

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These condensed accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the provision of consultancy services for logistics management business together with the supply of related software, and provision of logistics management services. Turnover for the period represents service income earned by the Group.

An analysis of the Group's turnover and results for the period by business and geographical segments is as follows:

Primary reporting format — business segments

The Group is organised into two main business segments:

- | | | |
|----------------------|---|--|
| Logistics Technology | — | provision of consultancy services for logistics management business, together with the supply of related software. |
| Logistics Management | — | provision of logistics management services. |

2. TURNOVER AND SEGMENT INFORMATION (Continued)

There are no sales or other transactions between these business segments.

| | Logistics Technology Unaudited Six months ended 30 June | | Logistics Management Unaudited Six months ended 30 June | | Consolidated Unaudited Six months ended 30 June | |
|-----------------------------------|--|------------------|--|------------------|--|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Segment turnover | 392 | 2,106 | — | 1,010 | 392 | 3,116 |
| Segment results | (3,392) | (7,314) | (3,131) | (6,968) | (6,523) | (14,282) |
| Other revenue | | | | | 348 | 331 |
| Unallocated expenses | | | | | (38,710) | (6,377) |
| Operating loss | | | | | (44,885) | (20,328) |
| Finance costs | | | | | (423) | (594) |
| Share of losses of: | | | | | | |
| A jointly controlled entity | | | | | — | (149) |
| Associated companies | | | | | (2,584) | (14,719) |
| Loss before taxation | | | | | (47,892) | (35,790) |
| Taxation | | | | | — | — |
| Loss attributable to shareholders | | | | | (47,892) | (35,790) |

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Secondary reporting format — geographical segments

The Group's two business segments operate in two main geographical areas:

Hong Kong
Mainland China

Sales are based on the countries where the customers are located. There are no sales between the geographical segments.

| | Turnover Unaudited | | Segment results Unaudited | |
|----------------|--------------------------|------------------|------------------------------|------------------|
| | Six months ended 30 June | | Six months ended 30 June | |
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Hong Kong | 98 | 1,634 | (2,054) | (2,409) |
| Mainland China | 294 | 1,482 | (4,469) | (11,873) |
| | 392 | 3,116 | (6,523) | (14,282) |

3. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

| Unaudited Six months ended 30 June | | |
|---|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Crediting | | |
| Interest income | 34 | 140 |
| Gain on disposal of trading securities | 518 | — |
| Charging | | |
| Depreciation | 1,008 | 1,064 |
| Amortisation of goodwill | — | 2,627 |
| Cost of inventories sold and services provided | 1,689 | 3,195 |
| Staff costs, excluding directors' emoluments (note 5) | 3,263 | 9,234 |
| Write-off of fixed assets | 83 | 161 |
| Unrealised loss on trading securities | 204 | — |
| Loss on liquidation of a jointly controlled entity | 62 | — |
| Loss on disposal of fixed assets | 4 | — |
| Provision for doubtful debt | 1,281 | — |

4. FINANCE COSTS

| Unaudited Six months ended 30 June | | |
|---------------------------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Interest on convertible bond | 423 | 585 |
| Interest on finance leases | — | 9 |
| | 423 | 594 |

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. STAFF COSTS, EXCLUDING DIRECTORS' EMOLUMENTS

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Salaries | 3,217 | 9,137 |
| Retirement benefit scheme contributions | 46 | 97 |
| | <u>3,263</u> | <u>9,234</u> |

6. TAXATION

No provision for Hong Kong profits tax and overseas taxation has been made because there is no estimated assessable profit for the Group during the period (2003: Nil).

7. DIVIDEND

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Special, proposed, of 213 consolidated NWCB Shares (2003: Nil) per 100 consolidated ordinary share (Note) | 38,410 | — |

Note:

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 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 20(e). This proposed special dividend was approved by the shareholders of the Company at an extraordinary general meeting held on 25 June 2004 and was conditional upon the completion of the subscription agreement as detailed in note 20(b). 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.

This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings of the Company for the year ending 31 December 2004.

8. LOSS PER SHARE

Calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$47,892,000 (2003: HK\$35,790,000) and weighted average of 37,515,557 (2003: 36,415,557) consolidated ordinary shares being deemed to have been issued during the period, after taking into account the effect of share consolidation as detailed in note 20(e).

The exercise of share options and convertible bonds would have anti-dilutive effects on basic loss per share and accordingly no diluted loss per share for the periods ended 30 June 2004 and 2003 are presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had no capital expenditures (2003: HK\$735,000) for additions of property, plant and equipment.

10. INVESTMENTS IN ASSOCIATED COMPANIES

Included in the Group's share of net assets of associated companies is the share of net assets of New World CyberBase Limited ("NWCB"), a company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 30 June 2004, the Group held approximately 27.48% equity interest in NWCB. The details of the subsequent distribution in specie for the NWCB Shares by the Company are disclosed in note 7.

Extracts of the audited consolidated balance sheet and audited consolidated profit and loss account of NWCB and its subsidiaries, based on the published audited annual consolidated financial statements of NWCB for the year ended 31 March 2004, are set out below:

| | Audited As at 31 March 2004 HK\$'000 |
|-------------------------|---|
| Non-current assets | 390,250 |
| Current assets | 26,378 |
| Current liabilities | (77,084) |
| Non-current liabilities | (111,500) |
| Minority interests | (156) |
| Net assets | <u>227,888</u> |

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10. INVESTMENTS IN ASSOCIATED COMPANIES (Continued)

| | Audited Year ended 31 March 2004 HK\$'000 |
|---|--|
| Turnover | 29,650 |
| Loss for the year before minority interests | (27,371) |
| Minority interests | 1,164 |
| Loss attributable to shareholders | (26,207) |

NWCB's financial year end date is 31 March, which is not coterminous with the Group.

11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2003, the Group held 50% equity interest in a jointly controlled entity 漢道科技諮詢(珠海)有限公司. This company was liquidated during the six months ended 30 June 2004.

12. TRADE RECEIVABLES

Aging analysis of trade receivables is as follows:

| | Unaudited As at 30 June 2004 HK\$'000 | Audited As at 31 December 2003 HK\$'000 |
|--------------------|---|---|
| Current to 90 days | — | 3,135 |
| 91 to 180 days | — | 1,432 |
| Over 180 days | 925 | — |
| | 925 | 4,567 |

The Group normally allows credit terms to customers not exceeding 180 days.

13. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, which is controlled by a director of the Company, is interest-free, unsecured and has no fixed terms of repayment.

14. CONVERTIBLE BOND

In November 2001, the Company issued a HK\$39,286,000 (the "Principal Amount") convertible bond (the "Convertible Bond") to New World CyberBase Nominee Limited ("NWCBN"), a company incorporated in the British Virgin Islands and a subsidiary of New World Development Company Limited ("NWD"). NWD is a company incorporated in Hong Kong whose shares are listed on the Stock Exchange. The Convertible Bond is convertible into shares of the Company at an initial conversion price of HK\$0.10 per share (subject to adjustment) at any time from and including the first anniversary of the date of the issue of the Convertible Bond until the maturity date ending on the last business day preceding the third anniversary of the date of the issue of the Convertible Bond (i.e. 1 November 2004). The Convertible Bond bears interest at 3% per annum which accrues on a day-to-day basis on the Principal Amount of the Convertible Bond outstanding, and is payable semi-annually in arrears. The outstanding Principal Amount of the Convertible Bond together with interest accrued thereon will be repaid, subject to and in accordance with the terms of the Convertible Bond, on 1 November 2004.

In December 2003, a portion of the Principal Amount of the Convertible Bond at HK\$11,000,000 was converted into 110,000,000 ordinary shares of the Company at the conversion price of HK\$0.10 per share. In addition, NWCBN had indicated its intention in writing that the maturity date of the Convertible Bond would be extended to 1 November 2007. Based on the indication, the Convertible Bond is classified as a non-current liability as at 30 June 2004.

In July 2004, the conversion price of the Convertible Bond was adjusted to HK\$1.22 per consolidated ordinary share of the Company after the completion of the distribution of NWCB Shares, subscription agreement and share consolidation as detailed in notes 7, 20(b) and 20(e) respectively.

15. SHARE CAPITAL

| | Ordinary shares of HK\$0.01 each | |
|--|----------------------------------|----------|
| | No. of shares | HK\$'000 |
| Authorised: | | |
| At 1 January 2003, 2004 and 30 June 2004 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 January 2003 and 30 June 2003 | 3,641,555,700 | 36,415 |
| Issuance of new shares upon partial conversion of Convertible Bond (note 14) | 110,000,000 | 1,100 |
| At 31 December 2003 and 30 June 2004 | 3,751,555,700 | 37,515 |

15. SHARE CAPITAL (Continued)

Subsequent to 30 June 2004, the Company completed a subscription agreement for issuance of new shares. Moreover, the authorised capital of the Company was increased and a share consolidation exercise had been completed. For details please refer to notes 20(c) and 20(e).

At 30 June 2004, share options to subscribe for an aggregate of, after taking into account of the effect of the completion of subscription agreement and share consolidation as detailed in notes 20(b) and 20(e) respectively, 448,000 shares of consolidated ordinary share were outstanding, which are exercisable at an adjusted exercise price of HK\$2.44 per consolidated share at any time prior to 8 February 2008.

16. RESERVES

| | Share premium HK\$'000 | (Accumulated losses)/ Retained earnings HK\$'000 | Total HK\$'000 |
|---|---------------------------|--|-------------------|
| As at 1 January 2003 | 307,880 | (93,640) | 214,240 |
| Loss for the period | — | (35,790) | (35,790) |
| As at 30 June 2003 | 307,880 | (129,430) | 178,450 |
| Partial conversion of Convertible Bond (note 14) | 9,900 | — | 9,900 |
| Loss for the period | — | (117,634) | (117,634) |
| As at 31 December 2003 | 317,780 | (247,064) | 70,716 |
| Capital reduction (note a) | (317,780) | 317,780 | — |
| Loss for the period | — | (47,892) | (47,892) |
| As at 30 June 2004 | — | 22,824 | 22,824 |

Note

(a) Pursuant to a resolution passed at the extraordinary general meeting held on 25 June 2004, the entire amount standing to the credit of the share premium account of the Company 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 7. 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.

17. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2004 and 31 December 2003.

18. COMMITMENTS UNDER OPERATING LEASES

At 30 June, 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | Unaudited As at 30 June 2004 HK\$'000 | Audited As at 31 December 2003 HK\$'000 |
|---------------------------------------|---|---|
| Within one year | 410 | 584 |
| In the second to fifth year inclusive | — | 82 |
| | <u>410</u> | <u>666</u> |

19. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business during the period, are as follows:

| | Note | Unaudited Six months ended | |
|---|------|-------------------------------|-----------------------------|
| | | 30 June 2004 HK\$'000 | 30 June 2003 HK\$'000 |
| Rental and office administrative expenses paid to related companies, a director of which is also a director of the Company | (a) | — | 620 |
| Reimbursements of rental and office administrative expenses from a related company, a director of which is also a director of the Company | (b) | 277 | 284 |
| Interest paid for the Convertible Bond to NWCBN | (c) | 423 | 585 |

- (a) The amount was charged for the provision of office space and the sharing of office administrative expenses. The rental expenses was charged with reference to the then market rental and the administrative expenses were charged on an actual cost incurred basis, taking into account of the headcount and/or area occupied.
- (b) The amount was reimbursed for the provision of office space and the sharing of office administrative expenses actually incurred. The rental expense was charged with reference to the then market rental and the administrative expenses were reimbursed on an actual cost incurred basis, taking into account of the headcount and/or area occupied.
- (c) The Group paid interest to NWCBN, the Convertible Bond holder, of which a director of the Company is also a director. The interest was charged at 3% per annum and was payable semi-annually in arrears.

20. SUBSEQUENT EVENTS

Subsequent to 30 June 2004, apart from the distribution of special dividend as mentioned in note 7 above, the Group had entered into the following significant transactions:

- (a) On 29 March 2004, the Company entered into a conditional sale and purchase 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 the NWPCS Group from NWTHL at an aggregate cash consideration of HK\$1,250,000,000. The transaction was completed on 6 July 2004.

Certain audited financial information of the NWPCS Group extracted from its accountants' report as contained in the Company's circular dated 2 June 2004 is as below:

| | As at 31 December 2003 HK\$'000 | As at 30 June 2003 HK\$'000 |
|-------------------------|---------------------------------------|-----------------------------------|
| Non-current assets | 1,461,981 | 1,511,258 |
| Current assets | 222,929 | 224,799 |
| Current liabilities | (1,475,711) | (1,469,355) |
| Non-current liabilities | (1,171,102) | (1,306,102) |
| Net liabilities | (961,903) | (1,039,400) |

| | Six months ended 31 December 2003 HK\$'000 | Year ended 30 June 2003 HK\$'000 |
|-------------------------------------|--|--|
| Turnover | 848,061 | 1,662,328 |
| Profit attributable to shareholders | 77,497 | 188,806 |

After taking into account of the issuance of subscription shares by the Company as mentioned in note 20(b) below, under the Generally Accepted Accounting Principles in Hong Kong, the acquisition of the NWPCS Group will be considered as a reverse acquisition since NWD will become the controlling shareholder of the Company after the acquisition. For accounting purpose, NWPCS will be regarded as the acquirer while the Group will be deemed to have been acquired by NWPCS as the acquiree. NWPCS will be regarded as the continuing entity in the consolidated financial statements of the Group after the acquisition.

20. SUBSEQUENT EVENTS (Continued)

- (b) On 29 March 2004, the Company entered into a conditional subscription agreement with Power Palace Group Limited ("PPG"), a wholly-owned subsidiary of NWD, pursuant to which PPG agreed to subscribe for:
- (i) 4,166,666,667 shares of newly issued ordinary share of the Company (before taking into account of the effect of share consolidation as mentioned below) at an issue price of HK\$0.012 per share; and
 - (ii) a convertible note (the "Subscription Note") of a principal amount of HK\$1,200,000,000. The Subscription Note, unless previously converted, will be repaid by the Company upon its maturity on the business day immediately preceding the third anniversary of the date of its issue. It bears a coupon from its date of issue at the rate of 0.75% per annum and, at the discretion of the holder, can be converted, in whole or any part thereof, into the ordinary shares of the Company at an initial conversion price of HK\$0.012 per share (before taking into account of the effect of the share consolidation as mentioned below), subject to adjustment.

The subscription was completed on 6 July 2004.

- (c) On 6 July 2004, the authorised 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 (before taking into account of the effect of share consolidation as mentioned below) of HK\$0.01 each.
- (d) On 6 July 2004, the name of the Company was changed from Asia Logistics Technologies Limited to New World Mobile Holdings Limited.
- (e) 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.