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)

ANNOUNCEMENT OF THE SECOND INTERIM RESULTS FOR THE SIX AND TWELVE MONTHS ENDED 31 DECEMBER 2004

SECOND INTERIM RESULTS

The board of directors (the "Board") of New World Mobile Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six and twelve months ended 31 December 2004 together with the comparative figures for the corresponding period last year as follows. The unaudited consolidated results below have been reviewed by the auditors in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six and twelve months ended 31 December 2004

		Six months ended 31 December		**Twelve months ended 31 December**	
		2004	2003	**2004**	2003
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		Unaudited	Audited	**Unaudited**	Unaudited
Turnover	*3*	**858,685**	848,061	**1,709,368**	1,668,422
Cost of sales		**(422,358)**	(375,489)	**(820,093)**	(713,728)
Gross profit		**436,327**	472,572	**889,275**	954,694
Other revenue	*3*	**196**	110	**201**	180
Selling expenses		**(59,507)**	(58,317)	**(105,696)**	(109,180)
Administrative expenses		**(295,392)**	(315,547)	**(594,218)**	(624,236)
Operating profit	*5*	**81,624**	98,818	**189,562**	221,458
Finance costs	*6*	**(13,139)**	(4,891)	**(15,024)**	(12,407)
Share of loss of an associated company		**(3)**	–	**(3)**	–
Profit before taxation		**68,482**	93,927	**174,535**	209,051
Taxation	*8*	**(12,975)**	(16,430)	**(32,411)**	(15,627)
Profit attributable to shareholders		**55,507**	77,497	**142,124**	193,424
Dividend	*9*	**–**	–	**–**	–
Basic earnings per share	*10*	**HK$0.71**	HK$1.86	**HK$2.37**	HK$4.64
Diluted earnings per share	*10*	**HK$0.06**	N/A	**HK$0.26**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	31 December 2004 HK$'000 Unaudited	31 December 2003 HK$'000 Audited
Non-current assets			
Fixed assets	11	**1,148,103**	1,254,057
Investments in associated companies		**–**	–
Goodwill	11	**65,996**	–
Deferred taxation		**175,564**	207,924
		1,389,663	1,461,981
Current assets			
Inventories		**15,523**	17,057
Trade receivables	12	**61,722**	56,904
Prepayments and other receivables		**49,862**	28,293
Rental and other deposits		**45,261**	49,339
Amount due from an associated company		**600**	–
Amount due from a fellow subsidiary		**–**	8,693
Amount due from a related company		**677**	–
Cash and bank balances		**115,436**	62,643
		289,081	222,929
Current liabilities			
Trade payables	13	**66,484**	30,966
Accrued charges, deposits received and deferred income		**276,735**	316,672
Amount due to the ultimate holding company	18	**–**	73
Amounts due to fellow subsidiaries		**7,793**	–
Amount due to a related company		**1,257**	–
Current portion of long-term liabilities	14	**237,500**	270,000
Promissory note issued to immediate holding company	18	**–**	858,000
		589,769	1,475,711
Net current liabilities		**(300,688)**	(1,252,782)
Total assets less current liabilities		**1,088,975**	209,199
Financed by:			
Capital	15	**300**	1
Reserves	16	**(1,021,525)**	(961,904)
Shareholders' deficit		**(1,021,225)**	(961,903)
Non-current liabilities			
Non-current portion of long-term liabilities	14	**–**	237,500
Amount due to immediate holding company	18	**–**	933,602
Convertible bond	17	**28,286**	–
Subscription note	1(a)(ii)	**1,204,414**	–
Loan from a fellow subsidiary	18	**877,500**	–
		1,088,975	209,199

NOTES TO CONDENSED CONSOLIDATED ACCOUNTS

1. BASIS OF PREPARATION

(a) The above unaudited condensed consolidated accounts of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the HKICPA and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 29 March 2004, the Company 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:

(i) 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

(ii) a convertible note (the "Subscription Note") of a principal amount of HK$1,200,000,000. The Subscription Note, 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 any part thereof, into the 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.

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 New World PCS Holdings Limited ("NWPCS") and its subsidiaries (collectively, the "NWPCS Group") 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").

(b) 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 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. As a result, these consolidated condensed accounts have been prepared as a continuation of the condensed consolidated accounts of the NWPCS Group and accordingly:

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

(ii) the assets and liabilities of the NWPCS Group are recognized 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 for the 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 Acquisition is determined at 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 condensed consolidated balance sheet represents the issued share capital and share premium balances of NWPCS 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;

(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;

(viii) the comparative information shown in these condensed consolidated accounts is that of the NWPCS Group; and

(ix) additional information of the Logistics Group as extracted from the last annual report for the year ended 31 December 2003 and the interim report for the six months ended 30 June 2004 are also presented in note 19 to these condensed consolidated accounts for reference purpose. However, they are not comparable to the basis of preparation of these condensed consolidated accounts as set out above.

(c) 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, this second interim results covers the twelve months period from 1 January 2004 to 31 December 2004.

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 financial information of the NWPCS Group for the three years ended 30 June 2001, 2002, 2003 and the six-month periods ended 31 December 2002 and 2003 as included in the circular to the shareholders of the Company dated 2 June 2004 in relation to the Acquisition, except for the accounting for the Acquisition as detailed in note 1 above and the early adoption of certain Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") as mentioned below.

The HKICPA has issued a number of new and revised HKFRS and HKAS which are effective for accounting periods beginning on or after 1 January 2005. The Group has early adopted the following HKFRS and HKAS (the "HKFRS 3 Package") for the twelve months ended 31 December 2004:

HKFRS 3 – business combinations
HKAS 36 – impairment of assets
HKAS 38 – intangible assets

Pursuant to the HKFRS 3 Package, the accounting policy for goodwill arising from the Acquisition during the current period mentioned in note 1 above is as follows:

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 at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Group had not incurred any goodwill before 1 July 2004 and so there is no effect of the early adoption of the HKFRS 3 Package on opening balances. The early adoption of the HKFRS 3 Package does not have any other significant changes to the accounting policies of the Group.

3. TURNOVER AND REVENUES

The Group principally engages in the provision of mobile communications services and the sales of mobile handsets and accessories. Revenue recognized during the period is as follows:

	Six months ended 31 December		**Twelve months ended 31 December**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Unaudited
Turnover				
Mobile communications services	**668,646**	741,908	**1,368,722**	1,478,553
Sales of mobile handsets and accessories	**185,778**	106,153	**336,385**	189,869
Logistics service	**4,261**	–	**4,261**	–
	858,685	848,061	**1,709,368**	1,668,422
Other revenue				
Bank interest income	**196**	110	**201**	180
Total revenue	**858,881**	848,171	**1,709,569**	1,668,602

4. SEGMENT REPORTING

For the six and twelve 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. Accordingly, no analysis by either business or geographical segment is included in these interim financial statements.

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 31 December		Twelve months ended 31 December	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Unaudited
Crediting				
Net exchange gains	**29**	110	**8**	68
Gain on disposal of trading securities	**100**	–	**100**	–
Gain on disposal of investment securities	**2,089**	–	**2,089**	–
Reversal of write-down of inventories	**678**	–	**678**	–
Charging				
Auditors' remuneration	**1,202**	250	**1,222**	500
Cost of inventories sold	**183,879**	108,262	**337,377**	190,454
Depreciation of fixed assets	**128,396**	124,365	**256,281**	240,117
Loss on disposal of fixed assets	**1,786**	2,915	**2,561**	4,225
Operating lease rentals for land and buildings	**24,076**	27,777	**48,426**	56,817
Operating lease rentals for switching and office equipment	**–**	–	**9**	4,792
Operating lease rentals for transmission sites	**77,040**	88,331	**160,578**	180,080
Provision for bad and doubtful debts	**5,995**	5,254	**12,894**	9,758
Staff costs, including directors' emoluments *(note 7)*	**94,885**	100,055	**188,269**	201,464
Less: staff costs capitalized as fixed assets	**(4,270)**	–	**(9,325)**	–
	90,615	100,055	**178,944**	201,464

6. FINANCE COSTS

	Six months ended 31 December		Twelve months ended 31 December	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Unaudited
Interest on secured long-term bank loan	**2,000**	4,891	**3,885**	12,407
Interest on loan from a fellow subsidiary	**6,297**	–	**6,297**	–
Interest on convertible bond	**428**	–	**428**	–
Interest on subscription note	**4,414**	–	**4,414**	–
	13,139	4,891	**15,024**	12,407

7. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 31 December		Twelve months ended 31 December	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Unaudited
Wages and salaries	**78,066**	83,547	**153,169**	166,293
Bonuses	**7,568**	7,943	**15,129**	11,972
Pension costs – defined contribution plans	**4,540**	4,449	**8,505**	8,871
Termination benefits	**2,577**	1,872	**8,098**	7,939
Medical insurance, staff welfare and other allowances	**2,134**	2,244	**3,368**	6,389
	94,885	100,055	**188,269**	201,464

8. 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 (2003: Nil).

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

	Six months ended 31 December		Twelve months ended 31 December	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Unaudited	Audited	**Unaudited**	Unaudited
Current taxation:				
– Under provision in prior years	**51**	–	**51**	–
Deferred taxation relating to the origination and reversal of temporary differences	**12,924**	16,430	**32,360**	37,886
Deferred taxation resulting from an increase in tax rate	**–**	–	**–**	(22,259)
	12,975	16,430	**32,411**	15,627

9. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2004 (2003: Nil).

10. BASIC AND DILUTED EARNINGS PER SHARE

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

	Six months ended 31 December		**Twelve months ended 31 December**	
	2004	2003	**2004**	2003
	Unaudited	Unaudited	**Unaudited**	Unaudited
Profit attributable to shareholders for the purpose of calculating basic earnings per share *(HK$'000)*	**55,507**	77,497	**142,124**	193,424
Increase in net profit for deemed conversion of potential ordinary shares *(HK$'000)*	**4,842**	–	**4,842**	–
Adjusted profit for the purpose of calculating dilutive earnings per share *(HK$'000)*	**60,349**	77,497	**146,966**	193,424
Number of Shares ***(note a)***				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note b)*	**78,162,778**	41,666,666	**60,064,706**	41,666,666
Effect of dilutive potential ordinary shares	**995,378,298**	–	**501,781,256**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,073,541,076**	41,666,666	**561,845,962**	41,666,666

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating the 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 15(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 earnings per share.

(c) For the six and twelve months ended 31 December 2003, no diluted earnings per share are presented as there were no potentially dilutive shares outstanding.

11. CAPITAL EXPENDITURES

	Fixed assets	Goodwill
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Opening net book amount as at 1 January 2004	1,254,057	–
Acquisition of subsidiaries	2,865	65,996
Additions	150,849	–
Disposals	(3,387)	–
Depreciation	(256,281)	–
Closing net book amount as at 31 December 2004	1,148,103	65,996

12. TRADE RECEIVABLES

Ageing analysis of trade receivables is as follows:

	As at 31 December 2004	As at 31 December 2003
	HK$'000	*HK$'000*
	Unaudited	Audited
Current to 30 days	**36,908**	30,802
31 to 60 days	**16,653**	16,094
61 to 90 days	**3,875**	7,032
Over 90 days	**4,286**	2,976
	61,722	56,904

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

13. TRADE PAYABLES

Ageing analysis of trade payables is as follows:

	As at 31 December 2004	As at 31 December 2003
	HK$'000	*HK$'000*
	Unaudited	Audited
Current to 30 days	**26,267**	1,872
31 to 60 days	**27,729**	6,246
61 to 90 days	**1,330**	5,456
Over 90 days	**11,158**	17,392
	66,484	30,966

14. LONG-TERM LIABILITIES

	As at 31 December 2004 HK$'000 Unaudited	As at 31 December 2003 HK$'000 Audited
Bank loan, secured	**237,500**	507,500
Less: Amount repayable within one year shown under current liabilities	**(237,500)**	(270,000)
	–	237,500

15. CAPITAL

	The Group HK$'000 *(note a)* *Unaudited*
At 1 January 2004	1
Issue of shares *(note b)*	299
At 31 December 2004	300

	The Company *No. of shares*	*HK$'000* *Unaudited*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 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	2,000,000,000	2,000,000
Issued and Fully Paid:		
Ordinary shares of HK$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares *(note1(a)(i))*	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	79,182,223	79,182

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. 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, for capitalization of loan as mentioned in note 18.

(c) On 6 July 2004, the authorized 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.

16. RESERVES

	Share premium *HK'000* *(note 15(a))*	**Consolidation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 July 2003	999	–	(1,040,400)	(1,039,401)
Profit for the six months ended 31 December 2003	–	–	77,497	77,497
At 31 December 2003	999	–	(962,903)	(961,904)
Profit for the six months ended 30 June 2004	–	–	86,617	86,617
At 30 June 2004	999	–	(876,286)	(875,287)
Issue of shares *(note 15(b))*	913,793	–	–	913,793
Arising from reverse acquisition *(note 1(b)(vii))*	–	(1,115,538)	–	(1,115,538)
Profit for the six months ended 31 December 2004	–	–	55,507	55,507
At 31 December 2004	914,792	(1,115,538)	(820,779)	(1,021,525)

17. CONVERTIBLE BOND

On 2 November 2001, a convertible bond (the "Convertible Bond") 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 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 Convertible Bond was adjusted to HK$1.22 per ordinary share after the completion of the Acquisition and share consolidation as detailed in notes 1(a) and 15(d) respectively.

18. PROMISSORY NOTE ISSUED TO IMMEDIATE HOLDING COMPANY/AMOUNT DUE TO IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY/LOAN FROM A FELLOW SUBSIDIARY

Pursuant to the S&P Agreement, 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 Acquisition exceeds HK$1,250 million, the exceeding amount due to immediate holding company and ultimate holding company would be capitalized so that the Aggregate Liabilities at the date of completion would not exceed HK$1,250 million.

As such, prior to the completion of the Acquisition, an amount of approximately HK$914,092,000 due to the then immediate holding company by the NWPCS Group was capitalized through the issuance of 298,911,000 shares of ordinary shares on 6 July 2004 *(note 15(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 would be repayable upon demand after 18 months from the date of the S&P Agreement.

19. FINANCIAL INFORMATION OF LOGISTICS GROUP IN PRIOR PERIODS

As mentioned in note 1(b)(ix), extracts of certain financial information of the Logistics Group from its annual report for the year ended 31 December 2003 and the interim report for the six months ended 30 June 2004 are set out below for reference purpose:

(a) Consolidated profit and loss accounts

	Six months ended 30 June 2004 *HK$'000* Unaudited	Year ended 31 December 2003 *HK$'000* Audited
Turnover	392	8,030
Cost of sales	(1,689)	(7,477)
Gross (loss)/profit	(1,297)	553
Other revenue	348	12,677
Selling expenses	(3)	(4,290)
Administrative expenses	(9,285)	(24,260)
Provision for impairment of investment in an associate company	(34,685)	–
Other operating income/(expenses)	37	(102,827)
Operating loss	(44,885)	(118,147)
Finance costs	(423)	(1,171)
Share of losses of:		
A jointly controlled entity	–	(262)
Associated companies	(2,584)	(33,844)
Loss attributable to shareholders	(47,892)	(153,424)
Loss per share – basic	HK$(1.28)	HK$(0.04)

(b) Consolidated balance sheets

	As at 30 June 2004 *HK$'000* Unaudited	As at 31 December 2003 *HK$'000* Audited
Non-current assets		
Fixed assets	2,864	3,994
Investments in associated companies	38,410	75,680
Investment securities	1,520	1,520
	42,794	81,194
Current assets		
Trade receivables	925	4,567
Prepayments, deposits and other receivables	6,150	1,906
Amount due from an associated company	265	1,103
Amount due from a jointly controlled entity	–	203
Trading securities	800	26,368
Cash and bank balances	47,361	25,872
	55,501	60,019
Current liabilities		
Trade payables	–	246
Other payables and accruals	9,294	3,650
Amount due to an associated company	–	424
Amount due to a related company	376	376
	9,670	4,696
Net current assets	45,831	55,323
Total assets less current liabilities	88,625	136,517
Financed by:		
Capital	37,515	37,515
Reserves	22,824	70,716
Shareholders' funds	60,339	108,231
Convertible Bond	28,286	28,286
	88,625	136,517

MANAGEMENT DISCUSSION AND ANALYSIS

On Completion Date, the Group 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 mainly engages in offering in Hong Kong a host of quality mobile communications services, including voice services and customized data services, tailored to the specific needs of individual customer groups via advanced mobile technologies.

As also mentioned in note 1 to the condensed consolidated accounts, the Acquisition constitutes a reverse acquisition from accounting perspective and therefore the comparative financial information presented in these accounts represents that of the NWPCS Group.

Financial Review

For the six months ended 31 December 2004, the Group recorded a turnover of approximately HK$859 million, representing 1% increase from approximately HK$848 million for the corresponding period last year. The turnover of the Group mainly comprised mobile communications services revenue and sales of handsets and accessories.

Revenue from mobile communications services for the current period amounted to approximately HK$669 million, representing 10% decrease from approximately HK$742 million for the corresponding period last year. Amidst intense competition of the mobile communications market, the Group launched various marketing offers to maintain its competitiveness, including giving extra communications minutes away to voice plans and offering rebate to new subscribers who were porting into the mobile network of the Company from our competitors. As a result, the Group is successful in maintaining a low churn rate at 2.8%. On the other hand, there was a decline in the post-paid average revenue per user ("ARPU") from HK$189 in the last period to HK$171 in the current period.

Revenue from sales of mobile handsets and accessories for the period was approximately HK$186 million, representing 75% surge as compared to approximately HK$106 million in the last period, thanks to the launches of various "free handset" promotional offers and market availability of advanced mobile handsets with striking features.

The gross profit margin of the Group reduced from 55.7% in the last period to 50.8% in the current period. This was mainly due to the relatively low gross profit margin of mobile handsets and accessories sales and the decline of ARPU. The Group's gross profit decreased by 8% to HK$436 million as compared with the corresponding period last year.

As part of the Company's commitment to improving operational efficiency and effectiveness, the Company has exercised stringent control over operating expenses, excluding depreciation ("OPEX"). The OPEX were reduced by 9% to HK$227 million, while staff costs, and rental charges of offices and shops decreased by 10% and 13% to approximately HK$90 million and HK$24 million respectively.

The finance costs increased by approximately HK$8 million in the current period, which were mainly due to the interest payments by the Group for a loan from a fellow subsidiary and the Subscription Note after the Acquisition.

As a result of the combined effects of the above, the Group's earning before interest, tax, depreciation and amortization ("EBITDA") and the net profit after tax dropped to HK$210 million and HK$56 million, respectively.

Capital Structure, Liquidity and Financial Resources

For financing the Acquisition, the Company has issued Subscription Shares and the Subscription Note at considerations of HK$50 million and HK$1,200 million, respectively, in July 2004, the details of which are set out in note 1 to the condensed consolidated accounts.

Apart from the Subscription Note, the total borrowings of the Group as at 31 December 2004 amounted to approximately HK$1,143 million (31 December 2003: HK$2,299 million). The total borrowings mainly comprised a loan from New World Finance Company Limited ("NWF") of HK$878 million, the Convertible Bond of HK$28 million, and a bank loan of HK$238 million. All these borrowings are denominated in Hong Kong dollar and bear interest at HIBOR+0.65%, 3% and HIBOR+0.65%, respectively.

The loan from NWF is repayable on demand after 18 months from March 2004. The maturity date for the Convertible Bond is in November 2007. The bank loan outstanding is under monthly installments up to October 2005.

As most of the borrowings of the Group including the Subscription Note as at 31 December 2004 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 2004, the balance of cash and cash equivalents held by the Group amounted to approximately HK$115 million (31 December 2003: HK$63 million).

The Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollar. 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.

As at 31 December 2004, none of the assets held by the Group were pledged to other parties (31 December 2003: Nil).

Business Review

2004 was a fruitful year to the Company! For the six months ended 31 December 2004, the Company has successfully acquired the NWPCS Group, previously the wholly-owned mobile business unit of NWD. Upon completion of the transactions on 6 July 2004, the Company announced the official change of its name to "New World Mobile Holdings Limited" (formerly known as "Asia Logistics Technologies Limited") to reflect re-directions of the Group's business focus. With effect from 18 August 2004, the stock short name of the Company has been changed to "NW Mobile".

During the period, the aggressive pricing strategy of 3G services and handsets has further intensified the fierce market competition and adversely affected local operators' bottomline notwithstanding the improving economic situation. Even though the market situation was unfavorable, the Group managed to maintain a steady income, thanks to the increasing roaming revenue from mainland tourists as well as the growing revenue from mobile data services and handset sales. Despite the expiration of contract with a mobile virtual network operator in October 2004, the subscriber base of the Group has increased to over 1,300,000 by the end of 2004.

The Group has remarkable achievement in exploring new market segments and extending its market reach by using customer segmentation strategy. During the period, the Group leveraged the great potential of the mobile prepaid market by launching various theme-based prepaid SIM cards to different market segments, including *Avenue of Stars Commemorative Stored-value Card* and *Roaming Stored-value Card* for mainland tourists. The Group has further extended its reach to young mobile phone users by enriching the content of its well-received *Star Mobile* and launching the first-ever Disney Character mobile prepaid SIM card *marie Fantasy* in August 2004. On the other hand, the Group has put continued effort in launching various mobile data services with a view to boosting data revenue. As mobile technology evolves, the Group has successfully introduced many other fascinating mobile communications services in Hong Kong, including the first-ever Push to Talk over Cellular (PoC) service '*Press 'n Talk*' via its GPRS/EDGE network.

Over the current period, the Group continued to invest in upgrading its network to stay technologically competitive, thereby enlarging its capacity for expansion of its subscriber base in future. In June 2004, the Group signed a USD30 million contract with Nokia for the expansion of its GSM network, including EDGE and Push to Talk over Cellular (PoC). By the end of 2004, the Group had strategically deployed its EDGE network in some high data traffic areas including Yau Tsim Mong, Wan Chai, as well as other major transport routes and business centers. The Group will gradually roll out the service to the areas where there are sufficient market demands.

Operating under the brand name of New World Mobility ("NWM"), the Group has made significant achievements in its brand building. In September 2004, NWM launched another large-scale brand campaign to reinforce the message that "New World Mobility is 'The One for You' and provides superior mobile services tailored to the needs of individual customer groups". The successful campaign has brought the Group a Bronze Award in the "2004 HK4As Creative Awards – Best Single TV/Cinema Commercial (Telecommunications)". With relentless marketing effort, NWM has been widely recognized as a solid, vibrant, innovative and reliable brand. In January 2005, NWM won the "Hong Kong Merchant of Integrity" award with the highest votes in the 'Telecommunications and Equipments' category at the Second Hong Kong Merchants of Integrity Award 2004-2005 organized by best-selling newspaper in China, 'Guangzhou Daily'.

Prospects
Looking into the future, the Group believes that reliable and innovative data solutions in the next generation of mobile communications services will bring immense potential to its subscribers. The Group has strategically deployed its EDGE network in mid 2004 and is well-positioned to meet future challenges. With the aim of providing superb communications services to Hong Kong mobile users, the Group will devote continued effort to improve its network quality.

As a dedicated mobile service provider, the Group will continue to excel in customer servicing and providing mobile users with pioneering data services that exceed their expectations. In January 2005, the Company has joined hands with several renowned content providers to launch "Video-on-the-move", allowing users to be the first to enjoy the most up-to-date music videos of various pop singers of Emperor Entertainment Group Limited on their mobile phones. The service also enables users to obtain the latest news provided by i-CABLE Communications Limited, and to enjoy fun and interesting cartoon content brought to them by jidousports.

The Group will expend immense effort to improve its profitability and bring its shareholders the best possible return. Amidst intense competition of the mobile communications market, the Group aims at maintaining its level of market share and improve the ARPU by introducing more exciting mobile data services via advanced mobile technologies.

The Group will continue to take various measures to contain costs and explore new revenue streams. The Group will also look for business expansion to overseas mobile communications markets.

Despite the latest launch of 3G services in the local market, the Group believes that co-operation with renowned content providers to provide mobile users with innovative data services via its existing GPRS/EDGE network is the most cost-effective way to stay competitive and is in the best interest of customers and shareholders.

Contingent Liabilities
The Group did not have any material contingent liabilities as at 31 December 2004 (31 December 2003: Nil).

Employees
As at 31 December 2004, the Group had a total of 689 employees (31 December 2003: 763). Apart from salaries, the Group also provides other fringe benefits to employees, which include provident funds, medical insurance and share options. The remuneration policies and packages of the Group are reviewed on a regular basis and are in line with the local practices where the Group operates.

PURCHASE, SALE OR REDEMPTION OF SHARES
Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to 1 January 2005 except that the non-executive directors and independent non-executive directors of the Company are appointed 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code during the period under review.

AUDIT COMMITTEE

The audit committee, which comprises the three independent non-executive directors of the Company namely Mr. Cheng Ming Fun, Paul, JP, Mr. Kwong Che Keung, Gordon and Mr. Wei Chi Kuan, Kenny, has reviewed the unaudited financial statements of the Group for the period ended 31 December 2004.

BOARD MEMBERS

As at the date of this announcement, the Board of the Company comprises (i) five executive directors namely Dr. Cheng Kar Shun, Henry, Mr. Chow Yu Chun, Alexander, Mr. Doo Wai Hoi, William, JP, Mr. To Hin Tsun, Gerald and Dr. Wai Fung Man, Norman; (ii) two non-executive directors namely Mr. Ho Hau Chong, Norman and Mr. Lo Lin Shing, Simon; and (iii) three independent non-executive directors namely Mr. Cheng Ming Fun, Paul, JP, Mr. Kwong Che Keung, Gordon and Mr. Wei Chi Kuan, Kenny.

By Order of the Board
Dr. Wai Fung Man, Norman
Executive Director and Chief Executive Officer

Hong Kong, 14 March 2005

Please also refer to the published version of this announcement in The South China Morning Post.