

# Soaring new heights in mobile communications

Second Interim Report 2004



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**New World Mobility - The One For You**

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Member of New World Group

## Condensed Consolidated Profit and Loss Account

For the six and twelve months ended 31 December 2004

The board of directors (the "Board") of New World Mobile Holdings Limited (the "Company") is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (collectively, the "Group") for the six and twelve months ended 31 December 2004. The condensed consolidated accounts (namely, (a) condensed consolidated profit and loss account, (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 and twelve months ended 31 December 2004, which are all unaudited, together with the selected explanatory notes, are set out as below. This said financial information has 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").

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

# Condensed Consolidated Balance Sheet

As at 31 December 2004

	Note	31 December 2004 HK\$'000 Unaudited	31 December 2003 HK\$'000 Audited
<b>Non-current assets</b>			
Fixed assets	11	1,148,103	1,254,057
Investments in associated companies		–	–
Goodwill	11	65,996	–
Deferred taxation		175,564	207,924
		<b>1,389,663</b>	<b>1,461,981</b>
<b>Current assets</b>			
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
		<b>289,081</b>	<b>222,929</b>
<b>Current liabilities</b>			
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
		<b>589,769</b>	<b>1,475,711</b>
<b>Net current liabilities</b>		<b>(300,688)</b>	<b>(1,252,782)</b>
<b>Total assets less current liabilities</b>		<b>1,088,975</b>	<b>209,199</b>
Financed by:			
Capital	15	300	1
Reserves	16	(1,021,525)	(961,904)
<b>Shareholders' deficit</b>		<b>(1,021,225)</b>	<b>(961,903)</b>
<b>Non-current liabilities</b>			
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	–
		<b>1,088,975</b>	<b>209,199</b>

## Condensed Consolidated Cash Flow Statement

For the twelve months ended 31 December 2004

	Twelve months ended 31 December	
	2004 HK\$'000 Unaudited	2003 HK\$'000 Unaudited
Net cash inflow from operating activities	422,476	409,771
Net cash outflow from investing activities	(99,683)	(184,543)
Net cash outflow from financing activities	(270,000)	(239,546)
Net increase/(decrease) in cash and cash equivalents	52,793	(14,318)
Cash and cash equivalents at the beginning of the period	62,643	76,961
Cash and cash equivalents at the end of the period	115,436	62,643
Analysis of balances of cash and cash equivalents: Cash and bank balances	115,436	62,643

## Condensed Consolidated Statement of Changes in Equity

For the twelve months ended 31 December 2004

		Twelve months ended 31 December	
	Note	2004 HK\$'000 Unaudited	2003 HK\$'000 Unaudited
Total deficit at the beginning of the period		(961,903)	(1,155,327)
Profit for the period		142,124	193,424
Issue of shares	15 & 16	914,092	—
Adjustment arising from reverse acquisition	16	(1,115,538)	—
Total deficit at the end of the period		(1,021,225)	(961,903)

# 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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;



## Notes to Condensed Consolidated Accounts

- (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 21 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 report 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.

## Notes to Condensed Consolidated Accounts

### 3. TURNOVER AND REVENUE

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

## Notes to Condensed Consolidated Accounts

### 6. FINANCE COSTS

	Six months ended 31 December		Twelve months ended 31 December	
	2004 HK\$'000 Unaudited	2003 HK\$'000 Audited	2004 HK\$'000 Unaudited	2003 HK\$'000 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	–
	<b>13,139</b>	4,891	<b>15,024</b>	12,407

### 7. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 31 December		Twelve months ended 31 December	
	2004 HK\$'000 Unaudited	2003 HK\$'000 Audited	2004 HK\$'000 Unaudited	2003 HK\$'000 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
	<b>94,885</b>	100,055	<b>188,269</b>	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 HK\$'000 Unaudited	2003 HK\$'000 Audited	2004 HK\$'000 Unaudited	2003 HK\$'000 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)
	<b>12,975</b>	16,430	<b>32,411</b>	15,627

## 9. DIVIDEND

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

## Notes to Condensed Consolidated Accounts

### 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 Unaudited	2003 Unaudited	2004 Unaudited	2003 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
<b>Number of Shares (note a)</b>				
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:

- 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)).
- 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.
- 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

	<b>Fixed assets</b> HK\$'000 Unaudited	<b>Goodwill</b> HK\$'000 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	<u>1,148,103</u>	<u>65,996</u>

## 12. TRADE RECEIVABLES

Ageing analysis of trade receivables is as follows:

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

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:

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



## Notes to Condensed Consolidated Accounts

### 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)
	<u>-</u>	<u>237,500</u>

### 15. CAPITAL

	The Group (note a) HK\$'000 Unaudited
At 1 January 2004	1
Issue of shares (note b)	<u>299</u>
At 31 December 2004	<u><u>300</u></u>

	The Company	
	No. of shares	HK\$'000 Unaudited
<b>Authorised:</b>		
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)	-
	<u>2,000,000,000</u>	<u>2,000,000</u>
Ordinary shares of HK\$1.00 each at 31 December 2004		
<b>Issued and Fully Paid:</b>		
Ordinary shares of HK\$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares (note 1(a)(i))	4,166,666,667	41,667
Share consolidation (note d)	(7,839,040,144)	-
	<u>79,182,223</u>	<u>79,182</u>
Ordinary shares of HK\$1.00 each at 31 December 2004		
	<u>79,182,223</u>	<u>79,182</u>

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 (note 15(a)) HK\$'000	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)

## Notes to Condensed Consolidated Accounts

### 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. COMMITMENTS

### (a) Capital Commitments

	As at 31 December 2004 HK\$'000 Unaudited	As at 31 December 2003 HK\$'000 Audited
Contracted but not provided for	157,244	61,161
Authorised but not provided for	60,456	–
	<u>217,700</u>	<u>61,161</u>

### (b) Commitments under operating leases

At 31 December 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	As at 31 December 2004 HK\$'000 Unaudited	As at 31 December 2003 HK\$'000 Audited
Within one year	163,911	132,473
In the second to fifth year inclusive	95,206	65,944
After the fifth year	9,916	7,868
	<u>269,033</u>	<u>206,285</u>

## Notes to Condensed Consolidated Accounts

### 20. 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:

	Note	Six months ended 31 December		Twelve months ended 31 December	
		2004 HK\$'000 Unaudited	2003 HK\$'000 Audited	2004 HK\$'000 Unaudited	2003 HK\$'000 Unaudited
Purchase from fellow subsidiaries	(a)	(22,568)	(45,927)	(80,626)	(85,670)
Purchase of fixed assets from fellow subsidiaries	(a)	–	–	–	(697)
Purchase of fixed assets from a related company	(b)	(2,292)	–	(2,292)	–
Service fee income from a fellow subsidiary	(c)	433	378	1,013	1,668
Equipment rental income from a fellow subsidiary	(d)	–	–	–	2,006
Rental expenses paid to fellow subsidiaries	(e)	(13,416)	(9,039)	(30,619)	(30,164)
Loan interest paid to a fellow subsidiary	(f)	(6,297)	–	(6,297)	–
Interest paid for the Subscription Note to an immediate holding company	(g)	(4,414)	–	(4,414)	–
Interest paid for the Convertible Bond to a fellow subsidiary	(h)	(428)	–	(428)	–

Notes:

- (a) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved.
- (b) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved. Certain directors of the Company are also directors of the related company.
- (c) Service fee was subject to the terms of the contracts entered by the parties involved.
- (d) Equipment rental income was calculated by applying a fixed rate, as agreed by the parties involved, on the depreciation charge of the shared equipment.
- (e) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.
- (f) The interest was charged with reference to the prevailing market rates.
- (g) Interest paid to PPG, the Subscription Note holder and immediate holding company of the Company, was charged at 0.75% per annum.
- (h) Interest paid to NWCBN, the Convertible Bond holder and a fellow subsidiary, was charged at 3% per annum and was payable semi-annually in arrears.

## 21. 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)

## Notes to Condensed Consolidated Accounts

### (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
	<u>42,794</u>	<u>81,194</u>
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
	<u>55,501</u>	<u>60,019</u>
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
	<u>9,670</u>	<u>4,696</u>
Net current assets	<u>45,831</u>	<u>55,323</u>
Total assets less current liabilities	<u>88,625</u>	<u>136,517</u>
Financed by:		
Capital	37,515	37,515
Reserves	22,824	70,716
Shareholders' funds	<u>60,339</u>	<u>108,231</u>
Convertible Bond	28,286	28,286
	<u>88,625</u>	<u>136,517</u>

# Independent Review Report



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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 22.

### **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 Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. 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 and twelve months ended 31 December 2004.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 14 March 2005



## 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.

## Management Discussion and Analysis

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 the best-selling newspaper in China, 'Guangzhou Daily'.

## Management Discussion and Analysis

### 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.

## Other Information

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" below, at no time during the period was the Company or any of its subsidiaries 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 2004, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### (A) Interests in shares

As at 31 December 2004, 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				Approximate percentage of issued/registered capital as at 31 December 2004
	Personal interests	Family interests	Corporate interests	Total	
<b>New World China Land Limited ("NWCL")</b> (Ordinary shares of HK\$0.10 each) Mr. Doo Wai Hoi, William	700,000	–	–	700,000	0.05%
<b>NWD</b> (Ordinary shares of HK\$1.00 each) Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
<b>New World TMT Limited ("NWTMT")</b> (Ordinary shares of HK\$1.00 each) Dr. Cheng Kar Shun, Henry Mr. Doo Wai Hoi, William	– –	1,000,000 <sup>(1)</sup> –	– 12,000,000 <sup>(2)</sup>	1,000,000 12,000,000	0.11% 1.26%
<b>NWS Holdings Limited ("NWSH")</b> (Ordinary shares of HK\$1.00 each) Dr. Cheng Kar Shun, Henry Mr. Chow Yu Chun, Alexander Mr. Doo Wai Hoi, William Mr. Kwong Che Keung, Gordon	2,000,000 2,330,418 1,333,333 400,000	587,000 <sup>(1)</sup> – – –	– – 826,000 <sup>(2)</sup> –	2,587,000 2,330,418 2,159,333 400,000	0.14% 0.13% 0.12% 0.02%
<b>Fung Seng Estate Development (Shanghai) Co., Ltd.</b> (Registered capital in US\$) Mr. Doo Wai Hoi, William	–	–	3,000,000 <sup>(3)</sup>	3,000,000	30.00%
<b>Master Services Limited</b> (Ordinary shares of US\$0.01 each) Mr. Chow Yu Chun, Alexander	16,335	–	–	16,335	1.63%
<b>Nanjing New World Chang Jiang Equipment Co. Ltd.</b> (Registered capital in RMB) Mr. Doo Wai Hoi, William	–	–	5,357,275 <sup>(2)</sup>	5,357,275	21.18%

	Number of shares/amount of registered capital				Approximate percentage of issued/registered capital as at 31 December 2004
	Personal interests	Family interests	Corporate interests	Total	
<b>Nanjing Xinlida Property Development Ltd.</b> (Registered capital in HK\$) Mr. Doo Wai Hoi, William	–	–	21,000,000 <sup>(2)</sup>	21,000,000	35.00%
<b>Ramada Property Ltd.</b> (Ordinary shares of US\$1.00 each) Mr. Doo Wai Hoi, William	–	–	200 <sup>(2)</sup>	200	20.00%
<b>Shanghai Ju Yi Real Estate Development Co., Ltd.</b> (Registered capital in RMB) Mr. Doo Wai Hoi, William	–	–	105,000,000 <sup>(3)</sup>	105,000,000	30.00%

Notes:

- (1) These shares are held by the spouse of Dr. Cheng Kar Shun, Henry.
- (2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William.
- (3) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William.

## (B) Interests in underlying shares – share options

### (i) The Company

As at 31 December 2004, the following director had personal interest in options to subscribe for shares of the Company granted under the share option scheme of the Company adopted on 11 September 1998 (the “1998 Share Option Scheme”):

Name of director	Number of share options					Date of grant	Exercise Price HK\$	Exercise period
	Balance as at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 31 December 2004			
Lo Lin Shing, Simon	20,000,000	–	–	–	200,000 <sup>(1)</sup>	8.2.2002	2.44 <sup>(1)</sup>	9.2.2002 to 8.2.2008

Note:

- (1) Adjustments on the number of share options as well as the exercise price 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 have been taken into account.



## Other Information

### (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:

Name of director	Date of grant	Exercise Period <sup>(2)</sup>	Number of share options with exercise price per share of HK\$1.955		
			Balance as at 6 July 2004 <sup>(1)</sup>	Exercised during the period	Balance as at 31 December 2004
Dr. Cheng Kar Shun, Henry	7.2.2001	8.3.2001 to 7.3.2006	5,000,000	–	5,000,000
Mr. Chow Yu Chun, Alexander	8.2.2001	9.3.2001 to 8.3.2006	2,500,000	–	2,500,000
Mr. Doo Wai Hoi, William	8.2.2001	9.3.2002 to 8.3.2006 <sup>(3)</sup>	2,800,000	–	2,800,000

Notes:

- (1) This is the date on which NWCL became an associated corporation of the Company upon completion of the subscription agreement dated 29 March 2004.
- (2) 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 years, unless otherwise specified in note (3).
- (3) The share options are exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held together with any unexercised share options carried forward from the previous years.

(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:

Name of director	Date of grant	Exercise Period	Number of share options with exercise price per share of HK\$3.725		
			Balance as at 6 July 2004 <sup>(1)</sup>	Exercised during the period	Balance as at 31 December 2004
Dr. Cheng Kar Shun, Henry	21.7.2003	(2)	2,000,000	1,000,000	1,000,000
Mr. Chow Yu Chun, Alexander	21.7.2003	(3)	133,334	–	133,334
Mr. Doo Wai Hoi, William	21.7.2003	(2)	1,333,334	666,667	666,667
Mr. Kwong Che Keung, Gordon	21.7.2003	(2)	400,000	200,000	200,000
Mr. To Hin Tsun, Gerald	21.7.2003	(2)	400,000	200,000	200,000

Notes:

- (1) This is the date on which NWSH became an associated corporation of the Company upon completion of the subscription agreement dated 29 March 2004.
- (2) The exercisable period is from 21 July 2005 to 20 July 2008.
- (3) This is divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Insofar as is known to the directors of the Company, as at 31 December 2004, the interests or short positions of the persons (other than the directors or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

#### Interests in the shares or underlying shares of the Company

Name	Capacity	Number of share/underlying shares			Approximate percentage of issued capital as at 31 December 2004
		Interests in shares	Interests in physically settled unlisted equity derivatives	Total	
NWCBN	Beneficial owner	2,100,000	23,185,245 <sup>(1)</sup>	25,285,245	31.93%
NWTHL	Interest of a controlled corporation	2,100,000 <sup>(2)</sup>	23,185,245 <sup>(2)</sup>	25,285,245	31.93%
PPG	Beneficial owner	54,056,666	1,000,000,000 <sup>(3)</sup>	1,054,056,666	1,331.18%
NWD	Interest of a controlled corporation	56,156,666 <sup>(4)</sup>	1,023,185,245 <sup>(4)</sup>	1,079,341,911	1,363.11%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	56,156,666 <sup>(5)</sup>	1,023,185,245 <sup>(5)</sup>	1,079,341,911	1,363.11%
Ms. Ku Ming Mei, Rouisa	Interest of spouse	—	200,000 <sup>(6)</sup>	200,000	0.25%

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) These 200,000 underlying shares represent the share options granted to Mr. Lo Lin Shing, Simon, the spouse of Ms. Ku Ming Mei, Rouisa and a director of the Company, as disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above.

## 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 1998 Share Option Scheme and the adoption of a new share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme is designed to reward and provide incentives to employees and other stakeholders for their contributions to the Group.

As of 31 December 2004, no share options had been granted under the 2002 Share Option Scheme.

Movements of the share options, which were granted under the 1998 Share Option Scheme, during the period were as follows:

### (A) *Share options to directors*

Details of the share options granted to directors of the Company were disclosed under the section headed "DIRECTORS' INTERESTS IN SECURITIES" above.

### (B) *Share options to employees*

Date of grant	Number of share options				Balance as at 31 December 2004	Exercise Price HK\$	Exercise period
	Balance as at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period			
8.2.2002	25,000,000	–	–	25,000 <sup>(1)</sup>	225,000 <sup>(1)</sup>	2.44 <sup>(1)</sup>	9.2.2002 to 8.2.2008

Note:

- (1) Adjustments on the number of share options as well as the exercise price 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 have been taken into account.

## 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.

## Other Information

### 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 report, 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