MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The continuing operations of the Group are the provision of technology related services including mobile value added business in Mainland China (the "Technology Business"). For the six months ended 31 December 2006, the Group's turnover from continuing operations was approximately HK$9.5 million as compared to last corresponding period of approximately HK$1.6 million for the post-acquisition period of the technology related services from 22 October 2005 to 31 December 2005. The Group recorded operating loss of approximately HK$70.7 million before share of results of associated companies as compared to operating loss of approximately HK$24.0 million in last corresponding period.

The increase in operating loss was attributable to the following key factors: (a) increase in finance costs from approximately HK$23.8 million in last corresponding period to approximately HK$52.8 million in current period; (b) part of the staff costs and administrative expenses used to be incurred by the discontinued operations before the Merger now being absorbed by the Company; and (c) a reversal of impairment provision on investments in associated companies of approximately HK$7.5 million in last corresponding period. The increase in finance costs was due to, firstly, the inclusion of interest expense of approximately HK$20.4 million in the loss from discontinued operations in last corresponding period for a loan from a fellow subsidiary of the discontinued operations whereas the interest expense for a promissory note issued by the Company to the same fellow subsidiary replacing the former-mentioned loan upon the merger of the NWPCS Group with the CSL NWM Group on 31 March 2006 (the "Merger") was included in loss from continuing operations in current period, secondly, new loans in aggregate amount of approximately HK$308.0 million drawn in second half of the year ended 30 June 2006 and during current period followed by partial repayment of approximately HK$128.0 million during current period, and thirdly the increase in interest rate as a result of higher Hong Kong Interbank Offer Rate in current period.

The Technology Business showed improvement in turnover as a result of the increase in number of subscribers when compared to the last corresponding period with an operating loss of approximately HK$5.2 million for the current six-month period (approximately HK$5.2 million for the post-acquisition period of around 2 months in the last corresponding period). The operating loss has not worsened partly due to the improvement in turnover and also partly due to the adoption of cost saving measures in current period.

The Group recorded share of results of associated companies of approximately HK$62.6 million for its 23.6% interest in the CSL NWM Group (2005: Nil). On 22 November 2006, the Company and 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 which holds the 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"). Accordingly, the CSL NWM Group ceased to be the associated companies of the Group upon the completion of the Disposal on 4 January 2007. The consideration of the Disposal enabled the Group to discharge the Subscription Note, the Convertible Bond, and promissory note issued to a fellow subsidiary and loans from the fellow subsidiary which will fall due in the year ending 30 June 2008, and also to declare special dividend of HK$1.2 per share or an aggregate amount of approximately HK$117,230,000 to its shareholders.

The loss attributable to shareholders for the current period amounted to approximately HK$8.1 million when compared to approximately HK$45.6 million in last corresponding period which comprised a loss of approximately of HK$24.0 million of the continuing operations and a loss of approximately HK$21.6 million of the discontinued operations of the NWPCS Group.

Business Review

The mobile value added business had continues been negatively impacted by the market environment and the tightening policy control of the mobile operators. However our two internet websites have made good progress. In the music sector, www.hanyin.com our music entertainment business reached over 140,000 registered users. We have secured relationship with 46 local and international record companies with a total of over 140 artists. We have directly signed song distribution rights with 40 artists and have been promoting their work in both the mobile and Internet environment. During the last quarter, we revamped our music blog channel, now providing 15 different music and entertainment categories of related blog contents, spreading from song of local talents and popular artists from Hong Kong and Taiwan. When the service was re-launched in November 2006 it soon became one of the major key drivers of the sites traffic growth.

In the city infotainment sector, in the last six months, the team has worked on a major face lift of our website, Chinaquest. In order to improve our brand awareness, in November 2006, we announced a change of site address to www.52tong.com and a change of the logo design to a more lively brand design concept. Furthermore, as a major step to expanding our services, we launched a classified ads channel focus on providing a platform for individuals to advertise their own information to the public. We have fully implemented the Web2.0 model which enabled users to self create and upload contents to be shared by the public. We have a total of 67 categories and after one and a half months of launched we have reached over 54,000 classified ads postings. As at beginning of February 2007, our website is ranked within 2000 of the Alexa website ranking chart.

Capital structure, liquidity and financial resources

As at 31 December 2006, total borrowings of the Group amounted to HK$2,297.4 million (30 June 2006: HK$2,371.0 million). These borrowings comprised Subscription Note of HK$1,202.4 million, Convertible Bond of HK$28.3 million, promissory note issued to a fellow subsidiary of HK$886.7 million and loans of HK$180.0 million. All of these borrowings were redeemed or repaid by way of set-off against the consideration of the Disposal on 4 January 2007 before their original maturity dates.

The key operations of the Group are located in Hong Kong and Mainland China. Therefore, assets and liabilities of the Group are mainly denominated in either Hong Kong dollars or Renminbi. Since no significant exposure to foreign currency losses are expected, the Group does not conduct any foreign currency hedging activities.

Employees and remuneration policy

As at 31 December 2006, the Group had a total of 107 employees (30 June 2006: 143). The reduction in number of employees is resulting from the Group's commitment to streamline operations to enhance efficiency. The Group's remuneration policy is to pay salaries competitive in the industry, in a way that is motivational, fair and equitable. The salaries are also dependent on individual and company's performance. Apart from salaries, the Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

Change of controlling shareholder

Following the Disposal, NWD disposed of its controlling interests in the issued share capital of the Company to Moral Glory International Limited on 4 January 2007.

Outlook

In 2007, one of the key focus for growth will be in the area of mobile internet advertising. Currently, web advertising only represents less than 3% of the total advertising market size in China. However, according to iResearch company, the total web advertising market in China reached 812 million US dollars and expecting size to exceed 1 billion US dollars in 2007. In addition, according to China Internet Network Information Center's June 2006 report Internet users in China has reached over 123 million, a 19.4% growth from previous year. While, according to Ministry of Information Industry of PRC, mobile users are expected to reach 440 million at the end of 2006.

We believe as we see the growth of mobile and internet users continues in China and it being a significant part of everyday life, advertisers in China will begin to divert more advertising spending on the internet and mobile mediums. Thus, we will continue to enhance our mobile Internet services with a focus in music and city infotainment services.

In the music sector, we will continue to provide a forum on the internet and mobile, for local music talents to create, promote and even sell their work. In addition, we will enhance the services on this platform for music lovers to enjoy both pop music and new local music.

In the city infotainment sector, we believe that city based information services will be a key to our business expansion. We shall continue to enhance both classified ads and yellow page directory search service in terms of both quantity and quality. Enable Internet users to find first hand city based directory and map information.

Lastly, we shall also continue to seek other investment opportunities as the Board sees fit to expand our business.

INTERIM DIVIDEND

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' interests in securities" below, at no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding company, a party to any arrangement to enable the directors of the Company or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.