新移動

New World Mobile Holdings Limited

Flying high towards a new world of mobile telecommunications.

Annual Report 2004/2005

Contents

New World Mobile Holdings Limited

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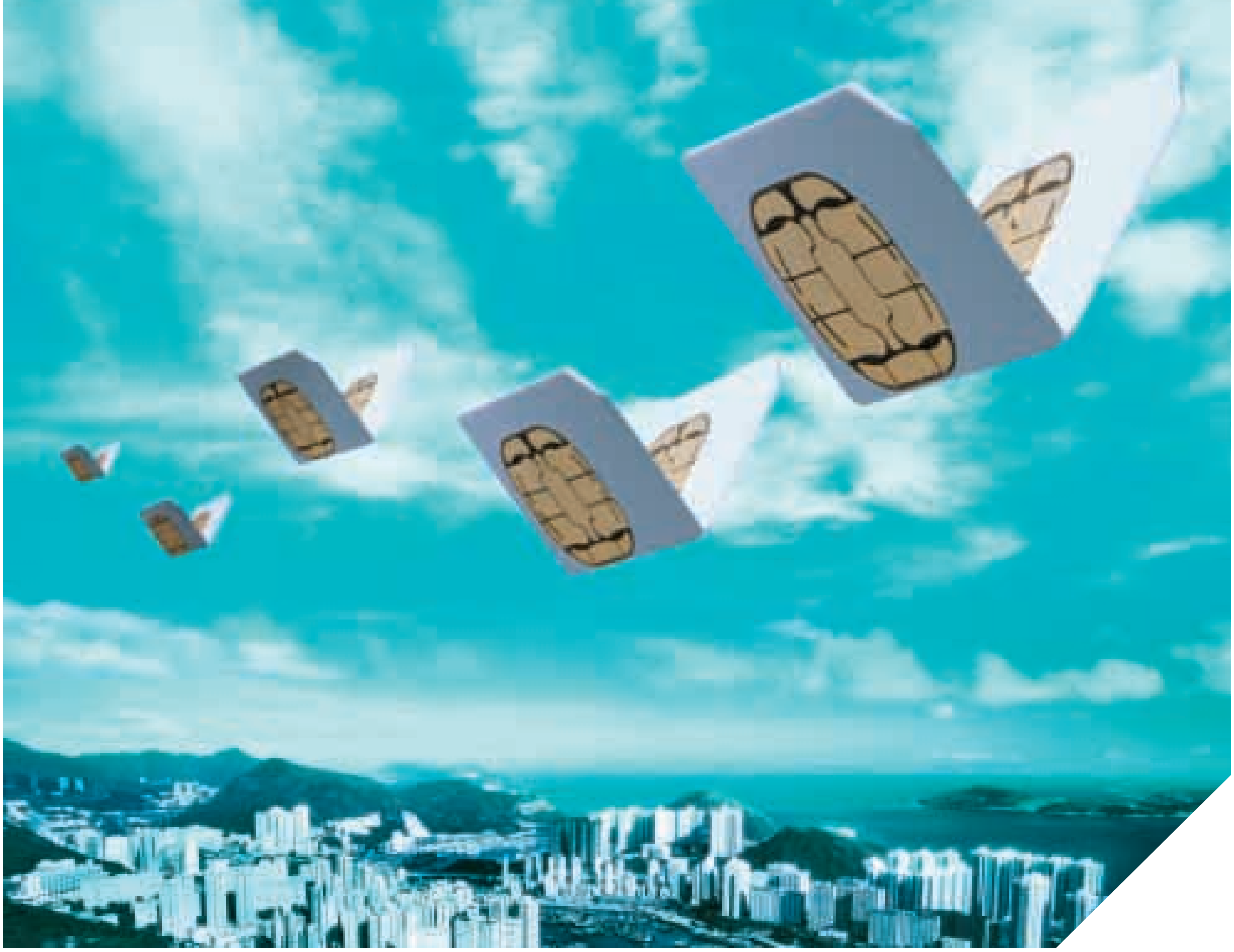
Member of New World Group



Corporate

3

Corporate Profile

New World Mobile Holdings Limited ("NW Mobile" or the "Company") and its subsidiaries (the "Group") is principally engaged in offering best-in-class mobile services including voice service and customized data services that truly meet the needs of individual customer segments via advanced mobile technology.

Operating under the brand name of New World Mobility, the Group sets very high standards through constant innovations and has made significant achievements in boosting the usage of mobile data services in Hong Kong. We have emerged to become a leading service provider through the introduction of numerous stunning mobile data services over the years. , the Group's well-known multimedia service platform, allows users to enjoy the pleasure of mobile multimedia services at ease.

With our strong commitment in service excellence, we constantly upgrade our network for improved quality and higher capacity. The Group has strategically deployed its EDGE network in high data traffic areas in the last quarter of 2004 and is well prepared to meet challenges of the next generation mobile communications.

Inaugurated in 1997, New World Mobility has made significant achievements in marketing its brand equity and has been widely recognized as a solid, vibrant, innovative and reliable brand.

NW Mobile (Hong Kong stock code: 0862, formerly known as "Asia Logistics Technologies Limited") is a public company listed in The Stock Exchange of Hong Kong Limited. The Company's major shareholder is New World Development Company Limited ("NWD"; Hong Kong stock code: 0017).

4 Milestones & Achievements

AUGUST 2004

Partnered with Disney to launch *marie Fantasy* – the first-ever Disney Character mobile prepaid SIM card worldwide that provides young users with the exclusive content of Marie

Signed a contract valued at US$30 million with Nokia for further expansion of the GSM network, including EDGE and the soon-to-launch Push to Talk over Cellular (PoC) service

SEPTEMBER 2004

Launched “The One For You” brand campaign

Launched Hong Kong's first Push to Talk over Cellular service – *Press ’n Talk*

Strategically rolled out the EDGE deployment plan at high data traffic areas

OCTOBER 2004

Revamped and extended the service platform of *Star Mobile* with “Space Odyssey” as theme

5 Milestones & Achievements

NOVEMBER 2004

Received Bronze Award in the “2004 HK4As Creative Awards – Best Single TV / Cinema Commercial (Telecommunications)” for “Connecting Tone – Desire” TV Commercial of “The One For You” brand campaign

DECEMBER 2004

Customer base exceeded 1,300,000

JANUARY 2005

Launched *Video-on-the-move*, providing exclusive MV of pop singers, video infotainment and cartoon content to customers

Received “The Second Hong Kong Merchants of Integrity Award (2004/2005)” organized by Guangzhou Daily, with the highest votes in the “Telecommunications & Equipments” category

FEBRUARY 2005

“Press ’n Talk – Brotherhood” version of “The One For You” brand campaign TV Commercial was commended in the “Best Broadcast Commercial” category in “The GSM Association Awards 2005”

Received the “Caring Company Logo 2004/2005” under the “Caring Company” Scheme organized by The Hong Kong Council of Social Service

6 Milestones & Achievements

APRIL 2005

Received the "Reader's Digest SuperBrand 2005" – Gold Winner

Received "The Most Extraordinary Talent Award" of "The 11th Annual Most Popular TV Commercial Awards" from ATV for the "Connecting Tone – Desire" TV Commercial of "The One For You" brand campaign

Received the "Print Ad Award 2004" from Metro HK for the "Press 'n Talk – Brotherhood" print ad of "The One For You" brand campaign

MAY 2005

Received the "Best Telecommunication Online Campaign" in the "2005 Internet Advertising Competition Award" organized by the Web Marketing Association in Boston for the *marie Fantasy* mini-site

JUNE 2005

Customer base exceeded 1,350,000

7 Chairman's Statement

The fiscal year 2004/2005 was a challenging year for the Group. The acute market competition set off by 3G hit the bottom line of every local mobile operator during the financial year under review. The Group stayed away from irrational price competition and focused in growing the businesses where we saw great potentials, consequently achieving solid results.

The Group is cautiously optimistic about the long-term growth of our business while preparing for the challenges of advanced mobile services. We believe our strong commitment to service excellence will gain continuous support from mobile users who pursue superb quality and innovative mobile communications.

Dr. Cheng Kar Shun, Henry
Chairman
Hong Kong, 5 October 2005

CEO's Report

FINANCIAL HIGHLIGHTS

For the year under review, the Group's turnover amounted to HK$1,709 million, representing a slight increase of HK$10 million (2003/04: HK$1,699 million). The Group's earnings before interest, tax, depreciation and amortization ("EBITDA") dropped by 12% to HK$403 million (2003/04: HK$459 million) and profit attributable to shareholders declined by 43% to HK$93 million (2003/04: HK$164 million).

DIVIDEND

No interim dividend was paid in respect of the year ended 30 June 2005 (2004: Nil) and the Board does not recommend the payment of any final dividend for the year (2004: Nil).

REVIEW OF RESULTS

Goes Public

For the year ended 30 June 2005, the Company has successfully acquired New World PCS Holdings Limited and its subsidiaries (collectively, the "NWPCS Group"), previously the wholly-owned mobile business unit of NWD. Upon completion of the transaction 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 was changed to "NW Mobile".

Market Challenges

During the year, the emergence of 3G services in the local mobile market posed a great challenge to the Group as well as other market players. The aggressive pricing strategy of 3G services and handsets has intensified the severe market competition and hit operators' bottom line. The Group managed to achieve steady income by the consistent growth in roaming revenue, mobile data revenue and handset sales.

Consistent Growth in Subscriber Base

As of 30 June 2005, the subscriber base of the Group surged to 1,350,000, representing a growth of 8% as compared with last year. The substantial growth has utilised the leftover network capacity and made up for the loss of subscribers due to the termination of a Mobile Virtual Network Operator (MVNO) contract in early October 2004.

Innovative Mobile Data Services

The Group succeeded in exploring new market segments and extending its market reach by using the unique 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 *U-Save Mobile Stored-value Card* for Filipinos and Indonesians. The Group has extended its reach to mobile youth by enriching the content of its well-received *Star Mobile* and launching the first-ever Disney Character mobile prepaid SIM card *marie Fantasy* in conjunction with the Walt Disney Internet Group (Disney) in August 2004. In July 2005, the Group has introduced another exciting multimedia service *HEA Mobile* that features the popular comic character "Fu Wing" of the "Gi Si Goo Bi Family" to attract young mobile users.

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. In January 2005, the Group joined hands with several renowned suppliers to launch *Video-on-the-move*, allowing users to be the first to enjoy the most up-to-date MV of various pop singers of Emperor Entertainment Group via their mobile phones. The service also enables users to obtain the latest local, international, entertainment, financial, weather and traffic news provided by i-CABLE Communications Limited, and to enjoy a fun and interesting cartoon content brought to them by jidousports. The Group continues to enrich its service content by introducing many other exciting features, such as "China Info", "Miss Korean's Diary", "Shanghai Dialect" and "Chinese Astrology".

Superior Network Quality

Over the year, HK$141 million has been invested in upgrading our network in a bid to stay technologically competitive as well as enlarge our network capacity for the expanding subscriber base. In the last quarter of 2004, the Group has strategically deployed its EDGE network in some high data traffic areas as well as other major transport routes and business centers, and will gradually roll out the service to the areas where there are strong market demands.

Brand Success

Throughout the past few years, the Group has put continued effort in reinforcing its brand positioning. In September 2004, the Group has launched an extensive 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". At "The Second Hong Kong Merchants of Integrity Award 2004/2005" organized by China's best-selling newspaper – Guangzhou Daily, the Group won the "Hong Kong Merchant of Integrity" award with the highest votes in the 'Telecommunications and Equipments' category.

We have also demonstrated our strong commitments to becoming a good corporate citizen by actively participating in various community activities. In early 2005, the Group received the "Caring Company Logo 2004/2005" from The Hong Kong Council of Social Service.

What's more, we have received numerous awards for "The One For You" brand campaign, including Bronze Award in the 2004 HK4As Creative Awards – Best Single TV/Cinema Commercial (Telecommunications); "The Most Extraordinary Talent Award" of The 11th Annual Most Popular TV Commercial Awards from ATV for the "Connecting Tone – Desire" TVC version; the "Print Ad Award 2004" from Metro HK and the "Best TV Commercial" category in The GSM Association Awards 2005 for the "Press 'n Talk – Brotherhood" version; and last but not least, the Silver Award in the Telecommunications category of the 2005 EFFIE Award organised by the New York American Marketing Association.

In April 2005, the Group also received the "Reader's Digest SuperBrand 2005" – Gold Award.

OUTLOOK

We believe that reliable and innovative data solutions and services in mobile communications services will bring immense potential to our subscribers. As part of our ongoing strategy, we will add excitement to the mobile market by introducing pioneering mobile data services that exceed market expectations as well as customer needs. The Group will continue to explore the prepaid market and expand its reach to mobile youth and other market segments that show great potential.

CEO's Report

Before we see any genuine and substantial market needs for 3G services, we believe that co-operation with renowned content providers to provide customers with innovative data services via our existing 2.5/2.75G network remains the most cost-effective way to stay competitive and is in the best interest of our customers and shareholders.

At the same time when we continue to exercise various measures to contain costs, the Group is keen to explore new revenue streams and business opportunities. Expanding business to overseas mobile market has become an integral part of the Group's long-term business strategy. In August 2005, the Group, in conjunction with Linktone, a leading provider of interactive entertainment products and services to consumers in China, introduced "移動追星" – the mainland version of the Group's renowned mobile entertainment service *Star Mobile* to China allowing mainland mobile users to get close to Hong Kong pop stars. On the other hand, in order to enable the Group to participate in the mobile Internet service market in Mainland China, the Company has entered into a conditional Sales and Purchase Agreement with New World CyberBase Limited on 12 September 2005 to purchase the entire issued share capital of its subsidiary, New World CyberBase Solutions (BVI) Limited.

ACKNOWLEDGEMENT

Finally, the Group would like to take this opportunity to express gratitude to our valued customers, shareholders and business partners for their continual support, and to all colleagues for their hard work and devotion to the Group.

Dr. Wai Fung Man, Norman
Executive Director and Chief Executive Officer
Hong Kong, 5 October 2005

Management Discussion and Analysis

CHANGE OF FINANCIAL YEAR END

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

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, which has a financial year end date of 30 June.

In order to conform to the financial year end date of NWD and the NWPCS Group, the Company has changed its financial year end date from 31 December to 30 June. Accordingly, the financial period of the Company under review in the Annual Report covered the eighteen months from 1 January 2004 to 30 June 2005.

Summary of the financial review representing the Group's result covered the period from 1 July 2004 to 30 June 2005.

FINANCIAL REVIEW

For the year ended 30 June 2005, the Group's consolidated turnover slightly increased by HK$10 million to approximately HK$1,709 million (2003/04: HK$1,699 million). The turnover of the Group was mainly contributed by mobile communications services revenue and sales of handsets and accessories.

Mobile communications services revenue for the year amounted to approximately HK$1,318 million (2003/04: HK$1,442 million), representing 8.6% decrease. The decline was mainly attributable to aggressive price promotions offered by the mobile service operators and severe competition on tariff. As a result, the post-paid average revenue per user ("ARPU") dropped from HK$180 in last year to HK$170 in current year. However, the Group continued to excel in customer servicing and providing mobile users with pioneering data services to maintain its competitiveness during the year. The Group was successful in maintaining the churn rate at 3.6% (2003/04: 3.3%).

Revenue from sales of mobile handsets and accessories for the year was approximately HK$386 million, representing 50% surge as compared with HK$257 million for last year. This was achieved by offering various "free handset" promotional offers and a wide range of handset models with advance features to our customers during the year.

The cost of goods sold and services provided was approximately HK$866 million, representing an increase of HK$93 million as compared with last year (2003/04: HK$773 million). The increase was a direct result of the corresponding increase in handset sales.

The gross profit margin of the Group was 49% for current year (2003/04: 54%). The decrease was mainly due to relatively low gross profit margin of mobile handsets and accessories sales and the decline of ARPU.

The Group continues to enhance operating efficiency, resulting in a lower operating expense, excluding depreciation and amortisation charge ("OPEX"). The OPEX was reduced by 5.6% to HK$441 million (2003/04: HK$467 million).

The Group's earning before interest, tax, depreciation and amortisation ("EBITDA") for the current year dropped to HK$403 million (2003/04: HK$459 million).

Finance costs for the year increased to HK$30 million (2003/04: HK$7 million). The increase was mainly due to the interest payments by the Group for a loan from a fellow subsidiary, the Subscription Note and a convertible bond ("Convertible Bond") arose as a result of the Acquisition. Increase in HIBOR was also a substantial factor for the increase in finance costs.

As a result of the combined effects of the above, the Group's profit attributable to shareholders dropped to HK$93 million (2003/04: HK$164 million).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For financing the Acquisition, the Company has issued Subscription Shares and Subscription Note at considerations of HK$50 million and HK$1,200 million, respectively, in July 2004.

Apart from the Subscription Note, the total borrowings of the Group as at 30 June 2005 was approximately HK$1,009 million (30 June 2004: HK$2,164 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$103 million. All these borrowings are denominated in Hong Kong dollars and bear interest at HIBOR + 0.65%, 3% and HIBOR + 0.65%, respectively.

The loan from NWF is repayable on demand after 29 September 2006. The maturity date for the Convertible Bond is in November 2007. The bank loan outstanding is scheduled to be fully repaid in October 2005.

As most of the borrowings of the Group including the Subscription Note as at 30 June 2005 are regarded as shareholders' loans, the gearing ratio of the Group calculated thereon is considered to be misleading and so not presented in this report.

As at 30 June 2005, the Group's cash and bank balances amounted to approximately HK$117 million (30 June 2004: HK$94 million).

The Group's net cash inflow from operating activities reduced by HK$14 million to HK$396 million (2003/04: HK$410 million).

As at 30 June 2005, none of the assets held by the Group were pledged to other parties (30 June 2004: Nil).

Capital expenditure of the Group amounted to HK$141 million for the year (2003/04: HK$154 million). Capital expenditure was mainly for the ongoing enhancements in the service quality, coverage of the mobile network, and purchase of hardware and software for multimedia services provisioning.

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

The functional currency of the Group is Hong Kong dollar. The Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollar. The Group does not therefore have any significant exposure to foreign currency gains and losses. 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 30 June 2005, the Group had obtained bank guarantees in lieu of deposits of HK$9 million (30 June 2004: HK$9 million) in aggregate.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2005, the Group had a total of 662 employees (30 June 2004: 706). The Group's remuneration policy is to pay salaries that are competitive in the industry, in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

15 Corporate Governance

CORPORATE GOVERNANCE PRACTICES

The management of the Company believes that well-balanced corporate governance practices enable the Company to better manage its business risks, and thereby create long-term value for the stakeholders. As such, the Company is committed to maintaining a high standard of corporate governance.

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

Throughout the 18-month period from 1 January 2004 to 30 June 2005 (the "Relevant Period"), the Company complied with the Code of Best Practice, except that the non-executive directors and independent non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

In order for the Company to comply with the CGP Code in relation to the code provision requiring every director to be retired by rotation at least once every three years, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Company's articles of association.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the Relevant Period.

BOARD OF DIRECTORS

The Board of Directors ("Board") of the Company collectively oversee the management of the business and affairs of the Company and its subsidiaries (the "Group") with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board currently comprises five executive directors, two non-executive directors and three independent non-executive directors whose biographical details are set out on pages 21 to 24 of this annual report. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to the Listing Rules and the Company considers the independent non-executive directors to be fully independent.

All directors have separate and independent access to senior management and the Company Secretary at all times and they are entitled to have full access to Board papers and related materials. Directors are invited to put forward agenda items for Board meetings. Agenda and accompanying Board papers are circulated not less than 3 days before Board meetings to ensure that the directors have sufficient time to review the documents.

The attendances of the Board and Committee meetings for the Relevant Period are as follows:

	Attendance records						
	Board Meetings				Audit Committee Meetings		
Name of directors	**29/3/04**	**23/4/04**	**21/9/04**	**14/3/05**	**21/4/04**	**15/9/04**	**9/3/05**
Mr. Chan Ki [1]	√	x	N/A	N/A	N/A	N/A	N/A
Mr. Chan Wai Keung, Ringo [1]	√	x	N/A	N/A	N/A	N/A	N/A
Dr. Cheng Kar Shun, Henry [2]	√	x	√	√	N/A	N/A	N/A
Mr. Cheng Ming Fun, Paul, *JP* [3]	N/A	N/A	√	x	N/A	√	√
Mr. Chow Yu Chun, Alexander [4]	N/A	N/A	√	√	N/A	N/A	N/A
Mr. Doo Wai Hoi, William, *JP* [4]	N/A	N/A	√	√	N/A	N/A	N/A
Mr. Ho Hau Chong, Norman	√	√	√	x	N/A	N/A	N/A
Mr. Hui Chiu Chung, *JP* [5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Kwong Che Keung, Gordon [4]	N/A	N/A	√	√	N/A	√	√
Mr. Lo Lin Kwong [1]	√	x	N/A	N/A	N/A	N/A	N/A
Mr. Lo Lin Shing, Simon [6]	√	√	√	√	N/A	N/A	N/A
Mr. To Hin Tsun, Gerald [7]	√	√	√	√	√	N/A	N/A
Dr. Wai Fung Man, Norman [4]	N/A	N/A	√	√	N/A	N/A	N/A
Mr. Wei Chi Kuan, Kenny	√	x	√	x	√	√	x
Mr. Yu Ansheng, Ben [1]	√	√	N/A	N/A	N/A	N/A	N/A
Mr. Zhao Rui [1]	x	x	N/A	N/A	N/A	N/A	N/A
Number of directors present:	9	4	10	7	2	3	2

Notes:

(1) Resigned on 6 July 2004.

(2) Re-designated from non-executive director to executive director and chairman on 6 July 2004.

(3) Appointed on 28 July 2004 and resigned on 6 April 2005.

(4) Appointed on 6 July 2004.

(5) Appointed on 6 April 2005.

(6) Re-designated from executive director and chairman to non-executive director on 6 July 2004.

(7) Re-designated from independent non-executive director to executive director on 6 July 2004.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and the Chief Executive Officer of the Company are held by separate individuals to ensure a clear distinction between their responsibilities by means of segregation of duties.

The principal responsibilities of the Chairman, Dr. Cheng Kar Shun, Henry, include:

(a) providing leadership for the Board;

(b) approving and monitoring the overall strategies and policies of the Group;

(c) ensuring that the Board works effectively, discharges its responsibilities and discusses all key issues in a timely manner;

(d) ensuring all directors are properly briefed on matters to be discussed at Board meetings and providing them with opportunities to express their views at the meetings;

(e) ensuring all directors receive adequate, complete and reliable information in a timely manner; and

(f) ensuring Board meetings and general meetings are properly convened and held in accordance with the Company's articles of association and other applicable rules and regulations.

On the other hand, the Chief Executive Officer, Dr. Wai Fung Man, Norman, is responsible for:

(a) providing leadership for the management;

(b) assuming full accountability to the Board for the day-to-day operations of the Group;

(c) implementing the strategies and policies adopted by the Board;

(d) providing all such information to the Board as is necessary to enable the Board to perform its works effectively;

(e) establishing and maintaining proper internal controls and systems as well as disclosure controls and procedures; and

(f) discharging such duties and authority as may be delegated by the Board.

NON-EXECUTIVE DIRECTORS

The role of the non-executive directors is to enhance independence and objectivity of the Board's deliberations and decisions.

There is no specific term for the appointment of non-executive directors of the Company. As mentioned in the section headed "CORPORATE GOVERNANCE PRACTICES" above, the non-executive directors (including independent non-executive directors) 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.

REMUNERATION OF DIRECTORS

The emoluments of the directors are determined by reference to the skill, knowledge and experience of the respective directors and their involvement in the Company's affairs as well as the prevailing market conditions. Share options may also be granted to the directors as long-term incentive or rewards for their continuous contributions to the Group.

Pursuant to the CGP Code, the Company has established a Remuneration Committee with written terms of reference on 28 June 2005. Members of the Remuneration Committee are the Chief Executive Officer, Dr. Wai Fung Man, Norman (Chairman of the Remuneration Committee), and two independent non-executive directors, namely, Mr. Hui Chiu Chung, *JP* and Mr. Wei Chi Kuan, Kenny.

The principal responsibilities of the Remuneration Committee include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of directors and senior management.

No meeting of the Remuneration Committee was held during the Relevant Period.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience.

AUDITORS' REMUNERATION

During the year ended 30 June 2005, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	**Amount** *HK$'000*
Audit services	1,182
Non-audit services	
(i) Tax services	78
(ii) Other	284

AUDIT COMMITTEE

The Audit Committee was established in May 1999 and has written terms of reference. The Audit Committee currently comprises the three independent non-executive directors, namely, Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), Mr. Hui Chiu Chung, *JP* and Mr. Wei Chi Kuan, Kenny.

The Audit Committee is responsible for providing independent review of the effectiveness of the financial reporting process and internal control system of the Group. The Audit Committee will report its findings and make recommendations to the Board for consideration at board meetings.

During the Relevant Period, the Audit Committee met three times together with the Chief Executive Officer and the management of the Company. Details of the attendance records are set out in the section headed “BOARD OF DIRECTORS” above.

In fulfilling its responsibilities, the Audit Committee had performed the following major duties during the Relevant Period:

(i) review of the draft first interim, second interim and annual financial statements and the related draft results announcement;

(ii) review of the change in financial year end date;

(iii) review of the change in accounting standards and assessment of potential impacts on the Group’s financial statements;

(iv) review of the results of external audit and discuss with the external auditors and the management on any significant findings and issues;

(v) review of the continuing connected transactions and comment on the fairness and reasonableness of the transactions; and

(vi) review of the adequacy and effectiveness of the Group’s internal control system and discuss with the Board and management of the Company on the findings.

DIRECTORS’ RESPONSIBILITY ON THE ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts for the Relevant Period, which were prepared in accordance with statutory requirements and applicable accounting standards.

The reporting responsibilities of the external auditors on the accounts are set out in the “REPORT OF THE AUDITORS” on page 42.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Dr. Cheng Kar Shun, Henry, aged 58, is the Chairman of the Company. He was appointed as a Non-executive Director of the Company in November 2001 and redesignated as executive Director and Chairman of the Company in July 2004. Dr. Cheng is the Managing Director of New World Development Company Limited, the Chairman and Managing Director of New World China Land Limited, the Chairman of New World TMT Limited, NWS Holdings Limited and Tai Fook Securities Group Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong (the "Stock Exchange"). Dr. Cheng is also the Managing Director of NWD (Hotels Investments) Limited and a Director of Chow Tai Fook Enterprises Limited and HKR International Limited. Dr. Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Committee Member of the Tenth National Committee of Chinese People's Political and Consultative Conference of the People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Dr. Cheng is the brother-in-law of Mr. Doo Wai Hoi, William.

Mr. Doo Wai Hoi, William, *JP*, aged 61, was appointed as an Executive Director and Vice Chairman of the Company in July 2004. Mr. Doo is also the deputy Chairman of each of New World China Land Limited, NWS Holdings Limited and Tai Fook Securities Group Limited, all of which are companies whose shares are listed on the Stock Exchange. He also acts as director for each of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong. Mr. Doo is the brother-in-law of Dr. Cheng Kar Shun, Henry. In addition, he is appointed as a member of the executive committee of the Chinese People's Political and Consultative Conference in Shanghai of the PRC.

Dr. Wai Fung Man, Norman, aged 56, was appointed as an Executive Director and Chief Executive Officer of the Company in July 2004. He is also an Executive Director of New World TMT Limited, a company whose shares are listed on the Stock Exchange. Dr. Wai is a veteran with 30 years of experience in telecommunications. Previously, he was a senior executive of various telecommunications companies in Europe, Canada and Hong Kong. Dr. Wai holds a doctoral degree in Electronic Engineering, specializing in digital mobile data communications. He is a qualified Chartered Engineer and a Fellow of The Institution of Electrical Engineers.

Mr. To Hin Tsun, Gerald, aged 56, was appointed as an Independent Non-executive Director of the Company in March 2000 and redesignated as an Executive Director in July 2004. Mr. To has been a practicing solicitor in Hong Kong since 1975. Mr. To is also a qualified solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr. To is also a Non-executive Director of New World CyberBase Limited, NWS Holdings Limited and Tai Fook Securities Group Limited.

Directors and Senior Management Profile

Mr. Chow Yu Chun, Alexander, aged 58, was appointed as an Executive Director of the Company in July 2004. Mr. Chow is also an Executive Director of New World China Land Limited, a company whose shares are listed on the Stock Exchange. He is a fellow of The Association of Chartered Certified Accountants, the United Kingdom and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and has over 30 years of experience in property development and investment in Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. Lo Lin Shing, Simon, aged 49, joined the Company in March 2000 and is currently a Non-executive Director of the Company. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries. He has been a member of the CME and IMM since 1986. Mr. Lo is the Chairman of New World CyberBase Limited and the Deputy Chairman of Tai Fook Securities Group Limited. He is also an Executive Director of International Entertainment Corporation and a Non-executive Director of Cheung Tai Hong Holdings Limited and Beijing Beida Jade Bird Universal Sci-Tech Company Limited, all of which are companies whose shares are listed on the Stock Exchange.

Mr. Ho Hau Chong, Norman, aged 50, was appointed as a Non-executive Director of the Company in November 2000. Mr. Ho has been a Director of CITIC Pacific Limited since May 1994. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company Limited. He is also a Director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited, Miramar Hotel and Investment Company Limited and a number of other quoted companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wei Chi Kuan, Kenny, aged 47, was appointed as an Independent Non-executive Director of the Company in July 2000. Mr. Wei graduated from the University of Western Ontario with a Bachelor of Arts Degree and has over 23 years of experience in the banking industry. He is also an Independent Non-executive Director of New World CyberBase Limited.

Directors and Senior Management Profile

Mr. Kwong Che Keung, Gordon, aged 56, was appointed as an Independent Non-executive Director of the Company in July 2004. He is a non-executive director of COSCO Pacific Limited and an independent non-executive director of NWS Holdings Limited and a number of other Hong Kong listed companies. Mr. Kwong graduated from the University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977 and was a partner of PricewaterhouseCoopers from 1984 to 1998. He had served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of the Stock Exchange from 1992 to 1997.

Mr. Hui Chiu Chung, *JP*, aged 58, was appointed as an Independent Non-executive Director of the Company in April 2005. He is currently the Group Managing Director of OSK Asia Holdings Limited. Mr. Hui has 34 years of experience in the securities and investment industry. Mr. Hui had for years been serving as Council Member and Vice-Chairman of the Stock Exchange. He was also a Director of the Hong Kong Securities Clearing Company Limited. He had for 8 years been serving as a member of the Advisory Committee of the Hong Kong Securities & Futures Commission (SFC) and is at present a member of its Academic and Accreditation Advisory Committee. He is also an appointed Member of Securities & Futures Appeals Tribunal, member of the Listing Committee of Hong Kong Exchange & Clearing Limited and Committee Member of the Hong Kong Stockbrokers Association. Mr. Hui also serves as Independent Non-executive Director of several listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Cheung Chin Fai, Johnny, aged 40, was appointed as the Vice President, Networks & Regulatory in 2000. Mr. Cheung oversees the Regulatory affairs, Engineering and Operation of the Group's GSM and IT networks. Mr. Cheung has 18 years experience in telecommunications. Previously, he was the Director of CCT Communications, the Program Management Director of Level 3 Communications and the General Manager of New World Mobility. Mr. Cheung had spent over 5 years working in Australia for the local satellite, fixed and mobile operators. Mr. Cheung holds a Bachelor degree in Electrical Engineering from Carlton University, Ottawa, Canada and a Master degree in Engineering Science from the University of New South Wales, Australia.

Ms. Lee Wai Yi, Melanie, aged 39, was appointed as the Vice President, Marketing in 2004. Ms. Lee oversees the marketing operations in the areas of brand management, product and services, external communications, retail and presence marketing, pricing and offer strategy, and acquisition and loyalty marketing. Ms. Lee has 20 years marketing experience. Prior to joining the Group in 2001, she was with SUNDAY Communications where she was responsible for marketing and communications of the brand. Previously, she had held various senior positions in the advertising industry. Ms. Lee was graduated from the University of Hong Kong. She also holds a Master of Social Science degree from the Chinese University of Hong Kong in Communications.

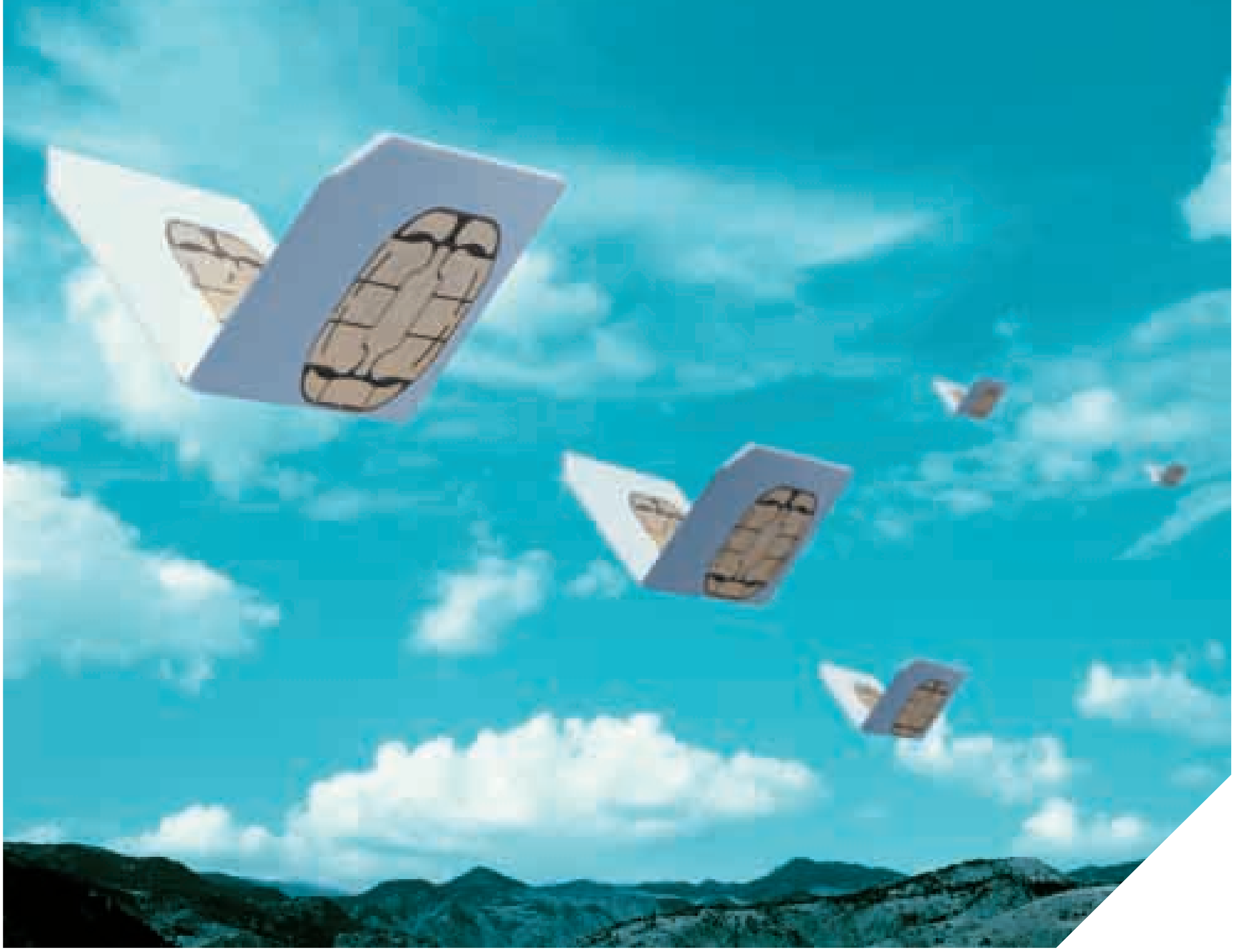
Directors and Senior Management Profile

Ms. Tseung Chor Ping, Cecilia, aged 58, was appointed as the Vice President, Information Technology & Customer Services in 2001. Ms. Tseung is responsible for the overall development in information technology and customer services of the Group. Ms. Tseung has over 20 years of solid experience in the international communications industry. Before she joined the Group, Ms. Tseung had spent two years in Taiwan working for a local mobile operator partnering with AT&T Wireless. Prior to that, she spent over 10 years in the United States and the United Kingdom where she completed her graduate studies and held different management positions for various world-class IT organizations.

Mr. Hui Leong Kin, Ben, aged 40, was appointed as the Director, Sales in 2005. Mr. Hui oversees sales activities of the Group and is responsible for corporate sales, personal sales, channel sales and sales support. Mr. Hui has 18 years experience in sales. Prior to joining the Group, he was the Sales Manager of Tricom Telecom Limited and the General Manager of Symphonic Telecom Limited, where he earned tremendous management experience in retail chains, direct sales and channels, in Hong Kong as well as the People's Republic of China. Mr. Hui holds an MBA from the Open University of Hong Kong.

Mr. Li Chi Ming, David, aged 51, was appointed as the Director, Human Resources & Administration in 1996. Mr. Li is responsible for the full spectrum of human resources management, office administration, internal security as well as occupational health and safety. Mr. Li has over 26 years human resources and office management experience in various industries including FMCG, hospitality, retail, manufacturing and public transport. He obtained his Master of Arts in Human Resources Management from the Macquarie University in Australia and is a Fellow Member of the Hong Kong Institute of Human Resources Management.

Mr. Sien Yun Man, aged 43, was appointed as the Director, Finance in 2004. Mr. Sien oversees the Group's finance and accounting functions, procurement activities, risk management activities and legal affairs. He is also involved in the business and strategic developments of the Group. Mr. Sien has 18 years accounting and finance experience. Graduated from the City University of Hong Kong, Mr. Sien is a Fellow of the Association of Chartered Certified Accountants, UK. He is also a Certified General Accountant of the Certified General Accountants Association of Canada, an Associate of The Hong Kong Institute of Company Secretaries, The Hong Kong Institute of Certified Public Accountants, and The Institute of Chartered Secretaries and Administrators, UK.



Finance

Report of the Directors

The directors present their report together with the audited consolidated accounts of the Company and its subsidiaries (together the "Group") for the year ended 30 June 2005.

CHANGE OF FINANCIAL YEAR END DATE

The Company changed its financial year end date from 31 December to 30 June on 10 December 2004 so as to enable the Company to have a coterminous year end with New World Development Company Limited, the controlling shareholder of the Company, and New World PCS Holdings Limited, the principal subsidiary of the Company.

The accounts presented for the Company cover the eighteen months from 1 January 2004 to 30 June 2005 ("Relevant Period").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiary of the Company is set out in note 14 to the accounts.

An analysis of the Group's performance by business and geographical segments is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group are set out in the Consolidated Profit and Loss Account on page 43.

No interim dividend was declared and the directors do not recommend the payment of a final dividend for the Relevant Period.

RESERVES

Movements in the reserves of the Group and of the Company are set out in note 26 to the accounts.

DONATIONS

Charitable and other donations made by the Group amounted to HK$350,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the company at 30 June 2005, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK$203,937,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 83.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

The directors of the Company during the Relevant Period and up to the date of this report are as follows:

Executive directors:

Dr. Cheng Kar Shun, Henry *(Chairman)*	(re-designated from non-executive director to executive director and chairman on 6 July 2004)
Mr. Doo Wai Hoi, William, *JP (Vice Chairman)*	(appointed on 6 July 2004)
Dr. Wai Fung Man, Norman *(Chief Executive Officer)*	(appointed on 6 July 2004)
Mr. To Hin Tsun, Gerald	(re-designated from independent non-executive director to executive director on 6 July 2004)
Mr. Chow Yu Chun, Alexander	(appointed on 6 July 2004)
Mr. Chan Ki	(resigned on 6 July 2004)
Mr. Chan Wai Keung, Ringo	(resigned on 6 July 2004)
Mr. Yu Ansheng, Ben	(resigned on 6 July 2004)
Mr. Lo Lin Kwong	(resigned on 6 July 2004)
Mr. Zhao Rui	(resigned on 6 July 2004)

Non-executive directors:

Mr. Lo Lin Shing, Simon	(re-designated from executive director and chairman to non-executive director on 6 July 2004)
Mr. Ho Hau Chong, Norman	

Independent non-executive directors:

Mr. Wei Chi Kuan, Kenny	
Mr. Kwong Che Keung, Gordon	(appointed on 6 July 2004)
Mr. Hui Chiu Chung, *JP*	(appointed on 6 April 2005)
Mr. Cheng Ming Fun, Paul, *JP*	(appointed on 28 July 2004 and resigned on 6 April 2005)

In accordance with article 116 of the Company's articles of association, Dr. Cheng Kar Shun, Henry retires by rotation and, being eligible, offer himself for re-election.

In accordance with article 99 of the Company's articles of association, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP* retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has any service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 32 to the accounts, no contract of significance in relation to the Group's businesses to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time during the Relevant Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 21 to 24.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

A summary of the directors' and senior management's remuneration is set out in note 8 to this account.

DIRECTORS' RIGHTS TO ACQUIRE SHARE

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(A) Long positions – Interests in shares

As at 30 June 2005, none of the directors of the Company had any interests in the shares of the Company.

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

	Number of shares/ amount of registered capital				Approximate percentage of issued/ registered capital as at 30 June 2005
	Personal interests	**Family interests**	**Corporate interests**	**Total**	
New World China Land Limited ("NWCL")					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar Shun, Henry	–	–	52,271,200[1]	52,271,200	1.39%
Mr. Doo Wai Hoi, William, JP	1,750,000	–	45,050,000[2]	46,800,000	1.24%
New World Development Company Limited ("NWD")					
(Ordinary shares of HK$1.00 each)					
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
New World TMT Limited ("NWTMT")					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	–	1,000,000[3]	–	1,000,000	0.11%
Mr. Doo Wai Hoi, William, JP	–	–	12,000,000[2]	12,000,000	1.26%
NWS Holdings Limited ("NWSH")					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	2,000,000	587,000[3]	8,000,000[1]	10,587,000	0.58%
Mr. Chow Yu Chun, Alexander	2,371,337	–	–	2,371,337	0.13%
Mr. Doo Wai Hoi, William, JP	1,333,333	–	826,000[2]	2,159,333	0.12%
Mr. Kwong Che Keung, Gordon	400,000	–	–	400,000	0.02%

	Number of shares/ amount of registered capital				Approximate percentage of issued/ registered
	Personal interests	Family interests	Corporate interests	Total	capital as at 30 June 2005
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US$)					
Mr. Doo Wai Hoi, William, JP	–	–	3,000,000(4)	3,000,000	30.00%
Master Services Limited					
(Ordinary shares of US$0.01 each)					
Mr. Chow Yu Chun, Alexander	16,335	–	–	16,335	1.63%
Ramada Property Ltd.					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, JP	–	–	200(2)	200	20.00%
Shanghai Ju Yi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai Hoi, William, JP	–	–	105,000,000(4)	105,000,000	30.00%

Notes:

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

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

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

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

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

(i) The Company

As at 30 June 2005, the following directors had personal interest in options to subscribe for shares of the Company granted under the share option schemes of the Company:

		Number of share options								
Name of director	Date of grant	Balance as at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted during the peirod	Balance as at 30 June 2005	Exercise Price *HK$*	Exercise period	Closing price immediately before the date of grant *HK$*
Dr. Cheng Kar Shun, Henry	28.1.2005	–	780,000	–	–	–	780,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Cheng Ming Fun, Paul[(1)]	28.1.2005	–	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Chow Yu Chun, Alexander	28.1.2005	–	482,000	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Doo Wai Hoi, William, JP	28.1.2005	–	300,000	–	–	–	300,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Ho Hau Chong, Norman	28.1.2005	–	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Hui Chiu Chung, Stephen	8.4.2005	–	78,000	–	–	–	78,000	1.276	8.4.2005 to 31.12.2010	1.240
Mr. Kwong Che Keung, Gordon	28.1.2005	–	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Lo Lin Shing, Simon	8.2.2002[(2)]	20,000,000	–	–	–	(19,800,000)[(2)]	200,000	2.440[(2)]	9.2.2002 to 8.2.2008	N/A
	28.1.2005	–	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. To Hin Tsun, Gerald	28.1.2005	–	482,000	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Dr. Wai Fung Man, Norman	28.1.2005	–	482,000	–	–	–	482,000	1.260	28.1.2005 to 31.12.2010	1.260
Mr. Wei Chi Kuan, Kenny	28.1.2005	–	78,000	–	–	–	78,000	1.260	28.1.2005 to 31.12.2010	1.260
		20,000,000	2,994,000	–	–	(19,800,000)	3,194,000			

Notes:

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

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

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

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

(ii) *NWCL*

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

			Number of share options with exercise price per share of HK$1.782[4]			
Name of director	**Date of grant**	**Exercise period[2]**	**Balance as at 6 July 2004[1]**	**Exercised during the period**	**Adjusted during the period**	**Balance as at 30 June 2005**
Dr. Cheng Kar Shun, Henry	7.2.2001	8.3.2001 to 7.3.2006	5,000,000	–	7,500,000[4]	12,500,000
Mr. Chow Yu Chun, Alexander	8.2.2001	9.3.2001 to 8.3.2006	2,500,000	–	3,750,000[4]	6,250,000
Mr. Doo Wai Hoi, William, JP	8.2.2001	9.3.2002 to 8.3.2006[3]	2,800,000	–	4,200,000[4]	7,000,000

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.

(4) The number as well as the exercise price of these share options were adjusted on 9 April 2005 as a result of the rights issue of NWCL during the period.

(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$3.719[(2)]: Balance as at 6 July 2004[(1)]	Exercised during the period	Adjusted during the period	Balance as at 30 June 2005
Dr. Cheng Kar Shun, Henry	21.7.2003	(3)	2,000,000	(1,000,000)	9,849[(2)]	1,009,849
Mr. Chow Yu Chun, Alexander	21.7.2003	(3)	133,334	–	1,313[(2)]	134,647
Mr. Doo Wai Hoi, William, JP	21.7.2003	(3)	1,333,334	(666,667)	6,566[(2)]	673,233
Mr. Kwong Che Keung, Gordon	21.7.2003	(3)	400,000	(200,000)	1,969[(2)]	201,969
Mr. To Hin Tsun, Gerald	21.7.2003	(3)	400,000	(200,000)	1,969[(2)]	201,969

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Insofar as is known to the directors of the Company, as at 30 June 2005, the following parties (other than the directors or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being interested or deemed to be interested in 5% or more in the shares or underlying shares of the Company:

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

		Number of shares/underlying shares			
Name	**Capacity**	**Interests in shares**	**Interests in physically settled unlisted equity derivatives**	**Total**	**Approximate percentage of issued capital as at 30 June 2005**
New World CyberBase Nominee Limited ("NWCBN")	Beneficial owner	2,100,000	23,185,245[(1)]	25,285,245	31.93%
New World Telephone Holdings Limited ("NWTHL")	Interest of a controlled corporation	2,100,000[(2)]	23,185,245[(2)]	25,285,245	31.93%
Power Palace Group Limited ("PPG")	Beneficial owner	55,236,666	1,000,000,000[(3)]	1,055,236,666	1,332.67%
NWD	Interest of controlled corporations	57,336,666[(4)]	1,023,185,245[(4)]	1,080,521,911	1,364.60%
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	57,336,666[(5)]	1,023,185,245[(5)]	1,080,521,911	1,364.60%

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.

SHARE OPTION SCHEME

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

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

1. Purpose

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

2. Participants

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

3. Number of shares available for issue

The total number of shares available for issue under the 2002 Share Option Scheme is 3,341,555 shares (adjusted as a result of the share consolidation on 7 July 2004) which represents 4.22% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant

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

5. Option period

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors in its absolute discretion determine and in any event such period of time shall not be more than 10 years from the date upon which the offer of the option is made to the grantee.

6. Vesting period

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

7. Amount payable on acceptance of option

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

8. Subscription price

The subscription price for a share in respect of any option granted shall be a price determined by the board of directors in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business day immediately preceding the date of grant; and (iii) the nominal value of a share.

9. Life of the scheme

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

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

(a) Share options to directors

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

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

(b) Share options to employees

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

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

	Number of share options							
Date of grant	Balance as at 1 January 2004	Granted during the period	Exercised during the period	Lapsed during the period	Adjusted during the peirod	Balance as at 30 June 2005	Exercise Price *HK$*	Exercise period
8.2.2002	25,000,000	–	–	(250,000)[1]	(24,750,000)[1]	–	2.44[1]	9.2.2002 to 8.2.2008

Note:

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Relevant Period.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 30 June 2005 attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	22%
– five largest suppliers combined	57%

Sales

– the largest customer	2%
– five largest customers combined	5%

Save as disclosed in note 32 to the accounts, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 30 June 2005 which do not constitute connected transactions under the Listing Rules are disclosed in note 32 to the accounts.

Other related party transactions, which also constitute continuing connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules, are as follows:

(i) In the joint announcement of the Company and NWD dated 2 June 2004 ("Joint Announcement"), the Company announced that members of the Post-Completion NWD Group (as defined in the Joint Announcement) had entered into certain agreements with members of the NWPCS Group (as defined in the Joint Announcement) in respect of:

   (a) leasing and licensing of certain properties and sharing of common facilities;
   (b) licensing of cell sites;
   (c) interconnection, transmission, traffic routing and other related services; and
   (d) dealership, value transfer arrangement and provision of miscellaneous services.

   Details of the agreement and the transactions contemplated therein were set out in the Joint Announcement.

   Immediately upon completion of the acquisition of NWPCS Group by the Company on 6 July 2004, NWD, the holding company of the Post-Completion NWD Group, became the controlling shareholder of the Company and is currently holding approximately 72.41% of the issued share capital of the Company. As such, the transactions contemplated under the aforesaid agreements constituted continuing connected transactions for the Company pursuant to the Listing Rules.

   On 6 September 2005, the Company further announced that additional cell sites were licensed from the Post-Completion NWD Group and the aggregate licence fees for all cell sites licensed from the Post-Completion NWD Group for the year ended 30 June 2005 amounted to approximately HK$3.7 million.

(ii) On 1 November 2004, an Agreement for Provision of Transmission Links was entered into between New World PCS Limited ("NWPCS"), a wholly-owned subsidiary of the Company, and New World Telecommunications Limited ("NWT"), a wholly-owned subsidiary of NWD, in relation to the provision of E1 transmission links by NWT to NWPCS for the purpose of inter-connecting the switches in the NWPCS network between any two exchanges.

(iii) On 19 May 2005, a Master Agreement for Telecommunications and Interconnection Services was entered into between NWPCS and NWT for the provision by NWT to NWPCS of interconnection, transmission, traffic routing and other related services such as wholesale international direct dial services, local and international transmission links services at various transmission speed, and porting and dipping service for mobile number portability from a term of three years from 1 June 2005 to 31 May 2008.

(iv) On 21 June 2005, a Call Centre Management Services Agreement was entered into between NWPCS and Shenzhen Xiang Long Communication Co., Ltd. ("XLC") pursuant to which XLC would provide call centre facilities and management services to NWPCS for a term of 25 months from 1 June 2005 to 30 June 2007.

XLC is a wholly-owned subsidiary of New World TMT Limited ("NWTMT") which in turn is a non-wholly owned subsidiary of NWD. As such, the entering into of the Call Centre Management Services Agreement constituted a continuing connected transaction for the Company.

The values of the transactions for the year ended 30 June 2005 were as follows:

Nature of transactions	**Amount paid/to be paid by the NWPCS Group** *HK$'000*
Leasing and licensing of properties	19,877
Licensing of cell sites	3,665
Interconnection, transmission, traffic routing and other related services	38,271
Dealership, value transfer arrangement and provision of miscellaneous services	1,412
Call centre services	1,334

Nature of transactions	**Amount received/to be received by the NWPCS Group** *HK$'000*
Licensing of properties and sharing of common facilities	313

The directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favourable to the Group than those available to or from independent third parties.

Furthermore, the auditors of the Company have confirmed to the board of directors in writing that the above-mentioned continuing connected transactions:

(i) have received the approval of the Company's board of directors;
(ii) have been entered into in accordance with the relevant agreements governing the transactions;
(iii) have not exceeded the cap disclosed in the previous announcements dated 2 June 2004, 1 November 2004, 19 May 2005 and 21 June 2005 and 6 September 2005; and
(iv) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

Name of director	Name of entity which business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Mr. Lo Lin Shing, Simon	NWC	Provision of mobile Internet services such as multimedia messaging services to the mobile Internet market in the PRC	Executive Director of NWC
Mr. To Hin Tsun, Gerald	NWC	Provision of mobile Internet services such as multimedia messaging services to the mobile Internet market in the PRC	Non-executive Director of NWC
Mr. Wei Chi Kuan, Kenny	NWC	Provision of mobile Internet services such as multimedia messaging services to the mobile Internet market in the PRC	Independent non-executive director of NWC

AUDIT COMMITTEE

The audit committee, which comprises the three independent non-executive directors of the Company namely Mr. Hui Chiu Chung, *JP*, Mr. Kwong Che Keung, Gordon and Mr. Wei Chi Kuan, Kenny, has reviewed the audited consolidated accounts of the Group for the year ended 30 June 2005.

REMUNERATION COMMITTEE

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

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

Report of the Directors

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance section on pages 15 to 20.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained a sufficient public float throughout the period.

SUBSEQUENT EVENT

Details of the significant event occurring after the balance sheet date are set out in note 33 to the accounts.

AUDITORS

Ernst & Young were auditors of the Company for the four financial years ended 31 December 2002. During the year ended 31 December 2003, Ernst & Young resigned and PricewaterhouseCoopers had been appointed as auditors of the Company.

The accounts for the financial year ended 30 June 2005 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

BOARD MEMBERS

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

On behalf of the Board

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 5 October 2005

PRICEWATERHOUSECOOPERS

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AUDITORS' REPORT TO THE SHAREHOLDERS OF NEW WORLD MOBILE HOLDINGS LIMITED
(incorporated in Cayman Island with limited liability)

We have audited the accounts on pages 43 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 October 2005

Financial Statements

Consolidated Profit and Loss Account

	Note	30 June 2005 HK$'000	30 June 2004 HK$'000
Turnover	*3*	**1,709,054**	1,698,744
Cost of sales		**(866,113)**	(773,224)
Gross profit		**842,941**	925,520
Other revenue	*3*	**635**	115
Selling expenses		**(101,468)**	(104,506)
Administrative expenses		**(598,278)**	(614,373)
Operating profit	*5*	**143,830**	206,756
Finance costs	*6*	**(29,653)**	(6,776)
Profit before taxation		**114,177**	199,980
Taxation	*10*	**(21,066)**	(35,866)
Profit attributable to shareholders		**93,111**	164,114
Earnings per share			
– Basic	*11*	**HK$1.18**	HK$3.94
– Diluted	*11*	**HK$0.07**	N/A

Financial Statements

Consolidated Balance Sheet

	Note	Group As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Non-current assets			
Fixed assets	*13(a)*	**1,066,357**	1,183,869
Investments in associated companies	*15*	**–**	–
Goodwill	*16*	**65,996**	–
Deferred taxation	*17*	**167,472**	188,487
		1,299,825	1,372,356
Current assets			
Inventories	*18*	**38,024**	29,657
Trade receivables	*19*	**94,015**	83,218
Prepayments, other receivables and handset subsidies		**76,998**	20,637
Rental and other deposits		**48,303**	44,039
Amounts due from fellow subsidiaries	*20*	**29**	3,098
Amount due from a related company	*21*	**813**	–
Cash and bank balances	*22*	**116,534**	94,444
		374,716	275,093
Current liabilities			
Trade payables	*23*	**108,086**	44,305
Accrued charges, other payables, deposits received and deferred income		**320,935**	314,265
Amount due to the ultimate holding company	*20 and 28*	**–**	73
Amounts due to fellow subsidiaries	*20*	**11,132**	–
Amount due to a related company	*21*	**846**	–
Current portion of long-term liabilities	*24*	**102,500**	270,000
Promissory note issued to immediate holding company	*28*	**–**	858,000
		543,499	1,486,643
Net current liabilities		**(168,783)**	(1,211,550)
Total assets less current liabilities		**1,131,042**	160,806
Representing:			
Capital	*25*	**300**	1
Reserves	*26(a)*	**(983,921)**	(875,287)
Deficit on shareholders' funds		**(983,621)**	(875,286)
Non-current liabilities			
Non-current portion of long-term liabilities	*24*	**–**	102,500
Amount due to immediate holding company	*28*	**–**	933,592
Loan from a fellow subsidiary	*28*	**877,500**	–
Convertible bond	*27*	**28,286**	–
Subscription note	*1*	**1,208,877**	–
		1,131,042	160,806

Dr. Cheng Kar Shun, Henry
Director

Dr. Wai Fung Man, Norman
Director

Financial Statements

Balance Sheet

	Note	Company As at 30 June 2005 HK$'000	As at 31 December 2003 HK$'000
Non-current assets			
Fixed assets	*13(b)*	**90**	1,380
Investments in subsidiaries	*14*	**1,521,385**	137,312
		1,521,475	138,692
Current assets			
Amount due from an associated company		**–**	161
Amount due from a jointly controlled entity		**–**	203
Amount due from a related company	*21*	**225**	–
Prepayments, deposits and other receivables		**74**	103
Cash and bank balances		**188**	22,383
		487	22,850
Current liabilities			
Amount due to an associated company		**–**	12
Amount due to a fellow subsidiary	*20*	**563**	376
Accrued charges and other payables		**1,117**	1,775
		1,680	2,163
Net current (liabilities)/assets		**(1,193)**	20,687
Total assets less current liabilities		**1,520,282**	159,379
Financed by:			
Capital	*25*	**79,182**	37,515
Reserves	*26(b)*	**203,937**	93,578
Shareholders' funds		**283,119**	131,093
Non-current liabilities			
Convertible bond	*27*	**28,286**	28,286
Subscription note	*1*	**1,208,877**	–
		1,520,282	159,379

Dr. Cheng Kar Shun, Henry
Director

Dr. Wai Fung Man, Norman
Director

Consolidated Cash Flow Statement

	Note	30 June 2005 HK$'000	30 June 2004 HK$'000
Operating activities			
Net cash inflow generated from operations	*29(a)*	**396,209**	410,381
Interest paid		**(13,983)**	(6,776)
Hong Kong profits tax paid		**(51)**	–
Net cash inflow from operating activities		**382,175**	403,605
Investing activities			
Purchase of fixed assets		**(140,791)**	(153,752)
Sales of fixed assets		**5**	847
Acquisition of subsidiaries	*29(b)*	**45,630**	–
Sales of trading securities		**900**	–
Sales of investment securities		**3,609**	–
Interests received		**635**	115
Net cash outflow from investing activities		**(90,012)**	(152,790)
Net cash inflow before financing		**292,163**	250,815
Financing activities	*29(c)*		
Decrease in amounts due to immediate holding company and ultimate holding company		**(73)**	(10)
Repayment of bank loan		**(270,000)**	(270,000)
Net cash outflow from financing activities		**(270,073)**	(270,010)
Net increase/(decrease) in cash and cash equivalents		**22,090**	(19,195)
Cash and cash equivalents at the beginning of the year		**94,444**	113,639
Cash and cash equivalents at the end of the year		**116,534**	94,444
Analysis of cash and cash equivalents:			
Cash and bank balances		**116,534**	94,444

Financial Statements

Consolidated Statement of Changes in Equity

	Note	**30 June 2005 HK$'000**	30 June 2004 HK$'000
Total deficit at the beginning of the year		**(875,286)**	(1,039,400)
Profit for the year	*26(a)*	**93,111**	164,114
Issue of shares	*25 and 26(a)*	**914,092**	–
Adjustment arising from reverse acquisition	*1 and 26(a)*	**(1,115,538)**	–
Total deficit at the end of the year		**(983,621)**	(875,286)

1 BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

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

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

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

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

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").

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 accounts have been prepared as a continuation of the consolidated accounts of the NWPCS Group (the "Group") which has a financial year end date of 30 June, and accordingly:

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

1 BASIS OF PREPARATION (Continued)

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

(iii) the purchase consideration is deemed to have been incurred by NWPCS 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 by the surplus of the Deemed Consideration over the Net Fair Value;

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

(vi) the consolidated issued equity of the Group as shown in the consolidated balance sheet represents the issued share capital and share premium balances of NWPCS 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 consolidated accounts is that of the NWPCS Group.

In order to have a coterminous financial year end date with NWD and the NWPCS Group, the Board has resolved on 10 December 2004 that the financial year end date of the Company be changed from 31 December to 30 June. Accordingly, the comparative figures presented for the Company’s balance sheet are based on 31 December 2003 audited accounts of the Company.

2 PRINCIPAL ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

With effective from 1 January 2004, the Group has early adopted the following new HKFRSs (the "HKFRS 3 Package") in the accounts:

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

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

The early adoption of the HKFRS 3 Package has the following impacts to the Group for the current year:

	30 June 2005 **HK$'000**
Decrease in administrative expenses	**3,255**
Increase in profit attributable to shareholders	**3,255**
Increase in basic earnings per share	**HK$0.04**

There is no material impact on diluted earnings per share.

	As at **30 June 2005** **HK$'000**
Increase in goodwill	**3,255**
Increase in retained earnings	**3,255**

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early adopted other new HKFRSs except for the HKFRS 3 Package. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group would be the adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement".

The adoption of HKAS 32 and HKAS 39 would result in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Under the new accounting policy, convertible bond and subscription note issued will be split into the liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the bond or note is converted or redeemed. This new accounting policy will be applied retrospectively.

The Group will be continuing with its assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

(a) Group accounting

(i) Consolidation

The consolidated accounts of the Group include the accounts of the Company and all its direct and indirect subsidiaries made up to 30 June 2005.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Group accounting (Continued)

(ii) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies, goodwill and intangible assets recognised on acquisition, net of accumulated amortisation of intangible assets other than goodwill and impairment losses, if any.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

Costs of fixed assets include cost of employee benefits that are directly attributable to the construction or acquisition of the assets. Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Inventories

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

(e) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(f) Cash and cash equivalents

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

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Bonus

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Deferred taxation

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

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

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

(j) Contingent liabilities

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

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

(k) Revenue recognition

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

Revenue from sales of mobile handsets and accessories is recognised when goods are delivered and title has passed.

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

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Operating leases

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

(m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3 TURNOVER AND REVENUE

The Group principally engages in the provision of mobile communications services and the sales of mobile handsets and accessories. Revenues recognised during the year are as follow:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Turnover		
Mobile communications services	**1,318,337**	1,441,984
Sales of mobile handsets and accessories	**386,456**	256,760
Logistics services	**4,261**	–
	1,709,054	1,698,744
Other revenue		
Bank interest income	**635**	115
	1,709,689	1,698,859

4 SEGMENT REPORTING

For the years ended 30 June 2004 and 30 June 2005, 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 accounts.

5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Crediting		
Net exchange gains	**114**	89
Gain on disposal of trading securities	**100**	–
Gain on disposal of investment securities	**2,089**	–
Reversal of write down of inventories	**481**	–
Charging		
Auditors' remuneration	**1,182**	270
Cost of inventories sold	**388,882**	261,760
Depreciation of fixed assets	**258,835**	252,250
Loss on disposal of fixed assets	**2,328**	3,690
Operating lease rentals for land and buildings	**47,441**	52,127
Operating lease rentals for switching and office equipment	**–**	9
Operating lease rentals for transmission sites	**158,059**	171,869
Provision for bad and doubtful debts	**11,494**	12,153
Staff costs, including directors' emoluments *(Note 7)*	**171,065**	188,384

6 FINANCE COSTS

	30 June 2005 HK$'000	30 June 2004 HK$'000
Interest on secured long-term bank loan *(Note 24)*	**3,701**	6,776
Interest on loan from a fellow subsidiary *(Note 28)*	**16,226**	–
Interest on Subscription Note *(Note 1)*	**8,877**	–
Interest on convertible bond *(Note 27)*	**849**	–
	29,653	6,776

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	30 June 2005 HK$'000	30 June 2004 HK$'000
Wages and salaries	**152,179**	159,316
Bonuses	**14,444**	15,504
Pension costs – defined contribution plans	**3,627**	8,414
Termination benefits	**4,062**	7,393
Medical insurance, staff welfare and other allowances	**4,089**	2,812
Less: Staff costs capitalised as fixed assets	**(7,336)**	(5,055)
	171,065	188,384

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	30 June 2005 HK$'000	30 June 2004 HK$'000
Fees	**–**	–
Other emoluments:		
Salaries and allowances	**3,000**	–
Bonuses	**3,672**	–
Pension costs – defined contribution plans	**150**	–
Compensation for loss of office as director paid by:		
– the Company	**–**	–
– the Company's subsidiaries	**–**	–
	6,822	–

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

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

Name of director	Fees HK$'000	Basic salaries and allowance HK$'000	Bonuses HK$'000	Provident fund contribution HK$'000	30 June 2005 Total HK$'000	30 June 2004 Total HK$'000
Executive Directors						
Dr. Wai Fung Man, Norman	–	3,000	1,752	150	4,902	–
Dr. Cheng Kar Shun, Henry	–	–	119	–	119	–
Mr. Doo Wai Hoi, William, JP	–	–	49	–	49	–
Mr. To Hin Tsun, Gerald	–	–	651	–	651	–
Mr. Chow Yu Chun, Alexander	–	–	649	–	649	–
Non-Executive Directors						
Mr. Lo Lin Shing, Simon	–	–	51	–	51	–
Mr. Ho Hau Chong, Norman	–	–	50	–	50	–
Independent Non-Executive Directors						
Mr. Wei Chi Kuan, Kenny	–	–	120	–	120	–
Mr. Kwong Che Keung, Gordon	–	–	119	–	119	–
Mr. Cheng Ming Fun, Paul, JP	–	–	83	–	83	–
Mr. Hui Chiu Chung, JP	–	–	29	–	29	–
Total 30 June 2005	–	3,000	3,672	150	6,822	–
Total 30 June 2004	–	–	–	–	–	–

No emoluments were paid to the directors of the Company during year ended 30 June 2004 as the Company was not yet consolidated into the NWPCS Group in year ended 30 June 2004 (Note 1).

None of the directors of the Company waived any emoluments during the year.

The emoluments disclosed above include HK$351,000 (30 June 2004: Nil) paid to independent non-executive directors.

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2004: Nil) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: Five) individuals during the year are as follows:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Salaries and allowances	**6,098**	9,624
Bonuses	**2,838**	3,108
Pension costs – defined contribution plans	**300**	499
	9,236	13,231

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	30 June 2005	30 June 2004
Emolument bands		
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	–

9 RETIREMENT BENEFITS

The Group contributes to two defined contribution retirement schemes which include an Occupational Retirement Scheme (the "ORSO Scheme") and a mandatory provident fund scheme (the "MPF Scheme"). Under the ORSO Scheme, the employees are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at a range from 5% to 10% of the monthly salaries of employees. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years of service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

MPF Scheme has been established under Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The then existing employees of the Group in Hong Kong could elect to join the MPF Scheme, while all new employees joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. The employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution, while the Group's contribution are calculated at a range from 5% to 10% of each individual's relevant income. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. Employees may also elect to contribute more than the minimum as a voluntary contribution.

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the consolidated profit and loss account during the year are as follows:

	30 June 2005 **HK$'000**	30 June 2004 HK$'000
Gross scheme contributions	**4,420**	9,959
Less: Forfeited contributions utilised to offset contributions for the year	**(793)**	(1,545)
Net scheme contributions	**3,627**	8,414

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

10 TAXATION

No provision for Hong Kong profits tax and overseas taxation has been made for the year as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the year (30 June 2004: Nil).

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

	30 June 2005 HK$'000	30 June 2004 HK$'000
Current taxation:		
– Under provisions in prior years	**51**	–
Deferred taxation relating to the origination and reversal of temporary differences *(Note 17)*	**21,015**	35,866
Taxation charge	**21,066**	35,866

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the companies as follows:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Profit before taxation	**114,177**	199,980
Calculated at a taxation rate of	**17.5%**	17.5%
Notional tax on profit before taxation	**19,981**	34,996
Income not subject to taxation	**(92)**	(20)
Expenses not deductible for taxation purpose	**1,177**	890
Taxation charge	**21,066**	35,866

11 EARNINGS PER SHARE

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

	30 June 2005	30 June 2004
Profit attributable to shareholders for purpose of calculating basic earnings per share (HK$'000)	**93,111**	164,114
Increase in net profit for deemed conversion of potential ordinary shares (HK$'000)	**9,725**	–
Adjusted profit for the purpose of calculating dilutive earnings per share (HK$'000)	**102,836**	164,114
Number of shares *(note a)*		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note b)*	**78,668,311**	41,666,666
Effect of dilutive potential ordinary shares	**1,454,310,168**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,532,978,479**	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 25(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 year ended 30 June 2004, no diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of post-acquisition profit of HK$143,541,000 for the year ended 30 June 2005 (30 June 2004: Nil).

13 FIXED ASSETS

(a) Group

	Computer equipment HK$'000	Furniture and fittings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Testing equipment HK$'000	Digital, switching and transmission system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 July 2004	207,634	21,022	40,810	1,400	28,175	2,079,904	11,295	2,390,240
Additions	8,017	437	4,942	394	–	115,498	11,503	140,791
Acquisition of subsidiaries	1,231	890	64	680	–	–	–	2,865
Disposals	(1,231)	(1,051)	(572)	(378)	–	(1,867)	–	(5,099)
At 30 June 2005	215,651	21,298	45,244	2,096	28,175	2,193,535	22,798	2,528,797
Accumulated depreciation								
At 1 July 2004	123,393	18,247	23,233	1,170	27,465	1,012,863	–	1,206,371
Charge for the year	27,524	1,529	7,858	279	504	221,141	–	258,835
Disposals	(781)	(280)	(398)	(377)	–	(930)	–	(2,766)
At 30 June 2005	150,136	19,496	30,693	1,072	27,969	1,233,074	–	1,462,440
Net book value								
At 30 June 2005	65,515	1,802	14,551	1,024	206	960,461	22,798	1,066,357
At 30 June 2004	84,241	2,775	17,577	230	710	1,067,041	11,295	1,183,869

13 FIXED ASSETS (Continued)

(b) Company

	Computer equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost				
At 1 January 2004	1,361	900	242	2,503
Disposals	(1,361)	(900)	–	(2,261)
At 30 June 2005	–	–	242	242
Accumulated depreciation				
At 1 January 2004	787	256	80	1,123
Charge for the period	414	180	72	666
Disposals	(1,201)	(436)	–	(1,637)
At 30 June 2005	–	–	152	152
Net book value				
At 30 June 2005	–	–	90	90
At 31 December 2003	574	644	162	1,380

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	As at 30 June 2005 HK$'000	As at 31 December 2003 HK$'000
Unlisted investments, at costs *(note a)*	**1,262,670**	10,939
Amounts due from subsidiaries *(note b)*	**579,876**	340,737
Amounts due to subsidiaries *(note b)*	**(2,203)**	(2,197)
	1,840,343	349,479
Less: Provision for impairment	**(318,958)**	(212,167)
	1,521,385	137,312

Notes:

(a) Particulars of the principal subsidiary of the Company is as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Interest held indirectly	Principal activities
New World PCS Limited	Hong Kong	1,000,000 Ordinary shares of HK$1 each	100%	Provision of mobile communications services and sales of mobile handsets and accessories

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

15 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Share of net assets	**–**	–

Particulars of associated companies are as follows:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Interest held	Principal activities
Han International Consulting Company Limited	British Virgin Islands	Ordinary shares of US$5,000	30%	Investment holding
漢普管理諮詢(中國)有限公司	The People's Republic of China (the "PRC")	Registered capital of US$6,000,000	30%	Logistics technology business

These associated companies' financial year end date is 31 December, which is not coterminous with the Group.

16 GOODWILL

	Group	
	30 June 2005 HK$'000	30 June 2004 HK$'000
Balance at the beginning of the year	**–**	–
Additions *(Note 1)*	**65,996**	–
Balance at the end of the year	**65,996**	–

Goodwill is allocated to the Group's mobile communications operations in Hong Kong. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management's best estimates of growth rates and discount rates.

17 DEFERRED TAXATION

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

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

	30 June 2005	30 June 2004
	HK$'000	HK$'000
At the beginning of the year	**188,487**	224,353
Deferred taxation charged to profit and loss account *(Note 10)*	**(21,015)**	(35,866)
At the end of the year	**167,472**	188,487

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. There is no limitation in Hong Kong on the year in which the Group's tax losses carried forward can be utilised.

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

	Group		
Deferred tax assets	**Provision**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 2003	3,473	353,184	356,657
Charged to profit and loss account	(804)	(52,667)	(53,471)
At 30 June 2004	2,669	300,517	303,186
Charged to profit and loss account	(593)	(39,854)	(40,447)
At 30 June 2005	2,076	260,663	262,739

17 DEFERRED TAXATION (Continued)

Deferred tax liabilities	Group Accelerated tax depreciation HK$'000
At 1 July 2003	132,304
Credited to profit and loss account	(17,605)
At 30 June 2004	114,699
Credited to profit and loss account	(19,432)
At 30 June 2005	95,267

18 INVENTORIES

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

19 TRADE RECEIVABLES

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

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Current – 30 days	**71,091**	60,066
31 – 60 days	**13,455**	14,015
61 – 90 days	**9,469**	4,776
Over 90 days	**–**	4,361
	94,015	83,218

20 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY

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

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The balances represented trade receivables and payables which are unsecured, interest-free and have no fixed terms of repayment.

Mr. To Hin Tsun, Gerald, a director of the Company, is a director of New World CyberBase Limited.

Dr. Cheng Kar Shun and Mr. Lo Lin Shing, Simon, directors of the Company, are directors of Cyber On-Air (Asia) Limited.

22 CASH AND BANK BALANCES – GROUP

Included in the cash and bank balances of the Group as at 30 June 2005 included balances with the PRC banks totalling HK$226,000 (30 June 2004: Nil) which were denominated in Renminbi. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

23 TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

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

24 LONG-TERM LIABILITIES

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Bank loan, secured	**102,500**	372,500
Less: Amount repayable within one year shown under current liabilities	**(102,500)**	(270,000)
	–	102,500

The bank loan is interest bearing at 0.65% above Hong Kong Interbank Offered Rate ("HIBOR") and is secured by:

(i) the cash and bank balance ("Charged Accounts") as a continuing security for the repayment of the above secured bank loan. The company has procured that the aggregate balance of these Charged Accounts shall not at any time be less that the debt service requirement which is approximately HK$24,000,000 (30 June 2004: HK$24,000,000) as a surety for the monthly repayment of the bank loan principal and interest; and

(ii) the pledge of the entire issued share capital of a subsidiary of New World PCS Holdings Limited.

25 CAPITAL

	Group *(note a)* HK$'000
At 1 July 2003 and 30 June 2004	1
Issue of shares *(note b)*	299
At 30 June 2005	300

25 CAPITAL (Continued)

	Company	
	No. of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2003 and 2004	10,000,000,000	100,000
Creation of additional shares *(note c)*	190,000,000,000	1,900,000
Share consolidation *(note d)*	(198,000,000,000)	–
Ordinary shares of HK$1.00 each at 30 June 2005	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2003	3,641,555,700	36,415
Issuance of new shares upon partial conversion of convertible bond *(Note 27)*	110,000,000	1,100
Ordinary shares of HK$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares *(Note 1 (a))*	4,166,666,667	41,667
Share consolidation *(note d)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 30 June 2005	79,182,223	79,182

Notes:

(a) Due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS. 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 capitalisation of loan as mentioned in Note 28.

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

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

25 CAPITAL (Continued)

Notes: (Continued)

(e) Share option schemes

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

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

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

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

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

1998 Share Option Scheme:

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

25 CAPITAL (Continued)

Notes: (Continued)

(e) Share option schemes (Continued)

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

Note: The number as well as the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the subscription agreement dated 29 March 2004 (Note 1) 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.

2002 Share Option Scheme:

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

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

Exercise period	**Exercise price** HK$	**As at 30 June 2005 Number of options**
Directors		
9.2.2002 to 8.2.2008	2.440	200,000
28.1.2005 to 31.12.2010	1.260	2,916,000
8.4.2005 to 31.12.2010	1.276	78,000
		3,194,000

26 RESERVES

(a) Group

	Share premium *(Note 25(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 year	–	–	164,114	164,114
At 30 June 2004	999	–	(876,286)	(875,287)
Issue of shares *(Note 25(b))*	913,793	–	–	913,793
Arising from reverse acquisition *(Note 1)*	–	(1,115,538)	–	(1,115,538)
Profit for the year	–	–	93,111	93,111
At 30 June 2005	914,792	(1,115,538)	(783,175)	(983,921)
Representing:				
Company and subsidiaries as at 30 June 2005	914,792	(1,115,538)	(783,175)	(983,921)
Company and subsidiaries as at 30 June 2004	999	–	(876,286)	(875,287)

(b) Company

	Share premium HK$'000	(Accumulated losses)/ retained profit HK$'000	Total HK$'000
At 1 January 2003	440,870	(233,543)	207,327
Partial conversion of convertible bond *(Note 27)*	9,900	–	9,900
Loss for the year	–	(123,649)	(123,649)
At 31 December 2003	450,770	(357,192)	93,578
Capital reduction *(note (i))*	(444,168)	450,770	6,602
Distribution in specie *(note (ii))*	–	(38,410)	(38,410)
Profit for the period	–	142,167	142,167
At 30 June 2005	6,602	197,335	203,937

26 RESERVES (Continued)

Notes:

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

(ii) In the board meeting held on 29 March 2004, the directors proposed a special dividend by way of distribution in specie ("Distribution") of the 1,600,419,388 ordinary shares of nominal value HK$0.02 each in the issued capital of New World CyberBase Limited ("NWCB Shares") held by the Group on the basis of 426 NWCB Shares for every 10 consolidated shares of the Company after the share consolidation as detailed in Note 25(d). This proposed special dividend was approved by the shareholders of the Company at the extraordinary general meeting held on 25 June 2004 and was conditional upon the completion of the subscription agreement as detailed in Note 1. The subscription agreement was subsequently completed on 6 July 2004.

As announced by the Company on 6 September 2004, the basis of the Distribution had been changed to 213 consolidated NWCB Shares for every 100 consolidated shares of the Company as a result of the consolidation of NWCB Shares which became effective on 23 August 2004.

27 CONVERTIBLE BOND – GROUP AND COMPANY

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

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

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

The conversion price of the remaining portion of the Convertible Bond was adjusted to HK$1.22 per ordinary share after the completion of the Acquisition and share consolidation as detailed in Notes 1 and 25(d) respectively.

28 PROMISSORY NOTE ISSUED TO IMMEDIATE HOLDING COMPANY/AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND THE ULTIMATE HOLDING COMPANY/ LOAN FROM A FELLOW SUBSIDIARY – GROUP

Pursuant to the S&P Agreement (Note 1), 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 capitalised so that the Aggregate Liabilities at the Completion Date would not exceed HK$1,250 million.

As such, prior to the completion of the Acquisition, an amount of approximately HK$914,092,000 due to the then immediate holding company by the NWPCS Group was capitalised through the issuance of 298,911,000 shares of ordinary shares on 6 July 2004 (Note 25(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 will be repayable upon demand after 29 September 2005 and interest bearing at 0.65% above HIBOR per annum.

The fellow subsidiary has confirmed that it will not request for repayment of loan, of HK$877,500,000 outstanding as at year ended 30 June 2005, within the next twelve months from the date of this report.

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	30 June 2005 HK$'000	30 June 2004 HK$'000
Profit before taxation	**114,177**	199,980
Depreciation	**258,835**	252,250
Loss on disposal of fixed assets	**2,328**	3,690
Gain on disposal of trading securities	**(100)**	–
Gain on disposal of investment securities	**(2,089)**	–
Interest income	**(635)**	(115)
Interest expenses	**29,653**	6,776
Operating profit before working capital changes	**402,169**	462,581
Increase in inventories	**(8,367)**	(18,136)
(Increase)/decrease in trade receivables	**(2,184)**	8,965
Increase in prepayments, other receivables and handset subsidies	**(51,023)**	(10,171)
(Increase)/decrease in rental and other deposits	**(4,113)**	6,922
Decrease in amounts due from fellow subsidiaries and a related company	**6,486**	4,039
Increase in trade payables	**63,781**	1,637
Decrease in accrued charges, other payables, deposits received and deferred income	**(10,540)**	(45,456)
Net cash inflow generated from operations	**396,209**	410,381

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) Acquisition of subsidiaries

As mentioned in Note 1, NWPCS was deemed to have acquired the Logistic Group on 6 July 2004. Details of the acquisition are as follow:

	HK$'000
Net assets acquired:	
Fixed assets	2,865
Investment securities	1,520
Trading securities	800
Cash and bank balances	97,361
Trade receivables and other current assets	7,340
Accruals and other payables	(11,403)
Convertible Bond	(28,286)
	70,197
Consideration paid:	
Cash consideration	50,000
Subscription note issued	1,200,000
Reverse acquisition adjustment *(Note 1)*	(1,115,538)
Deemed consideration	134,462
Professional fee incurred for the acquisition	1,731
	136,193
Goodwill	65,996

Net cash inflow from acquisition of subsidiaries:

	HK$'000
Cash and bank balances acquired	97,361
Cash consideration paid	(50,000)
Professional fee paid	(1,731)
	45,630

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(c) Analysis of changes in financing

	Share capital and share premium HK$'000	Bank loan HK$'000	Amounts due to immediate holding company and ultimate holding company *(Note (i))* HK$'000	Loan from a fellow subsidiary HK$'000	Convertible Bond HK$'000	Subscription Note HK$'000	Total HK$'000
At 1 July 2003	1,000	642,500	1,791,675	–	–	–	2,435,175
Net cash outflow from financing	–	(270,000)	(10)	–	–	–	(270,010)
At 30 June 2004	1,000	372,500	1,791,665	–	–	–	2,165,165
Net cash outflow from financing	–	(270,000)	(73)	–	–	–	(270,073)
Capitalisation of loans *(Note 28)*	914,092	–	(1,791,592)	877,500	–	–	–
Acquisition of subsidiaries *(Note 29(b))*	–	–	–	–	28,286	1,200,000	1,228,286
Interest accrued on Subscription Note *(Note 6)*	–	–	–	–	–	8,877	8,877
At 30 June 2005	915,092	102,500	–	877,500	28,286	1,208,877	3,132,255

Note (i): Balance included promissory note issued to the immediate holding company.

30 CONTINGENT LIABILITIES

	Group		Company	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000	**As at 30 June 2005 HK$'000**	As at 31 December 2003 HK$'000
Guarantees for bank loans and overdrafts of a subsidiary	**–**	–	**21,000**	–
Bank guarantees in lieu of deposits	**8,528**	9,126	**–**	–

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

31 COMMITMENTS

(a) Capital commitments

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

(b) Commitments under operating leases

At 30 June 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

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

32 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 year:

	Note	30 June 2005 HK$'000	30 June 2004 HK$'000
Purchase from fellow subsidiaries	*(a)*	**(38,794)**	(103,985)
Purchase of fixed assets from fellow subsidiaries	*(a)*	**–**	(697)
Purchase of fixed assets from a related company	*(b)*	**(6,320)**	–
Service fee income from a fellow subsidiary	*(c)*	**2,566**	958
Rental expenses paid/payable to fellow subsidiaries	*(d)*	**(24,431)**	(26,242)
Loan interest paid/payable to a fellow subsidiary	*(e)*	**(16,226)**	–
Interest paid/payable for the Subscription Note to an immediate holding company	*(f)*	**(8,877)**	–
Interest paid/payable for the Convertible Bond to a fellow subsidiary	*(g)*	**(849)**	–
Reimbursement of office administrative expenses and fee charged from a related company	*(h)*	**5,656**	3,242

Notes:

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

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

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

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

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

(f) Interest payable to PPG, the Subscription Note holder and immediate holding company of the Company, was charged at 0.75% per annum.

(g) 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.

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

33 SUBSEQUENT EVENT

On 12 September 2005, the Company entered into a conditional sale and purchase agreement with New World CyberBase Limited ("NWC"). Pursuant to the agreement, the Company agreed to acquire and NWC agreed to dispose of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCBVI") and interest of NWC in the interest-free shareholder's loan due from NWCBVI for an aggregate consideration of HK$21 million. The consideration will be satisfied by the issue of 16,153,846 ordinary shares at an issued price of HK$1.3 per share by the Company to NWC.

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

35 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 5 October 2005.

Five-Year Summary

The historical figures represent financial information of NWPCS Group for the period from 2001 to 2004 and the Group for 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 30 June				
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	1,984,899	1,618,837	1,662,328	1,698,744	**1,709,054**
Profit/(loss) attributable to shareholders	(138,549)	86,807	188,806	164,114	**93,111**
Basic earning/(loss) per share*	(HK$3.33)	HK$2.08	HK$4.53	HK$3.94	**HK$1.18**

CONSOLIDATED BALANCE SHEET

	As at 30 June				
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Non-current assets					
Fixed assets	1,418,407	1,380,169	1,286,904	1,183,869	**1,066,357**
Investments in associated companies	–	–	–	–	**–**
Goodwill	–	–	–	–	**65,996**
Deferred taxation	237,681	237,422	224,354	188,487	**167,472**
Total non-current assets	1,656,088	1,617,591	1,511,258	1,372,356	**1,299,825**
Net current liabilities	(385,133)	(1,069,490)	(1,244,556)	(1,211,550)	**(168,783)**
Total assets less current liabilities	1,270,955	548,101	266,702	160,806	**1,131,042**
Representing:					
Capital	1	1	1	1	**300**
Reserves	(457,014)	(1,228,207)	(1,039,401)	(875,287)	**(983,921)**
Deficit on shareholders' funds	(457,013)	(1,228,206)	(1,039,400)	(875,286)	**(983,621)**
Non-current liabilities					
Non-current portion of long-term liabilities	1,727,968	1,776,307	1,306,102	102,500	**–**
Amount due to immediate holding company	–	–	–	933,592	**–**
Loan from a fellow subsidiary	–	–	–	–	**877,500**
Convertible bond	–	–	–	–	**28,286**
Subscription note	–	–	–	–	**1,208,877**
	1,270,955	548,101	266,702	160,806	**1,131,042**

* The calculation of basic earnings/ (loss) per shares for the period from 2001 to 2004 is based on the NWPCS Group's profit/(loss) attributable to shareholders and the deemed ordinary shares outstanding of 41,666,666 shares.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

COMPANY SECRETARY

Mr. Sien Yun Man

QUALIFIED ACCOUNTANT

Mr. Sien Yun Man

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

Standard Chartered Bank

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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