRS 5") "Non-current Assets Held for Sale and Discontinued Operations".

Condensed Consolidated Cash Flow Statement

	Note	Six months ended 31 December 2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited)
Net cash inflow from operating activities of continuing and discontinuing operations		**83,583**	197,205
Net cash outflow from investing activities of continuing and discontinuing operations		**(70,606)**	(41,213)
Net cash outflow from financing activities of continuing and discontinuing operations		**(42,500)**	(135,000)
Net (decrease)/increase in cash and cash equivalents		**(29,523)**	20,992
Cash and cash equivalents at the beginning of the period		**116,534**	94,444
Cash and cash equivalents at the end of the period		**87,011**	115,436
Analysis of cash and cash equivalent balances:			
Cash and bank balances of continuing operations	13	**24,973**	115,436
Cash and bank balances classified as assets directly associated with discontinuing operations		**62,038**	–
		87,011	115,436

Condensed Consolidated Statement of Changes in Equity

		Six months ended 31 December	
	Notes	**2005 HK$'000 (Unaudited)**	2004 HK$'000 (Unaudited) (As restated)
Total deficit at the beginning of the period, as previously reported		**(983,621)**	(875,286)
Accretion and depreciation expenses arising from asset retirement obligations		**(4,585)**	(3,541)
Interest expenses on convertible bond and Subscription Note		**(35,013)**	–
Renewal of convertible bond		**40**	–
Issue of Subscription Note		**112,655**	–
Total deficit at the beginning of the period, as restated		**(910,524)**	(878,827)
(Loss)/profit for the period		**(2,726)**	38,124
Issue of shares	16 & 17	**21,000**	914,092
Arising from reverse acquisition	17	**–**	(1,115,538)
Renewal of convertible bond		**–**	40
Issue of Subscription Note		**–**	112,655
Total deficit at the end of the period		**(892,250)**	(929,454)

Notes to Condensed Consolidated Accounts

1. BASIS OF PREPARATION

The above unaudited condensed consolidated accounts of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the HKICPA.

These unaudited condensed consolidated accounts should be read in conjunction with the 2005 annual accounts and the circular of the Company dated 7 March 2006.

On 29 March 2004, the Company, formerly known as Asia Logistics Technologies Limited, entered into a conditional 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; 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 immediate 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 any 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 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 long-term borrowings, 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 approximated its carrying value.

Interest expenses on the Subscription Note are calculated using the effective interest method by applying the effective interest rate of 4.10% 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 NWPCS Holdings and its subsidiaries from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Acquisition") was completed on 6 July 2004 (the "Completion Date").

Under the generally accepted accounting principles in Hong Kong, the 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 Acquisition. For accounting purposes, NWPCS Holdings is regarded as the acquirer while the Company and its subsidiaries before the Acquisition (collectively, the "Logistics Group") are deemed to have been acquired by NWPCS Holdings. As a result, these consolidated accounts have been prepared as a continuation of the consolidated accounts of the NWPCS Group (the "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 Acquisition;

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

(iv) the goodwill arising from the 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 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; and

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

In order to have a coterminous financial year end date with NWD and the NWPCS Group, the Board resolved on 10 December 2004 that the financial year end date of the Company be changed from 31 December to 30 June.

On 8 December 2005, the Company entered into a merger agreement (the "Merger Agreement") with Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited ("Telstra Holdings"). Upon the completion of the acquisition of 23.6% interest in the enlarged capital of Telstra CSL (the "Telstra CSL Acquisition"), the Company will account for its 23.6% interest in Telstra CSL as an investment in an associate, in exchange for the transfer of all of the Company's interests in the NWPCS Group (the "Disposal") and a cash payment of HK$244.024 million by the Company to Telstra CSL (hereinafter collectively referred to as the "Merger"). The NWPCS Group will cease to be subsidiaries of the Company upon completion of the Merger (the "Completion"). For the purpose of interim results, the results, assets and liabilities directly associated with the operations of the NWPCS Group are classified as discontinuing operations. The impact and details of the discontinuing operations are set out in Note 8.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing these unaudited condensed consolidated accounts of the Group are consistent with those being followed in preparing the annual accounts for the year ended 30 June 2005 except for the adoption of certain HKFRSs and HKASs as mentioned below and are consistent with those being followed in preparing the circular to the shareholders of the Company dated 7 March 2006.

The HKICPA has issued a number of new and revised HKFRSs and HKASs which are effective for accounting periods beginning on or after 1 January 2005.

(a) The Group has early adopted the following HKFRS and HKASs (the "HKFRS 3 Package") in the year ended 30 June 2005:

HKFRS 3 – Business Combinations
HKAS 36 – Impairment of Assets
HKAS 38 – Intangible Assets

Pursuant to the HKFRS 3 Package, goodwill is tested annually for impairment and is not subject to amortisation. The Group had not incurred any goodwill before 1 July 2004 and so there was no effect on opening balances by the early adoption of the HKFRS 3 Package.

The adoption of the HKFRS 3 Package resulted in:

	Six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Decrease in administrative expenses	**1,650**	1,605
Decrease in loss/increase in profit attributable to equity holders	**1,650**	1,605
Decrease in loss per share from continuing operations (basic)	**HK$0.02**	HK$0.02
Decrease in loss per share from continuing operations (diluted)	**HK$0.00**	HK$0.00
Increase in intangible assets	**4,905**	3,255
Decrease in accumulated losses	**4,905**	3,255

The early adoption of the HKFRS 3 Package does not have any other significant impacts on the accounting policies of the Group.

(b) The Group has adopted the new HKFRSs and HKASs below, which are relevant to its operations, in the preparation of the unaudited condensed consolidated financial statement for the six months ended 31 December 2005. The comparatives have been amended, as required, in accordance with the relevant requirements.

From 1 July 2005, the Group adopted the HKFRSs and HKASs below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Properties
HKAS Int 15	Operating Leases - Incentives
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 1, 2, 7, 8, 10, 17, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected certain presentation in the balance sheet, profit and loss statement and statement of changes in equity.

– HKASs 2, 7, 8, 10, 17, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group's entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and certain other related party disclosures.

The adoption of HKAS 16 has resulted in a change in accounting policy of which the costs of fixed assets include the estimates of obligations which arise from future reinstatement of leased properties.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. Furthermore, convertible bond and Subscription Note issued will be split into the liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the convertible bond or the Subscription Note is converted or redeemed. In prior years, the convertible bond and Subscription Note were recognised as liabilities only.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss statement as part of other income. Prior to the adoption of the standard, the increases in fair value, if any, would be credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 June 2005, the provision of share options to employees did not result in an expense in the profit and loss statement. Effective 1 July 2005, the Group expenses the cost of share options in the profit and loss statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 July 2005 was expensed retrospectively in the profit and loss statement of the respective period.

The adoption of HKFRS 5 has resulted in prospective application after the adoption date. A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liability directly associated with those assets that will be transferred in the transaction. On initial classification as held for sale and until disposal, the non-current assets (except for certain assets including deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment property), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial recognition as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit and loss statement. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

A discontinuing operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

An operation is classified as discontinuing when the criteria to be classified as "held for sale" have been met. Where an operation is classified as discontinuing, a single amount is presented on the face of the profit and loss statement, which comprises:

– the post-tax profit or loss of the discontinuing operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on disposal, of the assets or disposal group(s) constituting the discontinuing operation.

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

– HKAS 39 - does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for investments in securities" to investments in securities for information prior to 1 July 2005. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 July 2005.

– HKFRS 2 - only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 July 2005.

– HKFRS 5 - only prospective application after 1 July 2005.

(i) The adoption of HKAS 16 resulted in:

	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Increase in assets directly associated with discontinuing operations	**1,725**	1,944
Increase in accumulated losses	**5,430**	4,585
Increase in liabilities directly associated with discontinuing operations	**7,155**	6,529

	Six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Increase in loss/decrease in profit attributable to equity holders	**845**	522
Decrease in earnings per share from discontinuing operations (basic)	**HK$0.01**	HK$0.01
Decrease in earnings per share from discontinuing operations (diluted)	**HK$0.00**	HK$0.00

(ii) The adoption of HKASs 32 and 39 resulted in:

	As at 31 December	As at 30 June
	2005	2005
	HK$'000	HK$'000
	(Unaudited)	
Decrease in intangible assets	**32**	32
Decrease in convertible bond	**302**	36
Decrease in Subscription Note	**58,558**	77,678
Increase in other reserves	**112,695**	112,695
Increase in accumulated losses	**53,867**	35,013

	Six months ended 31 December	
	2005	2004
	HK$'000 (Unaudited)	HK$'000 (Unaudited)
Increase in loss/decrease in profit attributable to equity holders	**18,854**	16,861
Increase in loss per share from continuing operations (basic)	**HK$0.22**	HK$0.22
Increase in loss per share from continuing operations (diluted)	**HK$0.00**	HK$0.00

3. TURNOVER

Prior to the Completion, the Group is principally engaged in the provision of mobile communications services and the sales of mobile handsets and accessories through the NWPCS Group. Following the Completion, the continuing operations of the Group are principally engaged in the provision of technology-related services. Turnover recognised during the period is as follows:

	Six months ended 31 December	
	2005	2004
	HK$'000 (Unaudited)	HK$'000 (Unaudited) (As restated)
Turnover		
Information technology service	**1,492**	–
Gross rental income from an investment property	**67**	–
Logistics service	**–**	4,261
	1,559	4,261

The turnover directly associated with the discontinuing operations was excluded from the above figures and separately presented in Note 8.

4. SEGMENT REPORTING

(a) Primary reporting format – business segments

For the six months ended 31 December 2005, the business segments include:

- Mobile communications services, which is classified as discontinuing operations;
- Technology-related services; and
- Logistics services

The segment results for the six months ended 31 December 2005 are as follows:

	Six months ended 31 December 2005			
	Continuing operations			Discontinuing operations
	Technology-related services HK$'000 (Unaudited)	Logistics services HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Mobile communications services HK$'000 (Unaudited)
Turnover	1,559	-	1,559	999,071
Segment results	(5,180)	(92)	(5,272)	47,107
Other income			180	556
Unallocated corporate expenses			(2,628)	-
Reversal of write down of investments in associated companies			7,523	-
Operating (loss)/profit			(197)	47,663
Finance costs			(23,819)	(21,793)
(Loss)/profit before taxation			(24,016)	25,870
Taxation			-	(4,580)
(Loss)/profit for the period			(24,016)	21,290
Depreciation	255	65	320	132,391
Capital expenditures	7,001	-	7,001	89,073

The segment results for the six months ended 31 December 2004 are as follows:

	Six months ended 31 December 2004		
	Continuing operations		Discontinuing operations
	Logistics services	Total	Mobile communications services
	HK$'000	HK$'000	HK$'000
	(Unaudited)	(Unaudited)	(Unaudited)
	(As restated)	(As restated)	(As restated)
Turnover	4,261	4,261	854,424
Segment results	1,542	1,542	81,962
Other income		46	150
Unallocated corporate expenses		(2,288)	–
Operating (loss)/profit		(700)	82,112
Finance costs		(21,702)	(8,608)
Share of loss of an associated company		–	(3)
(Loss)/profit before taxation		(22,402)	73,501
Taxation		(51)	(12,924)
(Loss)/profit for the period		(22,453)	60,577
Depreciation	942	942	127,666
Capital expenditures	2,865	2,865	91,556

The segment assets and liabilities as at 31 December 2005 are as follow:

	Continuing operations			Discontinuing operations		
	Technology related services HK$'000 (Unaudited)	Logistics services HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Mobile communications services HK$'000 (Unaudited)	Eliminations HK$'000 (Unaudited)	Group HK$'000 (Unaudited)
Segment assets	17,470	1,115	18,585	1,492,203	-	1,510,788
Investments in associated companies	-	-	-	-	-	-
Unallocated corporate assets	-	-	1,344,226	-	(1,251,732)	92,494
Total assets			1,362,811			1,603,282
Segment liabilities	7,175	210	7,385	1,303,444	-	1,310,829
Unallocated corporate liabilities	-	-	1,184,703	-	-	1,184,703
Total liabilities			1,192,088			2,495,532

(b) Secondary reporting format - geographical segments

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

Hong Kong : Mobile communications services, which is classified as discontinuing operations, and logistics services; and

Mainland China : Technology-related services.

	Turnover 2005 HK$'000 (Unaudited)	Segment assets 2005 HK$'000 (Unaudited)	Capital expenditures 2005 HK$'000 (Unaudited)
Hong Kong – Continuing operations	-	-	-
– Discontinuing operations	999,071	1,492,203	89,073
	999,071	1,492,203	89,073
Mainland China – Continuing operations	1,559	18,585	7,001
	1,000,630	1,510,788	96,074

For the six months ended 31 December 2004, more than 90% of the Group's turnover and operating profit were attributable to its mobile communications operations in Hong Kong from discontinuing operations. Accordingly no analysis by geographical segment was included in these accounts.

5. EXPENSES BY NATURE

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

	Six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	**200**	270
Depreciation of fixed assets	**320**	942
Gain on disposal of other investments	**–**	(100)
Gain on disposal of investment securities	**–**	(2,089)
Reversal of write-down of investments in associated companies	**(7,523)**	–
Staff costs, including directors' emoluments	**3,453**	3,167

6. FINANCE COSTS

	Six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(As restated)
Interest on convertible bond	**162**	38
Interest on Subscription Note	**23,657**	21,664
	23,819	21,702

7. TAXATION

No provision for Hong Kong profits tax and overseas taxation has been made for the period as the Group has sufficient tax losses brought forward to offset the assessable profit for the period (2004: Nil).

The amount of taxation charged to the consolidated profit and loss statement represents:

	Six months ended 31 December	
	2005	2004
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current taxation:		
– Under provision in prior periods	**–**	51

8. DISCONTINUING OPERATIONS

The assets and liabilities related to the NWPCS Group have been presented as assets and liabilities directly associated with discontinuing operations following the Company entered into the Merger Agreement with Telstra CSL and Telstra Holdings on 8 December 2005, which is subject to the approval by the shareholders of the Company at the Extraordinary General Meeting on 24 March 2006.

An analysis of the result and cash flows of discontinuing operations is as follows:

	Six months ended 31 December	
	2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited) (As restated)
Turnover	**999,071**	854,424
Other income	**556**	150
Operating costs	**(951,964)**	(772,462)
Operating profit	**47,663**	82,112
Finance costs	**(21,793)**	(8,608)
Share of loss of an associated company	**–**	(3)
Profit before taxation from discontinuing operations	**25,870**	73,501
Taxation	**(4,580)**	(12,924)
Profit after taxation from discontinuing operations	**21,290**	60,577

	Six months ended 31 December	
	2005 HK$'000 (Unaudited)	2004 HK$'000 (Unaudited)
Net cash generated from operating activities	**92,603**	202,178
Net cash used in investing activities	**(88,755)**	(226,551)
Net cash (used in)/generated from financing activities	**(45,439)**	32,353
Total net cash (outflow)/ inflow from discontinuing operations	**(41,591)**	7,980

	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000 (Unaudited)
Assets directly associated with discontinuing operations:		
Fixed assets	1,014,242	–
Deferred taxation	162,892	–
Other non-current assets	4,427	–
Current assets	310,642	–
	1,492,203	–
Liabilities directly associated with discontinuing operations	1,303,444	–

As at 31 December 2005, apart from the above-mentioned liabilities directly associated with discontinuing operations, there were amounts due from the NWPCS Group to the Company of approximately HK$253,060,000, which will be repaid to the Company prior to the Completion.

9. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2005 (2004 : Nil).

10. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December	
	2005 (Unaudited)	2004 (Unaudited) (As restated)
(Loss)/profit attributable to equity holders for the purpose of calculating basic (loss)/earnings per share *(HK$'000)*	**(2,726)**	38,124
Decrease in net loss/increase in net profit for deemed conversion of potential ordinary shares *(HK$'000)*	**23,819**	21,702
Adjusted profit for the purpose of calculating diluted earnings per share *(HK$'000)*	**21,093**	59,826
Number of Shares *(note a)*		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share *(note b)*	**85,503,293**	78,162,778
Effect of dilutive potential ordinary shares	**1,023,943,438**	995,375,298
Weighted average number of ordinary share for the purpose of calculating diluted earnings per share	**1,109,446,731**	1,073,538,076

Notes:

(a) The weighted average numbers of ordinary shares for the purpose of calculating the (loss)/earnings 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 16(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 Acquisition described in Note 1 are deemed to be in issue throughout the period prescribed for the purpose of calculating the (loss)/earnings per share.

11. CAPITAL EXPENDITURES

	Fixed assets HK$'000 (Unaudited)	Investment property HK$'000 (Unaudited)	Intangible assets HK$'000 (Unaudited)
Opening net book amount as at 1 July 2004, as restated	1,186,236	–	–
Acquisition of subsidiaries	2,865	–	65,964
Additions	91,556	–	–
Disposals	(1,791)	–	–
Depreciation	(128,608)	–	–
Closing net book amount as at 31 December 2004, as restated	1,150,258	–	65,964
Opening net book amount as at 1 January 2005, as restated	1,150,258	–	65,964
Additions	49,235	–	–
Disposals	(542)	–	–
Depreciation	(130,650)	–	–
Closing net book amount as at 30 June 2005, as restated	1,068,301	–	65,964
Opening net book amount as at 1 July 2005, as restated	1,068,301	–	65,964
Acquisition of subsidiaries	2,641	3,900	6,995
Additions	89,079	–	–
Disposals	(10,191)	–	–
Depreciation	(132,711)	–	–
Reclassification to assets directly associated with discontinuing operations	(1,014,242)	–	–
Closing net book amount as at 31 December 2005	2,877	3,900	72,959

12. TRADE RECEIVABLES

Ageing analysis of trade receivables is as follows:

	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Current to 30 days	**643**	71,091
31 to 60 days	**56**	13,455
61 to 90 days	**1**	9,469
Over 90 days	**1,741**	–
	2,441	94,015

The Group allows an average credit period of thirty days to its subscribers and other customers.

13. CASH AND BANK BALANCES

The analysis of cash and bank balances is as follows:

	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Balances with original maturities of three months or less	**24,973**	116,534
Balances with original maturities of more than three months *(note)*	**770**	–
	25,743	116,534

Note: As at 31 December 2005, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of approximately Renminbi ("RMB") 801,000 for claims filed against the subsidiaries whose directors have consulted the lawyers who considered that these claims were without merits.

14. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Current to 30 days	**60**	62,013
31 to 60 days	**11**	26,100
61 to 90 days	**16**	2,345
Over 90 days	**887**	17,628
	974	108,086

15. BANK LOAN

	As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Bank Loan, secured	**–**	102,500
Less: Amount repayable within twelve months	**–**	(102,500)
	–	–

On 31 October 2005, the Group repaid the remaining balance HK$102.5 million.

16. SHARE CAPITAL

	The Group *(note a)* HK$'000 (Unaudited)
At 1 July 2004	**1**
Issue of shares *(note b)*	**299**
At 31 December 2004 and 30 June 2005	**300**
At 1 July 2005	**300**
Issue of shares *(note e)*	**16,154**
At 31 December 2005	**16,454**

	The Company	
	No. of shares	HK$'000 (Unaudited)
Authorised:		
Ordinary shares of HK$0.01 each at 1 July 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 31 December 2004, 30 June 2005 and 31 December 2005	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 July 2004	3,751,555,700	37,515
Issue of Subscription Shares *(Note 1(a))*	4,166,666,667	41,667
Share consolidation *(note d)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 31 December 2004 and 30 June 2005	79,182,223	79,182
Ordinary shares of HK$1.00 each at 1 July 2005	79,182,223	79,182
Issue of shares *(note e)*	16,153,846	16,154
Ordinary shares of HK$1.00 each at 31 December 2005	95,336,069	95,336

Notes:

(a) Due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the condensed consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS Holdings, at the time of reverse acquisition and that of the legal parent, the Company, issued after the reverse acquisition.

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

(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 shares 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 were issued at HK$1.3 each to New World CyberBase Limited ("NWC") for acquisition of New World CyberBase Solutions (BVI) Limited ("NWCS") as mentioned in Note 22.

17. OTHER RESERVES AND ACCUMULATED LOSSES

	Share premium HK$'000	Consolidation reserve HK$'000	Convertible bond reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2004, as previously stated	999	–	–	(876,286)	(875,287)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	–	(3,541)	(3,541)
At 1 July 2004, as restated	999	–	–	(879,827)	(878,828)
Issue of shares (Note 16(b))	913,793	–	–	–	913,793
Arising from reverse acquisition	–	(1,115,538)	–	–	(1,115,538)
Renewal of convertible bond	–	–	40	–	40
Issue of Subscription Note	–	–	112,655	–	112,655
Profit for the period, as previously stated	–	–	–	55,507	55,507
Accretion and depreciation expenses arising from asset retirement obligations	–	–	–	(522)	(522)
Interest expenses on convertible bond and Subscription Note	–	–	–	(16,861)	(16,861)
Profit for the period, as restated	–	–	–	38,124	38,124
At 31 December 2004, as restated	914,792	(1,115,538)	112,695	(841,703)	(929,754)
Profit for the period, as previously stated	–	–	–	37,604	37,604
Accretion and depreciation expenses arising from asset retirement obligations	–	–	–	(522)	(522)
Interest expenses on convertible bond and Subscription Note	–	–	–	(18,152)	(18,152)
Profit for the period, as restated	–	–	–	18,930	18,930
At 30 June 2005, as restated	914,792	(1,115,538)	112,695	(822,773)	(910,824)
At 1 July 2005, as previously stated	914,792	(1,115,538)	–	(783,175)	(983,921)
Renewal of convertible bond	–	–	40	–	40
Issue of Subscription Note	–	–	112,655	–	112,655
Interest expenses on convertible bond and Subscription Note	–	–	–	(35,013)	(35,013)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	–	(4,585)	(4,585)
At 1 July 2005, as restated	914,792	(1,115,538)	112,695	(822,773)	(910,824)
Loss for the period	–	–	–	(2,726)	(2,726)
Issue of shares (Note 16(e))	4,846	–	–	–	4,846
At 31 December 2005	919,638	(1,115,538)	112,695	(825,499)	(908,704)

18. CONVERTIBLE BOND

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 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 has 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 Acquisition and share consolidation as detailed in Note 1 and Note 16(d) respectively.

The fair values of the liability component and the equity component of the Convertible Bond were determined at issuance/renewal of the Convertible Bond.

The fair value of the liability component, included in long-term borrowings, 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 Convertible Bond approximated its carrying value.

Interest expenses on the Convertible Bond are calculated using the effective interest method by applying the effective interest rate of 3.04% per annum to the liability component.

19. COMMITMENTS

(a) Capital commitments

	Discontinuing operations As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Contracted but not provided for	**71,009**	123,680
Authorised but not contracted for	**44,710**	138,284
	115,719	261,964

(b) Commitments under operating leases

(i) At 31 December 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Continuing operations As at 31 December 2005 HK$'000 (Unaudited)	**Discontinuing operations As at 31 December 2005 HK$'000 (Unaudited)**	As at 30 June 2005 HK$'000
Land and buildings			
Within one year	**265**	**153,040**	167,406
In the second to fifth year inclusive	**168**	**92,025**	98,298
After the fifth year	**-**	**36,987**	12,458
	433	**282,052**	278,162

(ii) At 31 December 2005, the Group had total future aggregate minimum lease rental receivable under non-cancellable operating leases which expire as follows:

	Continuing operations As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Land and buildings		
Within one year	**59**	–

20. CONTINGENT LIABILITIES

	Discontinuing operations As at 31 December 2005 HK$'000 (Unaudited)	As at 30 June 2005 HK$'000
Bank guarantees in lieu of deposits	**8,686**	8,528

Directors anticipate that no material liabilities will arise from the above bank guarantees which arose in the ordinary course of business.

21. RELATED PARTY TRANSACTIONS

The Group undertook the following material transactions with related parties, which were carried out in the normal course of the business during the period:

		Six months ended			
	Note	**31 December 2005 Discontinuing operations (Unaudited) HK$'000**	**31 December 2005 Continuing operations (Unaudited) HK$'000**	31 December 2004 Discontinuing operations (Unaudited) HK$'000	31 December 2004 Continuing operations (Unaudited) HK$'000
Purchase from fellow subsidiaries	(a)	**(18,617)**	**-**	(22,568)	–
Purchase of fixed assets from a related company	(a)	**(1,451)**	**-**	(2,292)	–
Service fee from a fellow subsidiary	(b)	**2,379**	**-**	433	–
Rental expenses paid to fellow subsidiaries	(c)	**(13,409)**	**-**	(13,416)	–
Loan interest paid/payable to a fellow subsidiary	(d)	**(20,374)**	**-**	(6,297)	–
Interest paid/payable for the Convertible Bond to a fellow subsidiary	(e)	**-**	**(428)**	–	(428)
Interest paid/payable for the Subscription Note to an immediate holding company	(f)	**-**	**(4,537)**	–	(4,414)
Reimbursement of office administrative expenses and fee charged from a related company	(g)	**(4,316)**	**-**	(2,770)	–

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

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

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

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

(e) Interest on the Convertible Bond was charged at 3% per annum and was payable semi-annually in arrears.

(f) Interest on the Subscription Note was charged at 0.75% per annum.

(g) The reimbursement of office administrative expenses was charged on actual cost basis and the fee was calculated at 15% mark-up on actual incurred.

22. BUSINESS COMBINATION

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, a wholly-owned subsidiary of NWC, and 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 issued 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. This acquisition was completed on 21 October 2005.

The allocation of the cost of acquisition of NWCS and its subsidiaries (the "NWCS Group") is as follows:

	HK$'000
Net assets acquired at fair value	
Investment property	3,900
Fixed assets	2,641
Intangible assets	1,470
Trade receivables and other current assets	4,719
Cash and bank balances	10,683
Accruals and other payables	(7,938)
	15,475
Cost of acquisition	
Purchase consideration	21,000
Goodwill	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 communication industry are enhanced. In light of the growing demand for mobile Internet services in the Mainland China, the acquisition will also enable the Group to capitalise on the mobile Internet service market in the Mainland China. The goodwill is attributable to the aforesaid factors.

The acquiree's book value of net assets acquired at the date of acquisition approximated its fair value as disclosed above.

23. SUBSEQUENT EVENT

On 8 December 2005, the Company entered into the Merger Agreement. The Merger contemplated under the Merger Agreement constitutes a very substantial disposal and a very substantial acquisition under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As such, the Completion is subject to, amongst others, the approval by the shareholders of the Company. Further, the Company has entered into the subscription agreements whereby the Company will subscribe for new shares in NWPCS Holdings immediately prior to Completion, which will provide the NWPCS Group with funds (i) to retire their outstanding debts as at the date of Completion; and (ii) for a certain level of negative working capital as at the date of Completion. As at 31 December 2005, the amount of outstanding debts of the NWPCS Group was approximately HK$1.2 billion. The board of directors of NWD advises that a shareholder's loan will be advanced by NWD to the Company to enable the Company to satisfy the payment of the subscription amount and the repayment of debt owing to NWD and its subsidiaries. The above-mentioned shareholder's loan, if advanced by NWD to the Company, will be unsecured and has no definite term of repayment.

Upon Completion, the Company will account for the Telstra CSL as an investment in an associate, and the NWPCS Group will cease to be subsidiaries of the Company upon Completion.

The Merger is subject to Completion, the gain and loss arising from the Disposal, the purchase consideration for the Telstra CSL Acquisition and the resulting goodwill, if any, cannot be determined as at the date of this Report. Since the fair value of the 76.4% interests of the NWPCS Group to be disposed at the date of Completion may be different from its fair value at the date of this Report and the fair value of the Group's share of 23.6% interests in Telstra CSL may be different from its fair value at the date of this Report, the final amounts of the gain/loss on the Disposal and the resulting goodwill will be different from those amounts calculated based on fair values at the date of this Report.

PRICEWATERHOUSECOOPERS

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INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF NEW WORLD MOBILE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the company to review the interim financial report set out on pages 2 to 38.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 December 2005.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2006

Management Discussion and Analysis

On 6 July 2004, the Company completed the acquisition of the NWPCS Group. The details of this transaction have been set out in Note 1 to the condensed consolidated accounts. Since then, the Group has mainly been engaged in offering a host of quality mobile communications services in Hong Kong, including voice services and value-added services tailored to the specific needs of individual customer groups, via advanced mobile technologies.

The Acquisition constituted a reverse acquisition from accounting perspective and therefore the capital and reserves presented in these condensed consolidated balance sheets represented the capital and reserves of the NWPCS Group upon the completion of the Acquisition plus all post-acquisition changes of the Group.

On 21 October 2005, the Company acquired from NWC the entire issued share capital of NWCS and was assigned its interests in its interest-free shareholder's loan owing from NWCS for an aggregate consideration of HK$21.0 million. The consideration was satisfied by the issue of 16,153,846 shares of the Company at an issue price of HK$1.3 each.

As mentioned in Note 1, on 8 December 2005, the Company entered into the Merger Agreement with Telstra CSL and Telstra Holdings. Upon the completion of the Merger, the Company will account for the acquisition of 23.6% interest in the enlarged capital of Telstra CSL as an investment in an associate, in exchange for the transfer of all of the Company's interest in the NWPCS Group and a cash payment of HK$244.024 million by the Company to Telstra CSL. The NWPCS Group will cease to be subsidiaries of the Company upon Completion. As a result, the results, and assets and liabilities related to the NWPCS Group have been presented as profit from discontinuing operations and assets and liabilities directly associated with discontinuing operations respectively following the entering by the Company into the Merger Agreement, which is subject to the approval of the shareholders of the Company at the Extraordinary General Meeting on 24 March 2006. The Completion is conditional upon the satisfaction of other conditions precedent in the Merger Agreement which have not been fulfilled at the date of this report.

Following the completion of the Merger, the Group will continue to (i) operate its technology-related businesses including mobile Internet services and information technology outsourcing services through the NWCS Group; and (ii) hold its 23.6% interest in Telstra CSL through a wholly-owned subsidiary.

The Group had a loss attributable to shareholders of HK$2.7 million for the current period as compared to a profit attributable to shareholders of HK$38.1 million for the same period last year.

Management Discussion and Analysis

Financial Review on Continuing Operations

For the six months ended 31 December 2005, the Group recorded consolidated turnover of approximately HK$1.6 million, representing a 63% decrease from HK$4.3 million for the corresponding period last year. The turnover of the Group for the current period was mainly contributed by technology-related businesses including mobile Internet services and information technology outsourcing services through the NWCS Group acquired on 21 October 2005 whereas that for the corresponding period last year was mainly contributed by the logistics businesses.

The gross profit margin of the Group was 24% for the current year as compared to 69% for the corresponding period last year. The decrease was mainly due to the relatively low gross profit margin of technology-related businesses of the NWCS Group.

The Group's operating expenses, excluding depreciation and amortisation charge ("OPEX"), decreased by HK$2.3 million to HK$0.4 million from HK$2.7 million for the corresponding period last year. The OPEX before the reversal of an impairment loss of HK$7.5 million for investment in associated companies for the current period and the gains of HK$2.2 million on sales of trading securities and other investments for the same period last year amounted to HK$7.9 million and HK$4.9 million for the current period and the same period last year respectively.

The Group recorded earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK$0.1 million for the current period, as compared to HK$0.2 million for the same period last year.

Finance costs for the current year increased to HK$23.8 million, representing an increase of HK$2.1 million from HK$21.7 million for the corresponding period last year. The increase was mainly due to the increase in the liability components of the Subscription Note and Convertible Bond as a result of the adoption of HKAS 32.

As a result of the combined effects of the above, the Group had a loss attributable to shareholders from continuing operations of HK$24.0 million compared to a loss of HK$22.4 million for the corresponding period last year.

Financial Review on Discontinuing Operations

Discontinuing operations were contributed by the mobile communications businesses conducted by the NWPCS Group.

Turnover was mainly contributed by mobile communications services revenue and sales of mobile handsets and accessories. The discontinuing operations recorded turnover of HK$999.1 million, an increase of HK$144.7 million from HK$854.4 million for the same period last year. The increase was attributable to the increase in revenue from sales of mobile handsets and accessories, slightly offset by the drop in the post-paid average revenue per user ("ARPU") from HK$171 in the corresponding period last year to HK$170 in the current period. The drop in ARPU was mainly due to the aggressive price promotions offered by mobile services operators and severe competition on tariff. However, the Group continued to excel in customer servicing and providing mobile users with pioneering data services to maintain its competitiveness during the period. The Group was successful in maintaining a low churn rate at approximately 2.8%.

Operating costs increased by HK$179.5 million to HK$952.0 million in the current period from HK$772.5 million for the same period last year. The increase in operating costs was mainly contributed by the increase in the cost of goods sold and services as a direct result of the increase in sales of mobile handsets and accessories, slightly offset by the decrease in OPEX as a result of the Group's continuous effort in enhancing operating efficiency.

The EBITDA from discontinuing operations for the current period dropped to HK$180.1 million, representing a 14.2% decrease from HK$209.8 million for the same period last year.

Finance costs for the current year increased to HK$21.8 million, representing an increase of HK$13.2 million from HK$8.6 million for the corresponding period last year. The increase was mainly due to the increase in HIBOR.

As a result of the combined effects of the above, the profit attributable to equity holders from discontinuing operations was HK$21.3 million, a decrease of HK$39.3 million from HK$60.6 million for the corresponding period last year.

Capital Structure, Liquidity and Financial Resources

For financing the Acquisition, the Company issued Subscription Shares and Subscription Note at considerations of HK$50.0 million and HK$1,200.0 million, respectively, in July 2004. The liability component of the Subscription Note amounted to HK$1,154.9 million as at 31 December 2005 (30 June 2005: HK$1,131.2 million).

Apart from the Subscription Note, the total borrowings of the Group as at 31 December 2005 were approximately HK$28.0 million (30 June 2005: HK$1,008.3 million). The total borrowings comprised the Convertible Bond of HK$28.0 million which is denominated in Hong Kong dollars and bears interest at 3% per annum. The maturity date for the Convertible Bond is in November 2007. The loan of HK$877.5 million from New World Finance Company Limited included in the borrowings of the Group as at 30 June 2005 was reclassified to liabilities directly associated with discontinuing operations as at 31 December 2005. During the current period, the Group repaid the outstanding bank loan of HK$102.5 million.

As most of the borrowings of the Group including the Subscription Note as at 31 December 2005 are regarded as shareholders' loans, the gearing ratio of the Group calculated thereon is considered to be misleading and so not presented in this report.

As at 31 December 2005, the Group's cash and bank balances amounted to approximately HK$25.7 million (30 June 2005: HK$116.5 million). The decrease was mainly due to the reclassification of cash and bank balances of the NWPCS Group to assets directly associated with discontinuing operations.

The Group's net cash inflow from operating activities was reduced to HK$83.6 million, a decrease of HK$113.6 million from HK$197.2 million for the same period last year.

As at 31 December 2005, none of the assets held by the Group were pledged to other parties (30 June 2005: Nil).

The Group adopts a conservative and balanced treasury policy. Any surplus funds placed as deposit with banks in Hong Kong are maintained in Hong Kong dollars.

The principal functional currencies of the Group's continuing and discontinuing operations are RMB and Hong Kong dollar respectively. The Group's business transactions, monetary assets and liabilities associated with the continuing and discontinuing operations are mainly denominated in RMB and Hong Kong dollar respectively. The Group does not therefore have any significant exposure to foreign currency gains and losses other than RMB during the current period. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group does not conduct any foreign currency speculative activities.

Contingent Liabilities

As at 31 December 2005, the Group had obtained bank guarantees in lieu of deposits of HK$8.7 million (30 June 2005: HK$8.5 million).

Business Review

During the period under review, the aggressive pricing strategy of 3G services and handsets intensified the acute competition of the HK mobile market and adversely affected local operators' bottomline. The Group continued to dedicate its effort in enhancing its networks and service quality while maintaining its competitiveness in the price-driven market. Owing to the unfavorable market situation, the Group has redirected its business focus to growing its higher value post-paid customer number and strategically reducing its inactive prepaid subscriber base, leading to a 4.4% decline of total subscriber number from 1,350,000 in June 2005 to 1,290,000 in December 2005.

As part of its ongoing strategy, the Group puts relentless effort in exploring new market segments and extending its market reach by using the unique customer segmentation strategy. The Group leveraged the great potential of the mobile prepaid market by introducing various theme-based prepaid SIM cards to different customer groups, including *U-Save Mobile Stored-value Card* for Filipinos and South Asian helpers and *Talk'n Save Stored-value Card* for price-sensitive customers.

Management Discussion and Analysis

In a move to encourage data usage, the Group has opened up the GPRS platform to prepaid users in November 2005, allowing users to access various mobile data services, including connecting tone, download content and mobile games. In July 2005, the Group has extended its reach to mobile youth by bringing fun-seeking customers a fascinating multimedia service「勁HEA Mobile」that featured the comic character "Fu Wing" of the well-known "Gi Si Goo Bi Family". The Group has further increased its collaboration with Emperor Entertainment Group (EEG) and taking its well-received Star Mobile to new heights. The new Star Mobile boasts the full fleet of EEG artistes and provides comprehensive idol content to young customers.

The Group also partnered with Linktone Ltd., a Shanghai-based interactive entertainment products and services provider, and EEG to launch the popular Hong-Kong-idols-based mobile entertainment service – Star Mobile「移動追星」in China, extending the content of Star Mobile to over 320 million mobile users in the Mainland.

Operating under the brand name of New World Mobility, the Group has made significant achievements in marketing its brand equity. With unrelenting marketing effort, New World Mobility has been well recognised as a solid, vibrant, innovative and reliable brand. During last summer, New World Mobility's second brand campaign – 'The One for You' has brought the Group a Silver Award in the Telecommunications category of the 2005 EFFIE Award organized by the New York American Marketing Association. In early 2006, New World Mobility won the "Hong Kong and Macau Merchant of Integrity" award with the highest votes in the 'Telecommunications and Equipments' category at the Third Hong Kong Merchants of Integrity Award 2005-2006 organized by China's best-selling newspaper - 'Guangzhou Daily'.

The Group has also demonstrated its strong commitment in being a good corporate citizen by actively participating in various community activities. In early 2006, the Group received the "Caring Company Logo 2005/06" from The Hong Kong Council of Social Service.

Prospects

Looking ahead, the Group will continue to explore new revenue streams and exercise various measures to contain costs. Subsequent to the acquisition of NWCS, the Group will direct its effort to growing mobile Internet services in Mainland China while the proposed merger of the NWPCS Group and Telstra CSL takes place.

Employees and Remuneration Policy

As at 31 December 2005, the Group had a total of 822 employees (30 June 2005: 662). The increase in the number of employees was attributable to the headcount of the NWCS Group acquired during the current period. The Group's emolument policy is to pay salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

DIRECTORS' RIGHTS TO ACQUIRE SHARE

Save as disclosed under the section headed "**DIRECTORS' INTERESTS IN SECURITIES**" below, at no time during the Period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) Long positions – Interests in shares

As at 31 December 2005, none of the directors of the Company had any interests in the shares of the Company.

The interests of the directors in the shares of associated corporations were as follows:

	Number of shares/amount of registered capital				
	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of issued/ registered capital as at 31 December 2005
New World China Land Limited ("NWCL") *(Ordinary shares of HK$0.10 each)*					
Dr. Cheng Kar Shun, Henry	–	–	52,271,200 [1]	52,271,200	1.38%
Mr. Doo Wai Hoi, William, *JP*	3,750,000	–	45,050,000 [2]	48,800,000	1.29%
Mr. Chow Yu Chun, Alexander	3,250,000	–	–	3,250,000	0.09%
New World Development Company Limited ("NWD") *(Ordinary shares of HK$1.00 each)*					
Dr. Cheng Kar Shun, Henry	–	300,000	–	300,000	0.01%
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
New World TMT Limited ("NWTMT") *(Ordinary shares of HK$1.00 each)*					
Dr. Cheng Kar Shun, Henry	–	1,000,000 [3]	–	1,000,000	0.11%
Mr. Doo Wai Hoi, William, *JP*	–	–	12,000,000 [2]	12,000,000	1.26%
NWS Holdings Limited ("NWSH") *(Ordinary shares of HK$1.00 each)*					
Dr. Cheng Kar Shun, Henry	3,179,199	587,000 [3]	8,000,000 [1]	11,766,199	0.64%
Mr. Chow Yu Chun, Alexander	2,504,761	–	–	2,504,761	0.14%
Mr. Doo Wai Hoi, William, *JP*	2,006,566	–	3,130,000 [2]	5,136,566	0.28%
Mr. Kwong Che Keung, Gordon	601,969	–	–	601,969	0.03%
Fung Seng Estate Development (Shanghai) Co., Ltd. *(Registered capital in US$)*					
Mr. Doo Wai Hoi, William, *JP*	–	–	3,000,000 [4]	3,000,000	30.00%

	Number of shares/amount of registered capital				
	Personal interests	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of issued/ registered capital as at 31 December 2005**
Master Services Limited *(Ordinary shares of US$0.01 each)* Mr. Chow Yu Chun, Alexander	16,335	–	–	16,335	1.63%
Ramada Property Ltd. *(Ordinary shares of US$1.00 each)* Mr. Doo Wai Hoi, William, *JP*	–	–	200 [(2)]	200	20.00%
Shanghai Ju Yi Real Estate Development Co., Ltd. *(Registered capital in RMB)* Mr. Doo Wai Hoi, William, *JP*	–	–	105,000,000 [(4)]	105,000,000	30.00%

Notes:

(1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar Shun, Henry.

(2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

(3) These shares are held by the spouse of Dr. Cheng Kar Shun, Henry.

(4) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

(B) Long positions – Interests in underlying shares – share options

(i) The Company

As at 31 December 2005, the following directors had personal interest in options to subscribe for shares of the Company granted under the share option schemes of the Company:

		Number of share options							
Name of director	Date of grant	Balance as at 1 July 2005	Granted during the period	Exercise during the period	Lapsed during the period	Balance at as 31 December 2005	Exercise price HK$	Exercise period	Closing price immediately before the date of grant HK$
Dr. Cheng Kar Shun, Henry	28.1.2005	780,000	–	–	–	780,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Cheng Ming Fun, Paul [1]	28.1.2005	78,000	–	–	78,000	–	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Chow Yu Chun, Alexander	28.1.2005	482,000	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Doo Wai Hoi, William, *JP*	28.1.2005	300,000	–	–	–	300,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Ho Hau Chong, Norman	28.1.2005	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Hui Chiu Chung, *JP*	8.4.2005	78,000	–	–	–	78,000	1.276	8.4.2005 to 31.12.2010	1.240
Mr. Kwong Che Keung, Gordon	28.1.2005	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Lo Lin Shing, Simon	8.2.2002 [2]	200,000	–	–	–	200,000	2.440 [2]	9.2.2002 to 8.2.2008	N/A
	28.1.2005	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. To Hin Tsun, Gerald	28.1.2005	482,000	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Dr. Wai Fung Man, Norman	28.1.2005	482,000	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Wei Chi Kuan, Kenny	28.1.2005	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
		3,194,000	–	–	78,000	3,116,000			

Notes:

(1) Mr. Cheng Ming Fun, Paul resigned as director of the Company on 6 April 2005. As such, the share options granted to him lapsed on 6 July 2005 pursuant to the share option scheme.

(2) These share options were granted under the share option scheme adopted by the Company on 11 September 1998.

(3) The number as well as the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the subscription agreement dated 29 March 2004 and the consolidation of the Company's shares from every 100 issued or unissued ordinary shares of HK$0.01 each into 1 consolidated ordinary share of HK$1.00 each.

(4) Save for note (2) above, all share options were granted under the share option scheme adopted by the Company on 28 May 2002.

(ii) NWCL

Under the share option scheme of NWCL, a fellow subsidiary of the Company, the following directors of the Company were granted share options to subscribe for shares in NWCL:

			Number of share options with exercise price per share of HK$1.782		
Name of director	**Date of grant**	**Exercise Period** [1]	**Balance as at 1 July 2005**	**Exercised during the period**	**Balance as at 31 December 2005**
Dr. Cheng Kar Shun, Henry	7.2.2001	8.3.2001 to 7.3.2006	12,500,000	–	12,500,000
Mr. Chow Yu Chun, Alexander	8.2.2001	9.3.2001 to 8.3.2006	6,250,000	3,250,000	3,000,000
Mr. Doo Wai Hoi, William, *JP*	8.2.2001	9.3.2002 to 8.3.2006	7,000,000	2,000,000	5,000,000

Notes:

(1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year.

(iii) NWSH

Under the share option scheme of NWSH, a fellow subsidiary of the Company, the following directors of the Company were granted share options to subscribe for shares in NWSH:

			Number of share options with exercise price per share of HK$3.719 (1)		
Name of director	**Date of grant**	**Exercise Period**	**Balance as at 1 July 2005**	**Exercised during the period**	**Balance as at 31 December 2005**
Dr. Cheng Kar Shun, Henry	21.7.2003	(2)	1,009,849	1,009,849	–
Mr. Chow Yu Chun, Alexander	21.7.2003	(3)	134,647	–	134,647
Mr. Doo Wai Hoi, William, *JP*	21.7.2003	(2)	673,233	673,233	–
Mr. Kwong Che Keung, Gordon	21.7.2003	(2)	201,969	201,969	–
Mr. To Hin Tsun, Gerald	21.7.2003	(2)	201,969	201,969	–

Notes:

(1) The number as well as the exercise price of these share options were adjusted on 30 June 2005 as a result of the interim scrip dividend declared by NWSH.

(2) Exercisable from 21 July 2005 to 20 July 2008, both dates inclusive.

(3) This is divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Insofar as is known to the directors of the Company, as at 31 December 2005, the following parties (other than the directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being interested or deemed to be interested in 5% or more in the shares or underlying shares of the Company:

Long positions – Interests in the shares or underlying shares of the Company

		Number of share/underlying shares			
Name	Capacity	Interests in shares	Interests in physically settled unlisted equity derivatives	Total	Approximate percentage of issued capital as at 31 December 2005
New World CyberBase Nominee Limited ("NWCBN")	Beneficial owner	2,100,000	23,185,245 [1]	25,285,245	26.52%
New World Telephone Holdings Limited ("NWTHL")	Interest of a controlled corporation	2,100,000 [2]	23,185,245 [2]	25,285,245	26.52%
Power Palace Group Limited ("PPG")	Beneficial owner	53,236,666	1,000,000,000 [3]	1,053,236,666	1,104.76%
NWD	Interest of a controlled corporations	55,336,666 [4]	1,023,185,245 [4]	1,078,521,911	1,131.28%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	55,336,666 [5]	1,023,185,245 [5]	1,078,521,911	1,131.28%
Million Dollar Trading Limited	Beneficial Owner	16,153,846	–	16,153,846	16.94%
New World CyberBase Limited	Interest of a Controlled Corporation	16,153,846 [6]	–	16,153,846 [6]	16.94%

Notes:

(1) These 23,185,245 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the outstanding convertible note in the principal amount of HK$28,286,000 issued to NWCBN on 2 November 2001.

(2) NWCBN is a wholly-owned subsidiary of NWTHL. Accordingly, NWTHL is deemed to be interested in the shares/underlying shares held by NWCBN.

(3) These 1,000,000,000 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the convertible note in the principal amount of HK$1,200 million issued to PPG on 6 July 2004.

(4) Each of PPG and NWTHL is a wholly-owned subsidiary of NWD. Accordingly, NWD is deemed to have an interest in the shares/underlying shares held by PPG and in the shares/underlying shares deemed to be interested by NWTHL.

(5) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares/underlying shares deemed to be interested by NWD.

(6) Million Dollar Trading Limited is a wholly-owned subsidiary of New World CyberBase Limited. Accordingly, New World CyberBase Limited is deemed to be interested in the shares/underlying shares held by Million Dollar Trading Limited.

SHARE OPTION SCHEME

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 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 following is a summary of the terms of the 2002 Share Option Scheme:

1. Purpose

The purpose of the 2002 Share Option Scheme is to enable the Company to grant options to the participants as incentive or rewards for their contributions to the Group.

2. **Participants**

The participants of the 2002 Share Option Scheme include any director, employee, consultant, agent, supplier, customer or shareholder of the Group or any entity in which the Group holds any equity interest.

3. **Number of shares available for issue**

The total number of shares available for issue under the 2002 Share Option Scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 3.51% of the issued share capital of the Company as at the date of this report.

4. **Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

5. **Option period**

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 in its absolute discretion determine and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

6. **Vesting period**

The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7. **Amount payable on acceptance of option**

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant.

8. **Subscription price**

The subscription price for a share in respect of any option granted shall be a price determined by the board of directors in its 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 day immediately preceding the date of grant; and (iii) the nominal value of a share.

9. Life of the scheme

The 2002 Share Option Scheme is valid and effective for a term of 10 years commencing 28 May 2002.

Movements of the share options granted under the 1998 Share Option Scheme and the 2002 Share Option Scheme during the Period were as follows:

(a) Share options to directors

Options had been granted to directors of the Company during the Period under the 2002 Share Option Scheme. Details of which are disclosed under the section headed "**DIRECTORS' INTERESTS IN SECURITIES**" above.

The directors consider that it is not appropriate to state the value of the options granted to the directors of the Company during the Period since there are some limitations in generally accepted methodologies (including the Black-Scholes option pricing model and the binomial model) in the valuation of the options. Furthermore, since a number of variables which are crucial to the calculation of the value of the options cannot be reasonably determined, the directors believe that any valuation of the options granted during the Period based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

(b) Share options to employees

No share options were granted to employees of the Company under the 2002 Share Option Scheme.

There are no outstanding share options granted under the 1998 Share Option Scheme during the Period.

CORPORATE GOVERNANCE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim results announcement for the six months ended 31 December 2005.

In December 2004, the Stock Exchange promulgated a new Code on Corporate Governance Practices (the "CGP Code") which replaced the Code of Best Practice ("Code of Best Practice") in Appendix 14 of the Listing Rules. Except for those relating to internal controls which apply to accounting periods commencing on or after 1 July 2005, the CGP Code is applicable to accounting periods commencing on or after 1 January 2005. On the other hand, the Code of Best Practice remains applicable to the financial period commencing before 1 January 2005.

Throughout the period, the Company complied with the Code of Best Practice, except that the non-executive directors and independent non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by directors and employees who are likely to be in possession of unpublished price sensitive information of the Company on terms no less exacting than those set out in the Mode Code for Securities Transactions by Directors of Listed Companies in Appendix 10 of the Listing Rules.

Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the Period for the six months ended 31 December 2005.

AUDIT COMMITTEE

The Audit Committee was established in May 1999 and has written terms of reference. The audit committee, which comprises the three independent non-executive directors of the Company namely Mr. Hui Chiu Chung, *JP*, Mr. Kwong Che Keung, Gordon and Mr. Wei Chi Kuan, Kenny. The Committee which is chaired by Mr. Kwong Che Keung, Gordon, is responsible for overseeing the Group's financial reporting and internal control system and has reviewed the unaudited consolidated financial statements of the Group for the period ended 31 December 2005.

Other Information

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2005 and has written terms of reference. The majority members are independent. The Committee is chaired by Dr. Wai Fung Man, Norman and the other members are Mr. Hui Chiu Chung, *JP* and Mr. Wei Chi Kuan, Kenny.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of the interim results of the Group for the six months ended 31 December 2005 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) in due course.

BOARD MEMBERS

As at the date of this report, the Board of the Company comprises (i) five executive directors namely 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 and Mr. Chow Yu Chun, Alexander; (ii) two non-executive directors namely Mr. Lo Lin Shing, Simon and Mr. Ho Hau Chong, Norman; and (iii) three independent non-executive directors namely Mr. Wei Chi Kuan, Kenny, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*.

By Order of the Board

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 13 March 2006