

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

On 31 March 2006, New World Mobile Holdings Limited (the "Company") disposed of its entire interests in New World PCS Holdings Limited ("NWPCS Holdings") and its subsidiaries (hereinafter collectively referred to as the "NWPCS Group") in exchange for the acquisition of 23.6% interests of the issued share capital of CSL New World Mobility Limited ("CSL NWM") and its subsidiaries (hereinafter collectively referred to as the "CSL NWM Group" which represents the enlarged group combining Telstra CSL Limited and NWPCS Group).

Before 31 March 2006, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") was principally engaged in offering mobile telecommunications services including voice and data services tailored to the specific needs of individual customer groups via mobile technology in Hong Kong and technology-related business including mobile Internet services in Mainland China. After 31 March 2006, the Group is principally engaged in technology related business including mobile Internet services in Mainland China and holds 23.6% interest in the CSL NWM Group which offers mobile communications services in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company's issued shares are listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the half-year ended 31 December 2006 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2006.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2006, as described in the annual financial statements for the year ended 30 June 2006.

In the year ended 30 June 2006, the Group early adopted the amendment to HKAS 21 "The effects of changes in foreign exchange rates – Net investment in a foreign operation". For the six months ended 31 December 2006, the Group has adopted all the remaining new standards, amendments to standards and interpretations that are currently in issue and effective for the accounting periods beginning on or after 1 January 2006. However, the adoption of these new standards does not have any significant effect on the accounting policies or results and financial position of the Group.

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 July 2007 but which the Group has not yet adopted, are as follows:

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: disclosures
HKFRS 8	Operating Segments
HK (IFRIC)-Int 10	Interim reporting and impairment
HK (IFRIC)-Int 11: HKFRS 2	Group and Treasury Share Transactions

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results and financial position.

3. TURNOVER AND SEGMENT INFORMATION

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Technology related services	9,483	1,492
Gross rental income from an investment property	-	67
	9,483	1,559

For the six months ended and as at 31 December 2006, more than 90% of the Group's turnover, segment results, segment assets and liabilities were attributable to the provision of technology related services in Mainland China. Accordingly, no analysis by either business or geographical segment is presented.

Primary reporting format – business segments

	Unaudited			
	Six months ended 31 December 2005			
	Continuing operations			Discontinued operations
	Technology related services HK\$'000	Logistics services HK\$'000	Total HK\$'000	Mobile communications services HK\$'000 (As restated)
Turnover	1,559	–	1,559	986,938
Segment results	(5,180)	(92)	(5,272)	4,185
Other income			180	556
Unallocated corporate expenses			(2,628)	–
Reversal of impairment on investments in associated companies			7,523	–
Operating (loss)/profit			(197)	4,741
Finance costs			(23,819)	(21,793)
Loss before income tax			(24,016)	(17,052)
Income tax expense			–	(4,580)
Loss for the period			(24,016)	(21,632)

Other segment item included in the income statement is as follows:

	Unaudited			
	Six months ended 31 December 2005			
	Continuing operations			Discontinued operations
	Technology related services	Logistics services	Total	Mobile communications services
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Depreciation	255	65	320	132,390

The segment assets and liabilities at 30 June 2006 and capital expenditure for the six months ended 31 December 2005 are as follows:

	Technology related services	Mobile communications services	Total
	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000
Segment assets	11,292	–	11,292
Investments in associated companies	–	2,142,737	2,142,737
Unallocated assets			142,357
			<u>2,296,386</u>
Segment liabilities	6,458	–	6,458
Unallocated liabilities			2,387,217
			<u>2,393,675</u>
Capital expenditure	7,001	89,073	96,074

Segment assets consist primarily of property, plant and equipment, trade receivables, prepayments and other receivables. They exclude cash and cash equivalents for the corporate use.

Segment liabilities comprise operating liabilities. They exclude non-current liabilities.

Secondary reporting format – geographical segments

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

Six months ended
31 December
2005
Unaudited
HK\$'000

Turnover

Mainland China – Continuing operations	1,559
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Turnover are allocated based on the places/countries in which customers are located.

As at 30 June 2006
Audited
HK\$'000

Total assets

Hong Kong	207
Mainland China	11,085
Investments in associated companies	2,142,737
Unallocated assets	142,357
	2,296,386

The assets are allocated based on where the assets are located.

Six months ended
31 December
2005
Unaudited
HK\$'000

Capital expenditure

Hong Kong – Discontinued operations	89,073
Mainland China – Continuing operations	7,001
	96,074

Capital expenditure is allocated based on where the assets are located.

4. OTHER INCOME

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Bank interest income	597	180

5. OTHER GAINS

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Recovery of doubtful debts	769	–
Gain on disposal of property, plant and equipment	5	–
Reversal of impairment on investments in associated companies	–	7,523
	774	7,523

6. OPERATING LOSS BEFORE FINANCE COSTS

The following items have been charged to the operating loss before finance costs:

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
Auditors' remuneration		
– audit services	453	200
– non-audit services	200	–
Depreciation of property, plant and equipment	759	320
Staff costs, including directors' emoluments	10,868	3,453

7. FINANCE COSTS

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on loans from a fellow subsidiary	5,476	–
Interest on promissory note issued to a fellow subsidiary	22,501	–
Interest on convertible bond	436	162
Interest on subscription note	24,350	23,657
	52,763	23,819

8. INCOME TAX EXPENSE

Taxation on profits in Mainland China has been calculated on the estimated assessable profits at tax rates ranging from 15% to 33% (2005: 15% to 33%). Hong Kong profits tax has been calculated at 17.5% (2005: 17.5%).

No provision for Mainland China taxation and Hong Kong profits tax has been made for the period as the Company and a number of its subsidiaries have no estimated assessable profit for the period and certain subsidiaries have sufficient tax losses brought forward to offset their estimated assessable profits for the period.

Share of taxation of associated companies for the six months ended 31 December 2006 of HK\$15,857,000 (2005: HK\$7,221,000) is included in the consolidated income statement as share of results of associated companies.

9. DISCONTINUED OPERATIONS

On 8 December 2005, the Group entered into a merger agreement and amendment agreements pursuant to which the Group disposed of its entire interests in the NWPCS Group to Telstra CSL Limited which has changed its name to CSL NWM, and made a cash payment of HK\$244,024,000 in exchange for the acquisition of 23.6% of the issued share capital of the CSL NWM Group representing the enlarged group combining Telstra CSL Limited and the NWPCS Group, and an amount due from CSL NWM, the associated company, of HK\$113,328,000 (the "Merger Transaction"). The Merger Transaction was approved by the shareholders of the Company at the Extraordinary General Meeting on 24 March 2006 and completed on 31 March 2006. Hence, the NWPCS Group ceased to be subsidiaries of the Group and became part of the CSL NWM Group, being the associated companies of the Group after the Merger Transaction.

An analysis of the result and cash flows of discontinued operations is as follows:

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	HK\$'000	HK\$'000
		(As restated)
Turnover	–	986,938
Other income	–	556
Operating costs	–	(982,753)
Operating profit	–	4,741
Finance costs	–	(21,793)
Loss before income tax from discontinued operations	–	(17,052)
Income tax expense	–	(4,580)
Loss after income tax from discontinued operations	–	(21,632)
Net cash generated from operating activities	–	92,603
Net cash used in investing activities	–	(88,755)
Net cash used in financing activities	–	(45,439)
Total net cash outflow from discontinued operations	–	(41,591)

An analysis of the assets and liabilities disposed of at the date of disposal, 31 March 2006, are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	965,519
Deferred taxation	162,599
Rental and other deposits	5,949
Amount due from the immediate holding company	5,625
Amount due from fellow subsidiaries	1,784
Inventories	25,594
Trade receivables	107,035
Prepayment, other receivables, rental and other deposits	69,949
Bank overdraft	(384)
Trade payables	(73,251)
Other payables and accruals	(334,709)
Amount due to a related company	(40)
Asset retirement obligations	(6,699)
	<u>928,971</u>

10. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2006 (2005: Nil).

11. BASIC AND DILUTED LOSS PER SHARE

Loss per share attributable to shareholders arises from continuing and discontinued operations as follows:

	Unaudited	
	Six months ended	
	31 December	
	2006	2005
	(As restated)	
Loss from continuing operations attributable to shareholders (HK\$'000)	(8,143)	(24,016)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (note a)	95,510,118	85,503,293
Basic loss per share for loss from continuing operations attributable to shareholders	(HK\$0.09)	(HK\$0.28)
Loss from discontinued operations attributable to shareholders (HK\$'000)	-	(21,632)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (note a)	N/A	85,503,293
Basic loss per share for loss from discontinued operations attributable to shareholders	N/A	(HK\$0.25)

Notes:

- (a) The weighted average number of ordinary shares for the purpose of calculating the loss per share has been taken into account for the 2,356,000 ordinary shares (Note 19(c)) issued from the exercise of share options during the six months ended 31 December 2006 (2005: Nil).
- (b) The deemed number of shares from the deemed conversion of the convertible bond and the subscription note has not been considered as the convertible bond and the subscription note were redeemed after the interim period ended 31 December 2006, on 4 January 2007 (Note 23).
- (c) No diluted loss per share is presented for the six months ended 31 December 2006 and 31 December 2005 as the exercise of outstanding share options would not have dilutive effect on the loss from continuing operations.

12. CAPITAL EXPENDITURE

	Property, plant and equipment	Intangible assets
	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 31 December 2005		
Opening net book amount at 1 July 2005	1,068,301	65,964
Acquisition of subsidiaries	2,641	6,995
Additions	89,079	–
Disposals	(10,191)	–
Depreciation and amortisation	(132,711)	–
Reclassification to assets directly associated with discontinued operations	(1,014,242)	–
Closing net book amount at 31 December 2005	2,877	72,959

Six months ended 31 December 2006

Opening net book amount at 1 July 2006	6,183	–
Additions	396	–
Disposals	(7)	–
Translation difference	57	–
Depreciation and amortisation	(759)	–
Closing net book amount at 31 December 2006	5,870	–

13. INVESTMENTS IN ASSOCIATED COMPANIES

	<i>HK\$'000</i>
Balance at 1 July 2006	2,142,737
Share of results of associated companies	62,577
Dividend received	(17,228)
Balance at 31 December 2006	2,188,086
Balance at 1 July 2005 and 31 December 2005	–

14. TRADE RECEIVABLES

The Group allows an average credit period of thirty to sixty days to its customers. At 31 December 2006 and 30 June 2006, the ageing analysis of the trade receivables was as follows:

	As at 31 December 2006 <i>HK\$'000</i> Unaudited	As at 30 June 2006 <i>HK\$'000</i> Audited
1 – 30 days	1,702	2,483
31 – 60 days	390	1,648
61 – 90 days	10	112
Over 90 days	21	23
	2,123	4,266

15. TRADE PAYABLES

At 31 December 2006 and 30 June 2006, the ageing analysis of trade payables was as follows:

	As at 31 December 2006 <i>HK\$'000</i> Unaudited	As at 30 June 2006 <i>HK\$'000</i> Audited
1 – 30 days	74	80
31 – 60 days	8	120
61 – 90 days	15	172
Over 90 days	131	437
	228	809

16. LOANS FROM AND PROMISSORY NOTE ISSUED TO A FELLOW SUBSIDIARY

Movement in loans from a fellow subsidiary is analysed as follows:

Six months ended 31 December 2006

	<i>HK\$'000</i>
Opening amount 1 July 2006	278,024
Proceeds of borrowings	30,000
Repayment of borrowings	(127,977)
Closing amount as at 31 December 2006 – current	180,047

Six months ended 31 December 2005

	<i>HK\$'000</i>
Opening amount 1 July 2005	877,500
Proceeds of borrowings	60,000
Reclassified to liabilities directly associated with discontinuing operations	(937,500)
Closing amount as at 31 December 2005	–

As at 31 December 2006, the loans from a fellow subsidiary amounted to HK\$180,047,000 (30 June 2006: HK\$278,024,000), of which HK\$116,047,000 (30 June 2006: HK\$244,024,000) was unsecured, carried interest at 0.65% above Hong Kong Interbank Offer Rate (“HIBOR”) per annum payable every three months in arrears and was repayable upon demand after eighteen months from 31 March 2006.

The remaining loans amounted to HK\$64,000,000 (30 June 2006: HK\$30,000,000) were unsecured, carried interest at 0.65% above HIBOR per annum payable every three months in arrears, and were repayable upon demand after 28 August 2007.

The promissory note issued on 30 March 2006 was unsecured, carried interest at 0.65% above HIBOR per annum payable every three months in arrears, and was repayable upon demand after eighteen months from the date of its issue.

The carrying amount of the loans from and promissory note issued to a fellow subsidiary approximated their fair values.

The loans and promissory note have been fully repaid in January 2007 (Note 23).

Interest expense on loans from and promissory note issued to a fellow subsidiary for the six months ended 31 December 2006 was HK\$5,476,000 (31 December 2005: HK\$20,374,000) and HK\$22,501,000 (31 December 2005: Nil) respectively.

17. CONVERTIBLE BOND

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 effective interest rate of the Convertible Bond was 3.1% per annum (2005: 3.1%). 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 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 share consolidation in July 2004.

The Convertible Bond was split into 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 issuance and the fair value of the liability component. The fair value of the liability component at initial recognition was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the Convertible Bond is converted or redeemed. The carrying amount of the liability component of the Convertible Bond approximated its fair value.

Interest expense on the Convertible Bond for the six months ended 31 December 2006 was HK\$436,000 (31 December 2005: HK\$162,000).

The Convertible Bond has been fully repaid in January 2007 (Note 23).

18. SUBSCRIPTION NOTE

On 29 March 2004, the Company 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, representing the closing price of the last trading day of the Company's shares prior to suspension; 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 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 in 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 the Subscription Note were issued on 6 July 2004.

The fair values of the liability component and the equity component of the Subscription Note were determined at issuance of the Subscription Note. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of equity component, is included in shareholders' equity in other reserves net of deferred income taxes, if any.

The fair value of the liability component of the Subscription Note approximated its carrying value.

The Subscription Note has been fully repaid in January 2007 (Note 23).

Interest expense on the Subscription Note for the six months ended 31 December 2006 was HK\$24,350,000 (31 December 2005: HK\$23,657,000).

19. SHARE CAPITAL

	The Group (note a) HK\$'000
At 1 July 2006 (note a)	16,154
Issue of shares (note c)	2,356
At 31 December 2006	18,510
At 1 July 2005	300
Issue of shares (note b)	16,154
At 31 December 2005	16,454

	The Company	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$1.00 each at 31 December 2006 and 30 June 2006	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK\$1.00 each at 1 July 2006	95,336,069	95,336
Issue of shares (note c)	2,356,000	2,356
Ordinary shares of HK\$1.00 each at 31 December 2006	97,692,069	97,692
Ordinary shares of HK\$1.00 each at 1 July 2005	79,182,223	79,182
Issue of shares (note b)	16,153,846	16,154
Ordinary shares of HK\$1.00 each at 31 December 2005	95,336,069	95,336

Notes:

- (a) Due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the condensed consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS Holdings Limited at the time of reverse acquisition.
- (b) On 21 October 2005, 16,153,846 ordinary shares of HK\$1.00 each were issued at HK\$1.3 each to New World CyberBase Limited for acquisition of New World CyberBase Solutions (BVI) Limited.
- (c) On 28 November 2006, 156,000 ordinary shares of HK\$1.00 each were issued at HK\$1.26 each upon the exercise of share options. On 30 November 2006, 482,000 ordinary shares of HK\$1.00 each were issued at HK\$1.26 each upon the exercise of share options. On 4 December 2006, 1,640,000 and 78,000 ordinary shares were issued at HK\$1.26 each and HK\$1.276 each respectively upon exercise of share options.

20. CAPITAL COMMITMENTS

As at 31 December 2006, there was no material capital commitment (30 June 2006: Nil).

21. CONTINGENT LIABILITIES

Shanghai No.1 Intermediate People's Court issued rulings against several subsidiaries of the Group on rights infringement cases of the Group's technology related business for an aggregate amount of RMB1,041,000. The external legal counsel is opined that the court ruling is not appropriate. The subsidiaries have filed an appeal with the court to request the court to withdraw its ruling and to rule against the plaintiff to make it responsible for associated legal costs. Bank balances with the banks in Mainland China totaling HK\$801,000 (30 June 2006: HK\$804,000) which were denominated in Renminbi have been frozen under the court order.

22. 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 period:

	Unaudited		
	Six months ended		
	31 December 2006	31 December 2005	31 December 2005
	Continuing operations	Discontinued operations	Continuing operations
	HK\$'000	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase from fellow subsidiaries	–	(18,617)	–
Purchase of fixed assets from a related company	–	(1,451)	–
Service fee from a fellow subsidiary	–	2,379	–
Rental expenses paid to fellow subsidiaries	(375)	(13,409)	–
Loan interest paid/payable to a fellow subsidiary	(5,476)	(20,374)	–
Loan interest paid/payable to a fellow subsidiary for the promissory note	(22,501)	–	–
Interest paid/payable for the Convertible Bond to a fellow subsidiary	(428)	–	(428)
Interest paid/payable for the Subscription Note to a fellow subsidiary	(4,537)	–	(4,537)
Reimbursement of office administrative expenses and fee charged from a related company	–	(4,316)	–

23. SUBSEQUENT EVENT

On 22 November 2006, the Company and New World Development Limited (“NWD”) entered into the conditional sale and purchase agreement (the “Agreement”) in relation to the sale and purchase of the entire issued share capital of Upper Start Holdings Limited (“Upper Start”) which holds 23.6% interest in the CSL NWM Group, pursuant to which the Company has conditionally agreed to sell, and NWD has conditionally agreed to purchase or procure the purchases of the entire issued share capital of Upper Start and the entire amount of the interest free shareholder’s loan owing from Upper Start to the Company (collectively referred to as the “Disposal”). Pursuant to the Agreement, the consideration is HK\$2,500 million (the “Consideration”). All the conditions precedent to the S&P Agreement had been fulfilled on 3 January 2007 and the Disposal completed on 4 January 2007 (“Disposal Completion”). Accordingly, the CSL NWM Group ceased to be the associated companies of the Group upon Disposal Completion. The consideration of the Disposal was satisfied by way of set-off against a sum equivalent to the aggregate amount due to fellow subsidiaries, owing under the subscription note issued to PPG, the convertible bond issued to NWCBN, promissory note issued to and loans from New World Finance Company Limited, which resulting in full discharge of the subscription note, the convertible bond, the promissory note and the loans; and the remaining amount of HK\$169,547,000 has been settled in cash upon Disposal Completion.

The early extinguishment of the subscription note and the convertible bond upon Disposal Completion resulted in an estimated decrease of HK\$19,750,000 in net assets of the Group. The estimated gain on the Disposal was HK\$305,793,000.

The Company declared special dividend of HK\$1.2 per share or an aggregate amount of HK\$117,230,000 conditional to the Disposal Completion and others.