1 BASIS OF PREPARATION

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

On 29 March 2004, New World Mobile Holdings Limited (the "Company", formerly known as Asia Logistics Technologies Limited) 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; 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 immediate 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 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 Subscription Note were issued on 6 July 2004.

On 29 March 2004, the Company entered into a conditional sale and purchase agreement (the "S&P 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 New World PCS Holdings Limited ("NWPCS") and its subsidiaries (collectively, the "NWPCS Group") from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Acquisition") was completed on 6 July 2004 (the "Completion Date").

Under the generally accepted accounting principles in Hong Kong, the Acquisition, after taking into account the issuance of Subscription Shares, should constitute a reverse acquisition from accounting perspective since NWD has become the controlling shareholder of the Company after the Acquisition. For accounting purposes, NWPCS is regarded as the acquirer while the Company and its subsidiaries before the Acquisition (collectively, the "Logistics Group") are deemed to have been acquired by NWPCS. As a result, these consolidated accounts have been prepared as a continuation of the consolidated accounts of the NWPCS Group (the "Group") which has a financial year end date of 30 June, and accordingly:

(i) the assets and liabilities of the Logistics Group are recognised and recorded at the Completion Date at their fair value (the "Net Fair Value");

1 BASIS OF PREPARATION (Continued)

(ii) the assets and liabilities of the NWPCS Group are recognised and recorded at the Completion Date at their historical carrying values prior to the Acquisition;

(iii) the purchase consideration is deemed to have been incurred by NWPCS for the Acquisition and is determined by the total fair value of all the issued shares of the Company at the Completion Date (the "Deemed Consideration");

(iv) the goodwill arising from the Acquisition is determined by the surplus of the Deemed Consideration over the Net Fair Value;

(v) the capital and reserves of the Logistics Group upon the Completion Date are eliminated as the pre-acquisition reserves;

(vi) the consolidated issued equity of the Group as shown in the consolidated balance sheet represents the issued share capital and share premium balances of NWPCS upon the Completion Date, plus all the post-acquisition changes in the issued share capital and premium of the Company, if any. On the other hand, the number and type of issued shares presented represent the actual equity structure of the Company;

(vii) the difference between the actual consideration paid by the Company for the Acquisition and the Deemed Consideration is transferred to a consolidation reserve of the Group;

(viii) the comparative information shown in these consolidated accounts is that of the NWPCS Group.

In order to have a coterminous financial year end date with NWD and the NWPCS Group, the Board has resolved on 10 December 2004 that the financial year end date of the Company be changed from 31 December to 30 June. Accordingly, the comparative figures presented for the Company's balance sheet are based on 31 December 2003 audited accounts of the Company.

2 PRINCIPAL ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

With effective from 1 January 2004, the Group has early adopted the following new HKFRSs (the "HKFRS 3 Package") in the accounts:

HKFRS 3	– Business Combinations
HKAS 36	– Impairment of Assets
HKAS 38	– Intangible Assets

Pursuant to the HKFRS 3 Package, goodwill is tested annually for impairment and is not subject to amortisation. The Group had not incurred any goodwill before 1 January 2004 and so there is no effect on opening balances by the early adoption of the HKFRS 3 Package.

The early adoption of the HKFRS 3 Package has the following impacts to the Group for the current year:

	30 June 2005 **HK$'000**
Decrease in administrative expenses	**3,255**
Increase in profit attributable to shareholders	**3,255**
Increase in basic earnings per share	**HK$0.04**

There is no material impact on diluted earnings per share.

	As at **30 June 2005** **HK$'000**
Increase in goodwill	**3,255**
Increase in retained earnings	**3,255**

The early adoption of the HKFRS 3 Package does not have any other significant impacts on the accounting policies of the Group.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early adopted other new HKFRSs except for the HKFRS 3 Package. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group would be the adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement".

The adoption of HKAS 32 and HKAS 39 would result in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Under the new accounting policy, convertible bond and subscription note issued will be split into the 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 issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the reserve until the bond or note is converted or redeemed. This new accounting policy will be applied retrospectively.

The Group will be continuing with its assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

(a) Group accounting

(i) Consolidation

The consolidated accounts of the Group include the accounts of the Company and all its direct and indirect subsidiaries made up to 30 June 2005.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Group accounting (Continued)

(ii) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies, goodwill and intangible assets recognised on acquisition, net of accumulated amortisation of intangible assets other than goodwill and impairment losses, if any.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	20%
Furniture and fittings	20%
Leasehold improvements	shorter of the lease term or 20%
Motor vehicles	20%
Testing equipment	33.33%
Digital, switching and transmission system	10% – 20%

No depreciation is provided for any part of the construction in progress.

Costs of fixed assets include cost of employee benefits that are directly attributable to the construction or acquisition of the assets. Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all direct costs of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(e) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to eligible employees, the assets of which are held in separate trustee administered funds. The Group's contribution to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(iii) Bonus

Provisions for bonus due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(k) Revenue recognition

Mobile communications services revenue is recognised when the service is rendered and is based on the usage of the digital mobile radio telecommunication network and facilities. Mobile communications services revenue in respect of standard service plans billed in advance at year end is deferred and recognised when the service is rendered. Revenue received in advance for the provision of mobile communications services using prepaid cards is deferred and amortised based on the actual usage by customers. The portion of deferred revenue is included under current liabilities as deferred income.

Revenue from sales of mobile handsets and accessories is recognised when goods are delivered and title has passed.

Revenue from the provision of logistics technology services and logistics management services is recognised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

3 TURNOVER AND REVENUE

The Group principally engages in the provision of mobile communications services and the sales of mobile handsets and accessories. Revenues recognised during the year are as follow:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Turnover		
Mobile communications services	**1,318,337**	1,441,984
Sales of mobile handsets and accessories	**386,456**	256,760
Logistics services	**4,261**	–
	1,709,054	1,698,744
Other revenue		
Bank interest income	**635**	115
	1,709,689	1,698,859

4 SEGMENT REPORTING

For the years ended 30 June 2004 and 30 June 2005, more than 90% of the Group's turnover and operating profit were attributable to its mobile communications operations in Hong Kong. Accordingly, no analysis by either business or geographical segment is included in these accounts.

5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Crediting		
Net exchange gains	**114**	89
Gain on disposal of trading securities	**100**	–
Gain on disposal of investment securities	**2,089**	–
Reversal of write down of inventories	**481**	–
Charging		
Auditors' remuneration	**1,182**	270
Cost of inventories sold	**388,882**	261,760
Depreciation of fixed assets	**258,835**	252,250
Loss on disposal of fixed assets	**2,328**	3,690
Operating lease rentals for land and buildings	**47,441**	52,127
Operating lease rentals for switching and office equipment	**–**	9
Operating lease rentals for transmission sites	**158,059**	171,869
Provision for bad and doubtful debts	**11,494**	12,153
Staff costs, including directors' emoluments *(Note 7)*	**171,065**	188,384

6 FINANCE COSTS

	30 June 2005 HK$'000	30 June 2004 HK$'000
Interest on secured long-term bank loan *(Note 24)*	**3,701**	6,776
Interest on loan from a fellow subsidiary *(Note 28)*	**16,226**	–
Interest on Subscription Note *(Note 1)*	**8,877**	–
Interest on convertible bond *(Note 27)*	**849**	–
	29,653	6,776

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	30 June 2005 HK$'000	30 June 2004 HK$'000
Wages and salaries	**152,179**	159,316
Bonuses	**14,444**	15,504
Pension costs – defined contribution plans	**3,627**	8,414
Termination benefits	**4,062**	7,393
Medical insurance, staff welfare and other allowances	**4,089**	2,812
Less: Staff costs capitalised as fixed assets	**(7,336)**	(5,055)
	171,065	188,384

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Fees	**–**	–
Other emoluments:		
Salaries and allowances	**3,000**	–
Bonuses	**3,672**	–
Pension costs – defined contribution plans	**150**	–
Compensation for loss of office as director paid by:		
– the Company	**–**	–
– the Company's subsidiaries	**–**	–
	6,822	–

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Details of the emoluments paid and payable to the Directors are as follows:

Name of director	Fees HK$'000	Basic salaries and allowance HK$'000	Bonuses HK$'000	Provident fund contribution HK$'000	30 June 2005 Total HK$'000	30 June 2004 Total HK$'000
Executive Directors						
Dr. Wai Fung Man, Norman	–	3,000	1,752	150	4,902	–
Dr. Cheng Kar Shun, Henry	–	–	119	–	119	–
Mr. Doo Wai Hoi, William, JP	–	–	49	–	49	–
Mr. To Hin Tsun, Gerald	–	–	651	–	651	–
Mr. Chow Yu Chun, Alexander	–	–	649	–	649	–
Non-Executive Directors						
Mr. Lo Lin Shing, Simon	–	–	51	–	51	–
Mr. Ho Hau Chong, Norman	–	–	50	–	50	–
Independent Non-Executive Directors						
Mr. Wei Chi Kuan, Kenny	–	–	120	–	120	–
Mr. Kwong Che Keung, Gordon	–	–	119	–	119	–
Mr. Cheng Ming Fun, Paul, JP	–	–	83	–	83	–
Mr. Hui Chiu Chung, JP	–	–	29	–	29	–
Total 30 June 2005	–	3,000	3,672	150	6,822	–
Total 30 June 2004	–	–	–	–	–	–

No emoluments were paid to the directors of the Company during year ended 30 June 2004 as the Company was not yet consolidated into the NWPCS Group in year ended 30 June 2004 (Note 1).

None of the directors of the Company waived any emoluments during the year.

The emoluments disclosed above include HK$351,000 (30 June 2004: Nil) paid to independent non-executive directors.

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2004: Nil) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: Five) individuals during the year are as follows:

	30 June 2005	30 June 2004
	HK$'000	HK$'000
Salaries and allowances	**6,098**	9,624
Bonuses	**2,838**	3,108
Pension costs – defined contribution plans	**300**	499
	9,236	13,231

The emoluments of the individuals fell within the following bands:

	Number of individuals	
	30 June 2005	30 June 2004
Emolument bands		
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	–

9 RETIREMENT BENEFITS

The Group contributes to two defined contribution retirement schemes which include an Occupational Retirement Scheme (the "ORSO Scheme") and a mandatory provident fund scheme (the "MPF Scheme"). Under the ORSO Scheme, the employees are required to contribute 5% of their monthly salaries, while the Group's contributions are calculated at a range from 5% to 10% of the monthly salaries of employees. The employees are entitled to 100% of the employer's contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years of service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the Group's contributions.

MPF Scheme has been established under Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The then existing employees of the Group in Hong Kong could elect to join the MPF Scheme, while all new employees joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. The employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,000 per month as a mandatory contribution, while the Group's contribution are calculated at a range from 5% to 10% of each individual's relevant income. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. Employees may also elect to contribute more than the minimum as a voluntary contribution.

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the consolidated profit and loss account during the year are as follows:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Gross scheme contributions	**4,420**	9,959
Less: Forfeited contributions utilised to offset contributions for the year	**(793)**	(1,545)
Net scheme contributions	**3,627**	8,414

As at 30 June 2005, forfeited contributions of HK$212,000 were available to reduce future contributions (30 June 2004: HK$102,000). Contributions totalling HK$1,082,000 were payable by the Group as at 30 June 2005 (30 June 2004: HK$3,832,000).

10 TAXATION

No provision for Hong Kong profits tax and overseas taxation has been made for the year as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the year (30 June 2004: Nil).

The amount of taxation charged to the consolidated profit and loss account for the year represents:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Current taxation:		
– Under provisions in prior years	**51**	–
Deferred taxation relating to the origination and reversal of temporary differences *(Note 17)*	**21,015**	35,866
Taxation charge	**21,066**	35,866

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the companies as follows:

	30 June 2005 HK$'000	30 June 2004 HK$'000
Profit before taxation	**114,177**	199,980
Calculated at a taxation rate of	**17.5%**	17.5%
Notional tax on profit before taxation	**19,981**	34,996
Income not subject to taxation	**(92)**	(20)
Expenses not deductible for taxation purpose	**1,177**	890
Taxation charge	**21,066**	35,866

11 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share based on the share capital of the Company are as follows:

	30 June 2005	30 June 2004
Profit attributable to shareholders for purpose of calculating basic earnings per share (HK$'000)	**93,111**	164,114
Increase in net profit for deemed conversion of potential ordinary shares (HK$'000)	**9,725**	–
Adjusted profit for the purpose of calculating dilutive earnings per share (HK$'000)	**102,836**	164,114
Number of shares *(note a)*		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note b)*	**78,668,311**	41,666,666
Effect of dilutive potential ordinary shares	**1,454,310,168**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,532,978,479**	41,666,666

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating the earnings per share have been adjusted retrospectively for the one hundred-to-one share consolidation of the Company which took place on 7 July 2004 (Note 25(d)).

(b) Under the reverse acquisition method of accounting, the 4,166,666,667 Subscription Shares issued by the Company to PPG to effect the Acquisition described in Note 1 are deemed to be in issue throughout the period prescribed for the purpose of calculating the earnings per share.

(c) For the year ended 30 June 2004, no diluted earnings per share is presented as there were no potentially dilutive shares outstanding.

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of post-acquisition profit of HK$143,541,000 for the year ended 30 June 2005 (30 June 2004: Nil).

13 FIXED ASSETS

(a) Group

	Computer equipment HK$'000	Furniture and fittings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Testing equipment HK$'000	Digital, switching and transmission system HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 July 2004	207,634	21,022	40,810	1,400	28,175	2,079,904	11,295	2,390,240
Additions	8,017	437	4,942	394	–	115,498	11,503	140,791
Acquisition of subsidiaries	1,231	890	64	680	–	–	–	2,865
Disposals	(1,231)	(1,051)	(572)	(378)	–	(1,867)	–	(5,099)
At 30 June 2005	215,651	21,298	45,244	2,096	28,175	2,193,535	22,798	2,528,797
Accumulated depreciation								
At 1 July 2004	123,393	18,247	23,233	1,170	27,465	1,012,863	–	1,206,371
Charge for the year	27,524	1,529	7,858	279	504	221,141	–	258,835
Disposals	(781)	(280)	(398)	(377)	–	(930)	–	(2,766)
At 30 June 2005	150,136	19,496	30,693	1,072	27,969	1,233,074	–	1,462,440
Net book value								
At 30 June 2005	65,515	1,802	14,551	1,024	206	960,461	22,798	1,066,357
At 30 June 2004	84,241	2,775	17,577	230	710	1,067,041	11,295	1,183,869

13 FIXED ASSETS (Continued)

(b) Company

	Computer equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost				
At 1 January 2004	1,361	900	242	2,503
Disposals	(1,361)	(900)	–	(2,261)
At 30 June 2005	–	–	242	242
Accumulated depreciation				
At 1 January 2004	787	256	80	1,123
Charge for the period	414	180	72	666
Disposals	(1,201)	(436)	–	(1,637)
At 30 June 2005	–	–	152	152
Net book value				
At 30 June 2005	–	–	90	90
At 31 December 2003	574	644	162	1,380

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	As at 30 June 2005 HK$'000	As at 31 December 2003 HK$'000
Unlisted investments, at costs *(note a)*	**1,262,670**	10,939
Amounts due from subsidiaries *(note b)*	**579,876**	340,737
Amounts due to subsidiaries *(note b)*	**(2,203)**	(2,197)
	1,840,343	349,479
Less: Provision for impairment	**(318,958)**	(212,167)
	1,521,385	137,312

Notes:

(a) Particulars of the principal subsidiary of the Company is as follows:

Name	Place of incorporation and operation	Particulars of issued share capital	Interest held indirectly	Principal activities
New World PCS Limited	Hong Kong	1,000,000 Ordinary shares of HK$1 each	100%	Provision of mobile communications services and sales of mobile handsets and accessories

(b) The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Share of net assets	**–**	–

Particulars of associated companies are as follows:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/ registered capital	Interest held	Principal activities
Han International Consulting Company Limited	British Virgin Islands	Ordinary shares of US$5,000	30%	Investment holding
漢普管理諮詢(中國)有限公司	The People's Republic of China (the "PRC")	Registered capital of US$6,000,000	30%	Logistics technology business

These associated companies' financial year end date is 31 December, which is not coterminous with the Group.

16 GOODWILL

	Group	
	30 June 2005 HK$'000	30 June 2004 HK$'000
Balance at the beginning of the year	**–**	–
Additions *(Note 1)*	**65,996**	–
Balance at the end of the year	**65,996**	–

Goodwill is allocated to the Group's mobile communications operations in Hong Kong. The recoverable amount of the business unit is determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management's best estimates of growth rates and discount rates.

17 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax assets account is as follows:

	30 June 2005	30 June 2004
	HK$'000	HK$'000
At the beginning of the year	**188,487**	224,353
Deferred taxation charged to profit and loss account *(Note 10)*	**(21,015)**	(35,866)
At the end of the year	**167,472**	188,487

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. There is no limitation in Hong Kong on the year in which the Group's tax losses carried forward can be utilised.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

		Group	
Deferred tax assets	**Provision**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 July 2003	3,473	353,184	356,657
Charged to profit and loss account	(804)	(52,667)	(53,471)
At 30 June 2004	2,669	300,517	303,186
Charged to profit and loss account	(593)	(39,854)	(40,447)
At 30 June 2005	2,076	260,663	262,739

17 DEFERRED TAXATION (Continued)

Deferred tax liabilities	Group Accelerated tax depreciation HK$'000
At 1 July 2003	132,304
Credited to profit and loss account	(17,605)
At 30 June 2004	114,699
Credited to profit and loss account	(19,432)
At 30 June 2005	95,267

18 INVENTORIES

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Merchandise	**38,024**	29,657

19 TRADE RECEIVABLES

The Group allows an average credit period of thirty days to its subscribers and other customers. The ageing analysis of trade receivables is as follows:

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Current – 30 days	**71,091**	60,066
31 – 60 days	**13,455**	14,015
61 – 90 days	**9,469**	4,776
Over 90 days	**–**	4,361
	94,015	83,218

20 AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY

The balances are unsecured, interest free and have no fixed terms of repayment.

21 AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The balances represented trade receivables and payables which are unsecured, interest-free and have no fixed terms of repayment.

Mr. To Hin Tsun, Gerald, a director of the Company, is a director of New World CyberBase Limited.

Dr. Cheng Kar Shun and Mr. Lo Lin Shing, Simon, directors of the Company, are directors of Cyber On-Air (Asia) Limited.

22 CASH AND BANK BALANCES – GROUP

Included in the cash and bank balances of the Group as at 30 June 2005 included balances with the PRC banks totalling HK$226,000 (30 June 2004: Nil) which were denominated in Renminbi. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

23 TRADE PAYABLES

The ageing analysis of the trade payables is as follows:

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Current – 30 days	**62,013**	19,651
31 – 60 days	**26,100**	6,473
61 – 90 days	**2,345**	3,692
Over 90 days	**17,628**	14,489
	108,086	44,305

24 LONG-TERM LIABILITIES

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Bank loan, secured	**102,500**	372,500
Less: Amount repayable within one year shown under current liabilities	**(102,500)**	(270,000)
	–	102,500

The bank loan is interest bearing at 0.65% above Hong Kong Interbank Offered Rate ("HIBOR") and is secured by:

(i) the cash and bank balance ("Charged Accounts") as a continuing security for the repayment of the above secured bank loan. The company has procured that the aggregate balance of these Charged Accounts shall not at any time be less that the debt service requirement which is approximately HK$24,000,000 (30 June 2004: HK$24,000,000) as a surety for the monthly repayment of the bank loan principal and interest; and

(ii) the pledge of the entire issued share capital of a subsidiary of New World PCS Holdings Limited.

25 CAPITAL

	Group *(note a)* HK$'000
At 1 July 2003 and 30 June 2004	1
Issue of shares *(note b)*	299
At 30 June 2005	300

25 CAPITAL (Continued)

	Company No. of shares	Company HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2003 and 2004	10,000,000,000	100,000
Creation of additional shares *(note c)*	190,000,000,000	1,900,000
Share consolidation *(note d)*	(198,000,000,000)	–
Ordinary shares of HK$1.00 each at 30 June 2005	2,000,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2003	3,641,555,700	36,415
Issuance of new shares upon partial conversion of convertible bond *(Note 27)*	110,000,000	1,100
Ordinary shares of HK$0.01 each at 1 January 2004	3,751,555,700	37,515
Issue of Subscription Shares *(Note 1 (a))*	4,166,666,667	41,667
Share consolidation *(note d)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 30 June 2005	79,182,223	79,182

Notes:

(a) Due to the use of reverse acquisition basis of accounting, the amount of share capital and share premium in the consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS. The equity structure (i.e. the number and types of shares) reflects the equity structure of the legal parent, the Company.

(b) 298,911,000 shares were issued on 6 July 2004 by the legal subsidiary, NWPCS, for capitalisation of loan as mentioned in Note 28.

(c) On 6 July 2004, the authorised share 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 of HK$0.01 each.

(d) 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.

25 CAPITAL (Continued)

Notes: (Continued)

(e) Share option schemes

At an extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") in compliance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Upon termination of the 1998 Share Option Scheme, no further options could be granted under the 1998 Share Option Scheme. However, the outstanding share options granted thereunder would continue to be valid and exercisable in accordance with the provisions of the 1998 Share Option Scheme.

The 2002 Share Option Scheme is valid and effective for a period of 10 years commencing on 28 May 2002. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time unless separately approved by the shareholders in general meeting.

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during the period as the board of directors in its absolute discretion determine and in any event such period shall not be more than 10 years from the date upon which the offer of the option is made to the grantee. The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant. The subscription price for a share in respect of any option granted shall be a price determined by the board of directors in its absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(i) Movements in the share options are as follows:

1998 Share Option Scheme:

	Exercise period	**Exercise price** HK$	**Number of options**
At 1 January 2003			159,900,000
Lapsed	15.8.2000 to 14.8.2003	0.284	(114,000,000)
	9.2.2002 to 8.2.2008	0.150	(900,000)
At 31 December 2003			45,000,000
Adjusted *(note)*			(44,352,000)
Lapsed			(448,000)
At 30 June 2005			200,000

25 CAPITAL (Continued)

Notes: (Continued)

(e) Share option schemes (Continued)

(i) Movements in the share options are as follows: (Continued)

Note: The number as well as the exercise price of these share options were adjusted on 28 July 2004 as a result of the completion of the subscription agreement dated 29 March 2004 (Note 1) and the consolidation of the Company's shares from every 100 issued or unissued ordinary shares of HK$0.01 each into 1 consolidated ordinary share of HK$1.00 each.

2002 Share Option Scheme:

	Exercise period	Exercise price HK$	Number of options
At 1 January 2003 and 31 December 2003	–	–	–
Granted	28.1.2005 to 31.12.2010	1.260	2,916,000
	8.4.2005 to 31.12.2010	1.276	78,000
At 30 June 2005			2,994,000

(ii) Share options outstanding at the end of the year have the following terms:

Exercise period	Exercise price HK$	As at 30 June 2005 Number of options
Directors		
9.2.2002 to 8.2.2008	2.440	200,000
28.1.2005 to 31.12.2010	1.260	2,916,000
8.4.2005 to 31.12.2010	1.276	78,000
		3,194,000

26 RESERVES

(a) Group

	Share premium (Note 25(a)) HK$'000	Consolidation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2003	999	–	(1,040,400)	(1,039,401)
Profit for the year	–	–	164,114	164,114
At 30 June 2004	999	–	(876,286)	(875,287)
Issue of shares *(Note 25(b))*	913,793	–	–	913,793
Arising from reverse acquisition *(Note 1)*	–	(1,115,538)	–	(1,115,538)
Profit for the year	–	–	93,111	93,111
At 30 June 2005	914,792	(1,115,538)	(783,175)	(983,921)
Representing:				
Company and subsidiaries as at 30 June 2005	914,792	(1,115,538)	(783,175)	(983,921)
Company and subsidiaries as at 30 June 2004	999	–	(876,286)	(875,287)

(b) Company

	Share premium HK$'000	(Accumulated losses)/ retained profit HK$'000	Total HK$'000
At 1 January 2003	440,870	(233,543)	207,327
Partial conversion of convertible bond *(Note 27)*	9,900	–	9,900
Loss for the year	–	(123,649)	(123,649)
At 31 December 2003	450,770	(357,192)	93,578
Capital reduction *(note (i))*	(444,168)	450,770	6,602
Distribution in specie *(note (ii))*	–	(38,410)	(38,410)
Profit for the period	–	142,167	142,167
At 30 June 2005	6,602	197,335	203,937

26 RESERVES (Continued)

Notes:

(i) Pursuant to a special resolution passed at the extraordinary general meeting held on 25 June 2004, the amount outstanding to the credit of the share premium of the Company of HK$450,770,000 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 (ii) below. 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.

(ii) 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 nominal value 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 25(d). This proposed special dividend was approved by the shareholders of the Company at the extraordinary general meeting held on 25 June 2004 and was conditional upon the completion of the subscription agreement as detailed in Note 1. 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.

27 CONVERTIBLE BOND – GROUP AND COMPANY

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 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 has 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 completion of the Acquisition and share consolidation as detailed in Notes 1 and 25(d) respectively.

28 PROMISSORY NOTE ISSUED TO IMMEDIATE HOLDING COMPANY/AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND THE ULTIMATE HOLDING COMPANY/ LOAN FROM A FELLOW SUBSIDIARY – GROUP

Pursuant to the S&P Agreement (Note 1), if the total of the bank loan and amounts due to immediate holding company and ultimate holding company (collectively, the "Aggregate Liabilities") by the NWPCS Group on the business day prior to the completion of the Acquisition exceeds HK$1,250 million, the exceeding amount due to immediate holding company and ultimate holding company would be capitalised so that the Aggregate Liabilities at the Completion Date would not exceed HK$1,250 million.

As such, prior to the completion of the Acquisition, an amount of approximately HK$914,092,000 due to the then immediate holding company by the NWPCS Group was capitalised through the issuance of 298,911,000 shares of ordinary shares on 6 July 2004 (Note 25(b)). The remaining balance of amounts due to the then immediate holding company and ultimate holding company of HK$877,500,000 was repaid by a fresh loan from a fellow subsidiary which will be repayable upon demand after 29 September 2005 and interest bearing at 0.65% above HIBOR per annum.

The fellow subsidiary has confirmed that it will not request for repayment of loan, of HK$877,500,000 outstanding as at year ended 30 June 2005, within the next twelve months from the date of this report.

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	30 June 2005 HK$'000	30 June 2004 HK$'000
Profit before taxation	**114,177**	199,980
Depreciation	**258,835**	252,250
Loss on disposal of fixed assets	**2,328**	3,690
Gain on disposal of trading securities	**(100)**	–
Gain on disposal of investment securities	**(2,089)**	–
Interest income	**(635)**	(115)
Interest expenses	**29,653**	6,776
Operating profit before working capital changes	**402,169**	462,581
Increase in inventories	**(8,367)**	(18,136)
(Increase)/decrease in trade receivables	**(2,184)**	8,965
Increase in prepayments, other receivables and handset subsidies	**(51,023)**	(10,171)
(Increase)/decrease in rental and other deposits	**(4,113)**	6,922
Decrease in amounts due from fellow subsidiaries and a related company	**6,486**	4,039
Increase in trade payables	**63,781**	1,637
Decrease in accrued charges, other payables, deposits received and deferred income	**(10,540)**	(45,456)
Net cash inflow generated from operations	**396,209**	410,381

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) Acquisition of subsidiaries

As mentioned in Note 1, NWPCS was deemed to have acquired the Logistic Group on 6 July 2004. Details of the acquisition are as follow:

	HK$'000
Net assets acquired:	
Fixed assets	2,865
Investment securities	1,520
Trading securities	800
Cash and bank balances	97,361
Trade receivables and other current assets	7,340
Accruals and other payables	(11,403)
Convertible Bond	(28,286)
	70,197
Consideration paid:	
Cash consideration	50,000
Subscription note issued	1,200,000
Reverse acquisition adjustment *(Note 1)*	(1,115,538)
Deemed consideration	134,462
Professional fee incurred for the acquisition	1,731
	136,193
Goodwill	65,996

Net cash inflow from acquisition of subsidiaries:

	HK$'000
Cash and bank balances acquired	97,361
Cash consideration paid	(50,000)
Professional fee paid	(1,731)
	45,630

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(c) Analysis of changes in financing

	Share capital and share premium	Bank loan	Amounts due to immediate holding company and ultimate holding company *(Note (i))*	Loan from a fellow subsidiary	Convertible Bond	Subscription Note	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2003	1,000	642,500	1,791,675	–	–	–	2,435,175
Net cash outflow from financing	–	(270,000)	(10)	–	–	–	(270,010)
At 30 June 2004	1,000	372,500	1,791,665	–	–	–	2,165,165
Net cash outflow from financing	–	(270,000)	(73)	–	–	–	(270,073)
Capitalisation of loans *(Note 28)*	914,092	–	(1,791,592)	877,500	–	–	–
Acquisition of subsidiaries *(Note 29(b))*	–	–	–	–	28,286	1,200,000	1,228,286
Interest accrued on Subscription Note *(Note 6)*	–	–	–	–	–	8,877	8,877
At 30 June 2005	915,092	102,500	–	877,500	28,286	1,208,877	3,132,255

Note (i): Balance included promissory note issued to the immediate holding company.

30 CONTINGENT LIABILITIES

	Group		Company	
	As at 30 June 2005	As at 30 June 2004	**As at 30 June 2005**	As at 31 December 2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for bank loans and overdrafts of a subsidiary	**–**	–	**21,000**	–
Bank guarantees in lieu of deposits	**8,528**	9,126	**–**	–

Directors anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

31 COMMITMENTS

(a) Capital commitments

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Contracted but not provided for	**123,680**	249,205
Authorised but not contracted for	**138,284**	15,340
	261,964	264,545

(b) Commitments under operating leases

At 30 June 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group	
	As at 30 June 2005 HK$'000	As at 30 June 2004 HK$'000
Land and buildings		
Within one year	**167,406**	136,842
In the second to fifth year inclusive	**98,298**	60,878
After the fifth year	**12,458**	6,524
	278,162	204,244

32 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 year:

	Note	30 June 2005 HK$'000	30 June 2004 HK$'000
Purchase from fellow subsidiaries	*(a)*	**(38,794)**	(103,985)
Purchase of fixed assets from fellow subsidiaries	*(a)*	**–**	(697)
Purchase of fixed assets from a related company	*(b)*	**(6,320)**	–
Service fee income from a fellow subsidiary	*(c)*	**2,566**	958
Rental expenses paid/payable to fellow subsidiaries	*(d)*	**(24,431)**	(26,242)
Loan interest paid/payable to a fellow subsidiary	*(e)*	**(16,226)**	–
Interest paid/payable for the Subscription Note to an immediate holding company	*(f)*	**(8,877)**	–
Interest paid/payable for the Convertible Bond to a fellow subsidiary	*(g)*	**(849)**	–
Reimbursement of office administrative expenses and fee charged from a related company	*(h)*	**5,656**	3,242

Notes:

(a) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved.

(b) Purchases were conducted in the normal course of business which are subject to the contract terms as negotiated by the parties involved. Certain directors of the Company are also directors of the related company.

(c) Service fee was subject to the terms of the contracts entered by the parties involved.

(d) Rental expenses were charged at a fixed monthly fee subject to the terms of the contract signed by the parties involved.

(e) The interest was charged at 0.65% above HIBOR per annum.

(f) Interest payable to PPG, the Subscription Note holder and immediate holding company of the Company, was charged at 0.75% per annum.

(g) Interest paid to NWCBN, the Convertible Bond holder and a fellow subsidiary, was charged at 3% per annum and was payable semi-annually in arrears.

(h) The reimbursement of office administrative expenses were charged on actual cost basis and the fee were calculated at 15% mark-up on actual costs incurred.

33 SUBSEQUENT EVENT

On 12 September 2005, the Company entered into a conditional sale and purchase agreement with New World CyberBase Limited ("NWC"). Pursuant to the agreement, the Company agreed to acquire and NWC agreed to dispose of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCBVI") and interest of NWC in the interest-free shareholder's loan due from NWCBVI for an aggregate consideration of HK$21 million. The consideration will be satisfied by the issue of 16,153,846 ordinary shares at an issued price of HK$1.3 per share by the Company to NWC.

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

35 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 5 October 2005.