CEO'S REPORT

FINANCIAL HIGHLIGHTS

For the year under review, the Group recorded a profit attributable to shareholders of HK$911.6 million, as compared to a loss of HK$10.4 million in the previous year. The merger of New World PCS Holdings Limited and its subsidiaries (collectively, the "NWPCS Group") and Telstra CSL Limited and its subsidiaries (collectively, the "Telstra CSL Group") completed on 31 March 2006 gave rise to a gain of HK$1,023.0 million on disposal of the NWPCS Group. After the merger, the NWPCS Group became part of the CSL NWM Group and the Group holds 23.6% of the CSL NWM Group.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 30 June 2006 (2005: Nil).

REVIEW OF RESULTS

Amid severe market competition intensified by aggressive pricing strategies adopted by local mobile operators for their 2G and 3G services and handsets, the NWPCS Group's mobile communications services business managed to achieve growth in revenue. Profit of the NWPCS Group for the nine months up to the date of disposal of the NWPCS Group was HK$22.2 million, an annualised 19% decrease compared to the same period the previous year. The decrease in profit was mainly caused by the lower gross margin of sales of mobile handsets, which represented an increasing proportion of the total revenue in the current year, and was mitigated by the NWPCS Group's continuous effort in containing operating expenditures.

The integration of the NWPCS Group and the Telstra CSL Group resulted in cost savings in the first three months after the merger, especially in expenditure on network maintenance and call centers. In the first three months after the merger, which ended on 30 June 2006, the Group's share of results of the CSL NWM Group was HK$27.7 million.

The Group has tapped into the mobile Internet market in Mainland China by acquiring technology related business in October 2005. The newly acquired technology related business recorded improvement in revenue, which was attributed to the sales and marketing activities, and the launch of new products and services to retain existing subscribers and attract new subscribers resulting in growth in number of subscribers.

CEO'S REPORT

OUTLOOK

With our strong product development team developing innovative and interactive products and services, and the strategy of forming alliances with major mobile operators in Mainland China as well as with international record labels and Internet search engines, we believe the Group will be able to capitalise on the growing Internet and mobile communications market in Mainland China, and therefore, we anticipate long-term growth in our mobile Internet business.

With our 23.6% share of the CSL NWM Group, the Group will benefit from the integration of the mobile communications businesses of the NWPCS Group and the Telstra CSL Group in Hong Kong. Synergy is expected in the form of complementary network technologies, brands and business strategies. Synergy will also arise from rationalisation in various areas of the businesses, especially network assets, commercial activities, and information technology systems, economies of scale of operation and stronger bargaining power with suppliers.

ACKNOWLEDGEMENT

Finally, the Group would like to take this opportunity to express gratitude to our valued customers, shareholders and business partners for their continuous 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, 10 October 2006