

telecommunications

New World Mobility

It has been a successful year for New World Mobility ("NWM"). A strong emphasis on cost control, high network efficiency and continuing service quality enabled NWM to achieve a net profit. The subscriber base as at June 2002 exceeded 720,000 with a gross ARPU (Average Revenue Per User) of HK\$260. As of now the subscriber base has climbed to 770,000.

The introduction of a series of customer-oriented services and innovative applications successfully expanded NWM's revenue sources. These include a service for downloading logos and ringtones, a movie ticketing service, and the provision of financial information and mobile games. Despite a highly competitive environment, the market responded enthusiastically.

A particular success in mobile gaming was Super Stable, Hong Kong's first game on the theme of rearing horses. Super Stable was launched in January 2002 to widespread acclaim and stimulated SMS (Short Messaging Services) usage significantly. To sustain the momentum, NWM took the pioneering step in May 2002 of making Super Stable

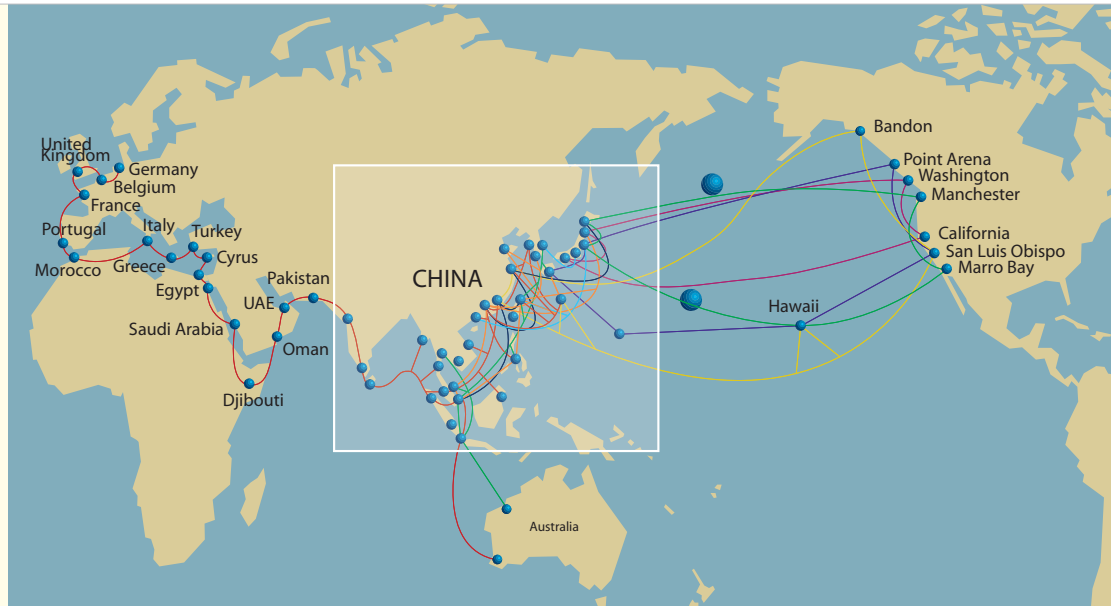
available to all handset users in Hong Kong, a move that effectively broke the boundary between competing networks and successfully increased exposure for the New World Mobility brand. In June 2002, NWM announced its partnership with Taiwan's leading mobile operator Far EastTone to further extend Super Stable to mobile users in Taiwan, setting a milestone in the development of mobile network games in Asia.

As an ongoing service strategy, NWM will continue to work with third party content providers to provide innovative and customer-oriented services to different user segments. NWM has already partnered with Hong Kong's Emperor Entertainment Group and Japan's leading mobile internet solutions provider Cybird to develop entertainment content for young female subscribers. This new service is particularly innovative and its August 2002 launch had a major impact in the market.

NWM has a coherent strategy to embrace future developments in mobile communications and will continue to leverage its partners' expertise to bring innovative

Left: Launched in August 1997, New World Mobility is one of Hong Kong's leading mobile communications operators.

New World Telephone has continued its regional expansion through agreements with international carriers and investments in global submarine cable systems.



mobile services to the market. NWT is ready to introduce more high-speed 2.5G mobile communications services, such as the upcoming launch of the first-to-market videostreaming services using 2.5G technology scheduled for the third quarter of 2002.

NWT is well positioned to take the lead in the mobile communications market in coming years. It is committed to continuing investment in network upgrades and infrastructure improvement, as well as further research and development to ensure a steady stream of cutting-edge products and services to enter the market.

New World Telephone

With steady growth in revenues and improved margins, New World Telephone ("NWT") achieved EBIT breakeven for the first time during the year. During the year NWT disposed of its remaining interests in New World Cyberbase Limited.

Leveraging its expanded market coverage and improved network infrastructure, NWT has now successfully emerged as a provider of comprehensive broadband data and voice services.

NWT's coverage in Hong Kong's fixed-line market now extends to 14 districts. As at June 2002 its fixed-line service covered over 5,500 buildings or over 1 million home passes. NWT's fixed-line service is available to customers in all of Hong Kong's major business and residential areas.

With expanding network coverage within Hong Kong and beyond, a broader range of IP- and IPLC-based network services, and local and international voice services, NWT is achieving its strategy to become a one-stop-shop telecommunications solutions provider serving the diverse needs of its broad customer base.

During the year, NWT was the first FTNS operator in Hong Kong to enter into a bilateral agreement with China Telecom to deploy a MPLS-based IP-VPN (Virtual Private Network) service, a service powered by Cisco Systems. NWT is taking the lead in the MPLS-based IP-VPN market, a move that complements the company's regional expansion plan. NWT is now poised to achieve significant growth in the IP-VPN market in the coming years.



NWT has now signed IPLC agreements with 15 international carriers. It is providing one-stop-shop services to Hong Kong's major traffic destinations, including Mainland China, Singapore, Thailand, Australia, Taiwan, South Korea, the United States and Macau.

As part of the Company's regional expansion plan, NWT now has 23 bilateral partners, up from 17 in the previous year. All these partners are renowned carriers. NWT has also extended its capability to provide international voice and data services through investments in a range of global submarine cable systems, including APCN, APCN-2, FLAG-FNAL, Japan-US CN, China-US CN, Sea-Me-We-3, EAC and PC-1.

During the year, NWT established Points of Presence ("POP") and branch offices in Taiwan and the United States.

In particular, the completion of a POP Interconnect agreement with AT&T has strengthened its service capability in the United States. These are important foundation stones enabling NWT to provide full access to voice services and data transmission across the United States in an efficient and cost-effective manner. NWT has also established a strategic marketing network in key cities in Mainland China and Vietnam.

All these achievements have ensured NWT is now well positioned to capture the significant revenue opportunities expected to arise throughout the Greater China region and beyond following China's successful WTO accession.

In the past year, the number of fixed lines grew to 102,000, an improvement of more than 100%. Major customers acquired during the year included The Hong Kong Jockey Club, Bank of America, AC Nielsen, AIA, AIG and Moneyline.

NWT continues to strengthen its brand in Hong Kong's IDD market. It has successfully sustained market share at 15% with traffic now standing at 521 million minutes, a growth of 11% over the previous year. More importantly, NWT maintained its leadership in prepaid calling cards with a 41% market share.

The company took a range of initiatives to expand its market base. Its new 'Global Call Forward' ("GCF") service, for example, is a virtual roaming service. NWT offered service bundling between its IDD service and fixed-line service, as well as service bundling with NWM. Successful joint promotions with other Group companies included the integration of the NWT International Calling Card with the newly launched nuWorld Credit Card.