

FINANCIAL RESULTS

For the six months ended 30 June 2004, the Group recorded a turnover of approximately HK\$0.4 million, representing 87% decrease from approximately HK\$3.1 million for the corresponding period in the previous year. Loss attributable to shareholders amounted to approximately HK\$47.9 million, as compared with HK\$35.8 million in the same period last year.

The drop in turnover of the Group was mainly due to the persisting tough market condition and fierce competition in the logistics industry. The loss attributable to shareholders for the current period was mainly represented by the provision for impairment loss on investment in an associated company of approximately HK\$34.7 million.

FINANCIAL POSITION

Saved for entering into a sale and purchase agreement for the acquisition of the NWPCS Group as further discussed in the section of "BUSINESS REVIEW" below, the Group has made no material acquisition or disposal of subsidiaries or associated companies during the period under review. The Group generally financed its business development by means of internal resources. As at 30 June 2004, the balance of cash and cash equivalents held by the Group amounted to approximately HK\$47.4 million (31 December 2003: HK\$25.9 million). Apart from a convertible bond of approximately HK\$28.3 million (31 December 2003: HK\$28.3 million), the Group had no bank or other borrowings as at 30 June 2004. The convertible bond will mature in November 2004 and the bondholder had indicated its intention in writing to extend the maturity of the bond to November 2007. The gearing ratio of the Group (total debt/total shareholders' equity) as at 30 June 2004 was 0.47 (31 December 2003: 0.26).

The Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollar and Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the period under review, there had been minimal fluctuation in exchange rate between Hong Kong dollar and Renminbi. The Group does not conduct any foreign currency speculative activities.

The Group had no material contingent liability as at 30 June 2004 (31 December 2003: Nil).

As at 30 June 2004, none of the assets held by the Group were pledged to other parties (31 December 2003: Nil).

BUSINESS REVIEW

During the period under review, the Group continued its focuses on logistics management solutions services including logistics consultancy and solution implementation. The Group was also exploring various potential strategic investment opportunities so as to raise the returns to the shareholders. In July 2004, the Group successfully acquired the NWPCS Group, previously the wholly-owned mobile business unit of NWD.

Nevertheless, the results of operations of the mobile business were not included in the results of the Group for the six months ended 30 June 2004 as the acquisition was completed after 30 June 2004.

Logistics business

As a fourth party logistics solutions and services provider, the Group continued to face a tough and difficult market environment in the logistics industry in mainland China. Keen competition, increasing costs pressure and stiff regulations remained the key challenges of the Group during the period under review.

In view of the arduous operating condition and eroding margins, the Group had cautiously restructured its business such that provision of local and regional transportation services yielding low margin and value are no longer a prime focus of the Group.

Capitalizing on its extensive knowledge in logistics industry and solid experience in supply chain and logistics consultancy services, the Group has concentrated its resources in the projects with Tianjin Zhongxin Pharmaceutical Group Corporation Limited ("Zhongxin") and EXEL Singapore Pte Ltd ("Exel") during the first half of 2004.

Under the project with Zhongxin, the Group was providing Point of Sales solutions and Enterprise Resources Planning solutions integration services for Zhongxin's subsidiaries and retail shops in mainland China. For Exel, the Group was engaged to provide system development services for the Customs Processing System. Both projects were reaching their final stages of respective phases.

In order to improve the efficiency of operation and achieve the goal of costs saving, the Group had undergone a restructuring during the period under review such that the organization structure was much simplified. The total number of employees of the Group was brought down from 85 on 31 December 2003 to 36 on 30 June 2004.

Mobile business

As a way to diversify the operation of the Group and broaden the revenue base by investing in new business lines, the Group had completed the acquisition of 100% equity interest in the NWPCS Group for a consideration of HK\$1,250 million in July 2004.

The NWPCS Group believes that reliable and innovative data solutions in the next generation of mobile services will bring immense potential for its subscribers. In future, the NWPCS Group will continue to devote in offering advanced and pioneering multi-media mobile solutions in order to fulfill and exceed the expectations of mobile users.

Operating under the brand name of New World Mobility, the NWPCS Group has emerged to become a leading mobile operator since its inauguration in 1997. Through provision of superb quality mobile network and introduction of various innovative and value-added mobile data services, the NWPCS Group has further reinforced its position in the marketplace. The NWPCS Group is principally engaged in offering superior mobile services including voice service and customized data services tailored to the needs of individual customer groups via advanced mobile technology. The NWPCS Group has achieved a strong growth in its subscriber base over the past 7 years. Notwithstanding the intensifying competition in the Hong Kong mobile market, the subscriber base of the NWPCS Group surged to over 1,200,000 by the end of 2003.

Over the past few years, the NWPCS Group has made significant achievements in boosting the usage of mobile data services in Hong Kong. As early as 2002, the NWPCS Group started offering the first video-streaming service in town — *HOMECARE Mobile Viewing Service* that allowed users to view what's happening at home instantly on their mobile handsets anytime, anywhere. The popular *Twins Mobile* and *Star Mobile* are only few of the very exciting and pioneering mobile entertainment services that the NWPCS Group brought to the market to boost data usage of young subscribers. At the end of 2003, the NWPCS Group stepped up its effort in promoting data services by regrouping its multi-media services under the brand-new service platform *M Kee*, giving customers easy access to their desired services with an icon-based color WAP. In August 2004, the NWPCS Group pioneered the market again by launching *marie Fantasy* — the first-ever Disney Character mobile prepaid SIM card worldwide, providing young users with the exclusive contents of Marie. The introduction of various innovative services helps reinforce the NWPCS Group's image as a leading service provider in the mobile market.

The NWPCS Group has been successful in exploring new market segments by using its customer segmentation strategy. In view of the great potential of the mobile prepaid market, the NWPCS Group has launched various theme-based prepaid SIM cards targeting at different segments of the market, including *Avenue of Stars Commemorative Stored-value Card* and *Roaming Stored-value Card*. The NWPCS Group has further extended its reach to the 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*.

The NWPCS Group has established a strong foothold in the marketplace with a total of 35 retail outlets strategically located in high-traffic areas. Its presence has been accentuated by entering into dealership agreements with various retail chains and subsequently extending its retail network to over 1,300 sales points throughout Hong Kong.

The NWPCS Group has also made significant achievements in marketing the brand equity and product innovations of New World Mobility. With its relentless marketing efforts, New World Mobility has been widely recognized as a solid, vibrant and innovative brand. The most renowned marketing initiative is the brand campaign in 2001 which brought the NWPCS Group over 27 local and international awards in Hong Kong, Thailand, UK and the US.

The success of the NWPCS Group is reflected by its strong financial performance in recent years. Notwithstanding losses in early years, the NWPCS Group has steadily grown to a profit of approximately HK\$189 million for the full year ended 30 June 2003 and approximately HK\$77 million for the six months ended 31 December 2003.

For the purpose of financing the acquisition of the NWPCS Group, pursuant to a subscription agreement dated 29 March 2004 (the "Subscription Agreement"), the Company has issued 41,666,666 new consolidated shares to PPG, a wholly-owned subsidiary of NWD for a total of HK\$50 million in July 2004. Moreover, a convertible note of HK\$1,200 million was also issued by the Company to PPG at the same time. This convertible note bears an interest of 0.75% per annum, shall mature in July 2007 and is convertible into the ordinary shares of the Company at an exercise price of HK\$1.20 per share, subject to adjustments.

The acquisition of the NWPCS Group marked a significant milestone in the business development of the Company. The management is confident that such a diversified investment in the mobile industry can bring immense potential to the future growth of the Group and fetch pleasing returns to the shareholders.

PROSPECTS

In future, the Group will place its prime focus on the development of mobile business.

After the acquisition by the Company, the NWPCS Group will continue to pledge its goal in fulfilling the expectations of its customers by providing reliable and quality mobile services. In the face of the launch of the third generation mobile services in Hong Kong, the Group believes that bringing value-added services tailored to customer needs via the existing GSM network remains the most cost-effective strategy for staying competitive in the market. In June 2004, the NWPCS Group has signed a USD 30 million contract with Nokia for the expansion of its GSM network, including EDGE and Push to Talk over Cellular (PoC). As one of the hottest topics in the global wireless industry, the PoC service enables mobile users to turn their mobile phones into walkie-talkies by connecting to other phones without dialing via GPRS technology.

In addition, the Group will continue the existing activities of the logistics business.

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2004 (2003: Nil).

Based on a resolution passed at the extraordinary general meeting of the Company held on 25 June 2004, a special dividend was approved for the distribution of a total of 1,600,419,388 ordinary shares of HK\$0.02 each in NWCB held by the Company by way of a distribution in specie to the shareholders of the Company whose names appeared in the register of members of the Company at the close of business on 25 June 2004. This special dividend was conditional upon the completion of the Subscription Agreement. The Subscription Agreement was subsequently completed on 6 July 2004. The closing market price of the ordinary shares of NWCB on 6 July 2004 was HK\$0.024 per share.

EMPLOYEES

As at 30 June 2004, the Group had a total of 36 employees (31 December 2003: 85). Apart from salaries, the Group also provides other fringe benefits to employees, which include provident funds, medical insurance and share options. The remuneration policies and packages of the Group are reviewed on a regular basis and are in line with the local practices where the Group operates.