THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New World Mobile Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 862)

VERY SUBSTANTIAL DISPOSAL
AND
VERY SUBSTANTIAL ACQUISITION

PROPOSED MERGER OF THE MOBILE TELECOMMUNICATIONS BUSINESSES OF HONG KONG CSL LIMITED AND NEW WORLD PCS LIMITED: (1) MERGER AGREEMENT; AND (2) SHAREHOLDERS' AGREEMENT RELATING TO TELSTRA CSL LIMITED

Joint financial advisers

UBS Investment Bank

taifook
TAI FOOK CAPITAL LIMITED

A letter from the board of directors of New World Mobile Holdings Limited is set out on pages 6 to 18 of this circular.

A notice convening the extraordinary general meeting of New World Mobile Holdings Limited to be held at The Four Seasons Ballroom, 2/F, New World Renaissance Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 24 March 2006 at 11:00 a.m. is set out on pages 167 to 168 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrars of New World Mobile Holdings Limited in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

7 March 2006

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2G Services"	mobile wireless services and associated activities and businesses that utilise and implement second generation mobile wireless technologies to provide mobile wireless services in spectrum reserved or designated for use for that purpose
"3G Licence"	mobile carrier licence for the provision of 3G Services
"3G Services"	mobile wireless services and associated activities and businesses that utilise and implement third generation mobile wireless technologies to provide mobile wireless services in spectrum reserved or designated for use for that purpose
"Announcement"	the joint announcement dated 12 December 2005 issued by NWD and NWM in relation to, among other things, the Proposed Merger
"ARPU"	average revenue per user, a measure commonly adopted by Mobile Network Operators in determining the average revenue being received from users, based on the turnover from the relevant services divided by the number of users buying those services
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Business Day"	a day not being a Saturday, Sunday or public holiday in Hong Kong or Sydney, Australia
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Completion"	completion of the Merger Agreement
"connected person"	has the same meaning as ascribed to it under the Listing Rules
"CSL"	Hong Kong CSL Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Telstra
"Director(s)"	the director(s) of NWM
"EBITDA"	earnings before interest, tax, depreciation, and amortisation
"EGM"	an extraordinary general meeting of NWM to be convened at 11:00 a.m. on Friday, 24 March 2006 to seek the NWM Shareholders' approval of the Merger Agreement and the transactions contemplated thereunder

"Enlarged Group"	NWM and its subsidiaries immediately after Completion
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	22 February 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Merged Group"	Telstra CSL and its subsidiaries immediately after Completion
"Merger Agreement"	the conditional merger agreement dated 8 December 2005 entered into between NWM, Telstra CSL and Telstra Holdings in relation to the Proposed Merger
"Mobile Businesses"	the mobile telecommunications businesses of NWPCS and CSL in Hong Kong respectively
"Mobile Network Operator(s)"	the existing mobile network operator(s) of 2G Services and/or 3G Services in Hong Kong
"NWCBN"	New World CyberBase Nominee Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of NWD
"NWCS"	New World CyberBase Solutions (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of NWM
"NWCS Group"	NWCS and its subsidiaries
"NWD"	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which (stock code: 17) are listed on the Stock Exchange
"NWD Board"	the board of directors of NWD
"NWD Group"	NWD and its subsidiaries and member(s) of the NWD Group shall be construed accordingly
"NWD Shareholder(s)"	holder(s) of ordinary shares of HK$1.00 each in the issued share capital of NWD

"NWM" or "Company"	New World Mobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which (stock code: 862) are listed on the Stock Exchange, and a non wholly-owned subsidiary of NWD
"NWM Board"	the board of directors of NWM
"NWM Group"	NWM and its subsidiaries prior to Completion, including NWPCS, and member(s) of the NWM Group shall be construed accordingly
"NWM Share(s)"	ordinary share(s) of HK$1.00 each in the issued share capital of NWM
"NWM Shareholder(s)"	holder(s) of NWM Shares
"NWPCS"	New World PCS Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of NWPCS Holdings
"NWPCS Disposal"	transfer of the entire issued share capital of NWPCS Holdings by NWM to Telstra CSL pursuant to the Merger Agreement
"NWPCS Group"	NWPCS Holdings and its subsidiaries prior to Completion
"NWPCS Holdings"	New World PCS Holdings Limited, a company incorporated in the Cayman Islands with limited liability, a wholly-owned subsidiary of NWM prior to Completion and the holding company of NWPCS
"NW SPV"	Upper Start Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of NWM
"NW SPV Group"	NW SPV and its subsidiaries, holding companies and fellow subsidiaries from time to time, excluding the Merged Group, and member(s) of the NW SPV Group shall be construed accordingly
"OFTA"	Office of the Telecommunications Authority of Hong Kong
"PPG"	Power Palace Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of NWD
"PRC"	the People's Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region and Taiwan

"Proposed Merger"	the proposed integration and merger of the Mobile Businesses in accordance with the Merger Agreement
"Reverse Acquisition"	the acquisition of the 100% interest in NWPCS Holdings pursuant to a conditional sale and purchase agreement dated 29 March 2004 entered into between New World Telephone Holdings Limited (as the vendor and being a wholly-owned subsidiary of NWD) and NWM (formerly known as "Asia Logistics Technologies Limited", as the purchaser) for a consideration of HK$1,250 million, the completion of which took place on 6 July 2004
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholders' Agreement"	the shareholders' agreement dated 8 December 2005 entered into among NWD, NWM, NW SPV, Telstra, Telstra Holdings, and Telstra CSL in relation to the Merged Group which will only take effect upon Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreements"	the two subscription agreements dated 8 December 2005 entered into between (i) NWM, NWPCS Holdings and Telstra CSL; and (ii) Telstra Holdings, Telstra CSL and NWM, in relation to the subscription for shares in NWPCS Holdings and Telstra CSL respectively
"Telecommunications Ordinance"	the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)
"Telstra"	Telstra Corporation Limited, a company incorporated in Australia with limited liability, the issued shares of which are listed on the Australian Stock Exchange
"Telstra CSL"	Telstra CSL Limited, a company incorporated in Bermuda with limited liability, being the holding company of the Telstra CSL Group (prior to Completion) and an indirect wholly-owned subsidiary of Telstra
"Telstra CSL Acquisition"	subscription for new shares of Telstra CSL by NWM pursuant to the Merger Agreement
"Telstra CSL Group"	Telstra CSL and its subsidiaries prior to Completion
"Telstra Group"	Telstra and its subsidiaries, including CSL

"Telstra Holdings"	Telstra Holdings (Bermuda) No. 2 Limited, a company incorporated in Bermuda with limited liability and a wholly-owned subsidiary of Telstra
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

Directors:
Executive Directors:
Dr. Cheng Kar Shun, Henry *(Chairman)*
Mr. Doo Wai Hoi, William, *JP* *(Vice Chairman)*
Dr. Wai Fung Man, Norman *(Chief Executive Officer)*
Mr. To Hin Tsun, Gerald
Mr. Chow Yu Chun, Alexander

Non-executive Directors:
Mr. Ho Hau Chong, Norman
Mr. Lo Lin Shing, Simon

Independent non-executive Directors:
Mr. Hui Chiu Chung, *JP*
Mr. Kwong Che Keung, Gordon
Mr. Wei Chi Kuan, Kenny

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
17th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Hong Kong

7 March 2006

To the NWM Shareholders, and for information purposes only, the holders of the outstanding share options of NWM

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND VERY SUBSTANTIAL ACQUISITION

PROPOSED MERGER OF THE MOBILE TELECOMMUNICATIONS BUSINESSES OF HONG KONG CSL LIMITED AND NEW WORLD PCS LIMITED: (1) MERGER AGREEMENT; AND (2) SHAREHOLDERS' AGREEMENT RELATING TO TELSTRA CSL LIMITED

INTRODUCTION

On 12 December 2005, the NWM Board announced that on 8 December 2005 (i) the Merger Agreement had been entered into between NWM, Telstra CSL and Telstra Holdings; and (ii) the Shareholders' Agreement had been entered into between NWD, NWM, NW SPV, Telstra, Telstra Holdings and Telstra CSL to regulate the management and related operational issues of the Merged Group.

The details of the Merger Agreement and the Shareholders' Agreement were already set out in the Announcement. The purpose of this circular is to give you (i) further information regarding the Proposed Merger; (ii) the notice of the EGM; and (iii) other information required under the Listing Rules.

THE MERGER AGREEMENT

Date:

8 December 2005

Parties:

(i) NWM;

(ii) Telstra CSL; and

(iii) Telstra Holdings.

To the best of the knowledge, information and belief of the NWM Board and having made all reasonable enquiries, Telstra CSL, Telstra Holdings and their respective ultimate beneficial owners are third parties independent of and not connected with NWM and its connected persons.

Principal terms:

Telstra CSL has agreed to issue and allot and NWM has agreed to procure NW SPV to subscribe for new shares in Telstra CSL, which will represent 23.6% of the enlarged issued share capital of Telstra CSL upon Completion, in exchange for the transfer of all of NWM's interests in NWPCS Holdings to Telstra CSL and a cash payment of HK$244.024 million by NWM to Telstra CSL on the terms and conditions as set out in the Merger Agreement. The NWD Board advises that a shareholder's loan will be advanced by NWD to NWM to enable NWM to satisfy the cash payment of HK$244.024 million upon Completion.

Upon Completion, the Merged Group will own and operate the Mobile Businesses and Telstra CSL will be owned as to 76.4% by Telstra Holdings and 23.6% by NW SPV.

As contemplated by the Merger Agreement, (i) NWM, NWPCS Holdings and Telstra CSL; and (ii) Telstra Holdings, Telstra CSL and NWM, have also entered into the Subscription Agreements whereby NWM will subscribe for new shares in NWPCS Holdings and Telstra Holdings will subscribe for new shares in Telstra CSL in each case in cash immediately prior to Completion, which will provide the NWPCS Group and the Telstra CSL Group respectively with funds (i) to retire all their outstanding debts as at the date of Completion; and (ii) for a certain level of negative working capital which will amount to approximately HK$0.7 billion as at the date of Completion. The subscription amount payable by NWM for new shares in NWPCS Holdings will be ascertained immediately prior to Completion. As at 31 December 2005, the amount of outstanding debts of the NWPCS Group was approximately HK$0.9 billion. The NWD Board has advised the NWM Board that a shareholder's loan will be advanced by NWD to NWM to enable NWM to satisfy the payment of the subscription amount and the repayment of all outstanding debts owing by the NWPCS Group to third parties including the NWD Group. The amount of such shareholder's loan will be determined immediately prior to Completion and it will be advanced on normal commercial terms, unsecured and will have no definite term of repayment.

Conditions precedent:

Completion shall be conditional upon:

(i) the NWM Shareholders approving the NWPCS Disposal and the Telstra CSL Acquisition under the Merger Agreement in accordance with the requirements of the Listing Rules;

(ii) OFTA giving its written consent pursuant to section 7P(7) of the Telecommunications Ordinance to the proposed changes in relation to each of CSL and NWPCS which will occur for the purposes of section 7P(6) of the Telecommunications Ordinance if the transactions contemplated under the Merger Agreement are implemented;

(iii) the Bermuda Monetary Authority giving its approval to the transactions contemplated under the Merger Agreement to the extent such approval is required pursuant to the Exchange Control Act 1972 and the Exchange Control Regulations 1973 (as amended) of Bermuda; and

(iv) no material adverse change having occurred in relation to the NWPCS Group or the Telstra CSL Group between the execution of the Merger Agreement and Completion.

As at the Latest Practicable Date, the condition precedent set out in item (iii) has been fulfilled and the conditions precedent set out in items (i) and (ii) have not been fulfilled.

Termination rights and payments:

The Merger Agreement may be terminated by either NWM or Telstra CSL at any time before Completion (by notice given by one party to another) if:

(a) the condition precedent set out in item (i) above is not satisfied by 31 March 2006, or any later date agreed in writing by NWM and Telstra CSL;

(b) either of the conditions precedent set out in item (ii) or (iii) above is not satisfied by 30 June 2006, or any later date agreed in writing by NWM and Telstra CSL;

(c) any consent or approval required under any of the conditions precedent set out in items (i) to (iii) above is not granted on terms reasonably acceptable to NWM or Telstra CSL; or

(d) a material adverse change occurs in relation to the other group.

If the Merger Agreement is terminated, then, in addition to any other rights, powers or remedies provided by law:

(i) each party is released from its obligations under the Merger Agreement other than in relation to certain clauses regarding break fee, confidential information and privacy and costs and stamp duty; and

(ii) each party retains the rights it has against any other party in connection with any breach or claim that has arisen before termination.

Break fee:

Subject to the terms of the Merger Agreement, NWM agrees to pay Telstra CSL the break fee of HK$15 million if the condition precedent set out in item (i) above is not satisfied by 31 March 2006, or any later date agreed in writing by NWM and Telstra CSL, and the Merger Agreement is terminated by either NWM or Telstra CSL.

Basis of the principal terms of the Merger Agreement:

The 23.6% interest to be held by NW SPV in Telstra CSL upon Completion was arrived at after arm's length negotiations between the parties to the Merger Agreement and was based on, among other things, the EBITDA of the NWPCS Group and the Telstra CSL Group for the year ended 30 June 2005.

Completion:

Completion shall take place on the tenth Business Day after the satisfaction of the last of the conditions precedent to the Merger Agreement (but if that day is a Friday, then the next Business Day after that Friday) or such other date to be agreed in writing by NWM and Telstra CSL. The NWM Board expects that the Merger Agreement will be completed on or around 31 March 2006.

THE SHAREHOLDERS' AGREEMENT

In contemplation of the Proposed Merger, NWD, NWM, NW SPV, Telstra, Telstra Holdings and Telstra CSL entered into the Shareholders' Agreement to set out the respective rights and obligations of the shareholders of Telstra CSL in relation to the Merged Group. The Shareholders' Agreement will only take effect upon and from Completion.

Date:

8 December 2005

Parties:

(i) NWD;

(ii) NWM;

(iii) NW SPV;

(iv) Telstra;

(v) Telstra Holdings; and

(vi) Telstra CSL.

To the best of the knowledge, information and belief of the NWM Board and having made all reasonable enquiries, Telstra, Telstra Holdings, Telstra CSL and their respective ultimate beneficial owners are third parties independent of and not connected with NWM and its connected persons.

Principal business of the Merged Group:

Subject to the terms of the Shareholders' Agreement, the principal business of the Merged Group shall not comprise any activities other than the following activities:

(i) mobile wireless operations including operating and developing businesses providing 2G Services and 3G Services;

(ii) operating and developing any other businesses carried on by any member of the Merged Group including, for avoidance of doubt, any member of the NWPCS Group as at the Completion Date;

(iii) providing other telecommunications services;

(iv) providing goods and other services commonly provided from time to time by operators of telecommunications businesses;

(v) providing content and applications to users of the services described in (i) to (iv) above; and

(vi) providing goods and services related to or incidental to the services set out in (i) to (v) above.

Board composition and management:

Pursuant to the terms of the Shareholders' Agreement, (i) Telstra Holdings shall be entitled to appoint four directors of Telstra CSL; and (ii) NW SPV shall be entitled to appoint:

(a) two directors if its interest in Telstra CSL is at least 15% but less than 50% and it is a member of the NWD Group (being NWD and its subsidiaries from time to time, excluding Telstra CSL and its subsidiaries from time to time);

and regardless of whether it is a member of the NWD Group,

(b) four directors if it has a 50% interest in Telstra CSL; and

(c) five directors if it has an interest in Telstra CSL of more than 50%.

The chairman of Telstra CSL shall be a director nominated from time to time by Telstra Holdings so long as it has an interest of over 50% in Telstra CSL, otherwise the chairman shall be a director of Telstra CSL appointed by the board of Telstra CSL. The chairman will be entitled to chair at meetings of the board and of members of Telstra CSL and will not be entitled to a second or casting vote on any issue at any meeting of the board or members of Telstra CSL. Decisions of the board of Telstra CSL are to be made by a simple majority of votes, where the directors present and entitled to vote at the meeting are entitled to cast in aggregate the number of votes held by the relevant shareholder by whom they are appointed. The chief executive officer of the Merged Group will be appointed by the board of Telstra CSL.

Dividend policy:

Subject to the terms of the Shareholders' Agreement, Telstra CSL shall distribute dividends to the shareholders of Telstra CSL on an annual basis of an aggregate amount of not less than 60% of the consolidated operating profit after tax of the Merged Group for the relevant financial year before deducting any amount attributable to amortisation of goodwill or other intangibles. If the aggregate dividend paid in respect of any financial year is less than the abovementioned amount for that financial year, the target dividend amount for the following financial year shall be increased by the amount of the shortfall.

Restriction on disposal:

Pursuant to, but except for intra-group transfers or any permitted transfer under the terms of the Shareholders' Agreement, NWM and Telstra shall not, unless otherwise agreed, transfer their interests in Telstra CSL for a period of 18 months from the date of Completion.

Non-competition:

Each of NWD, NWM and NW SPV has given an undertaking in the Shareholders' Agreement that it shall not, and shall procure that each member of the NWD Group, the NWM Group or the NW SPV Group, as the case may be, shall not, during the term of the Shareholders' Agreement and for a period of 18 months after it ceases to have any direct or indirect interest in Telstra CSL, engage or be in any capacity directly or indirectly involved in any operation and supply of mobile wireless service involving cellular handover (including 2G Services and 3G Services) in Hong Kong or infrastructure relating to such service, subject to certain exceptions as provided in the Shareholders' Agreement.

NWD has further given an undertaking in the Shareholders' Agreement that it must procure that any member of the NWD Group for so long as it remains a member, and use its best endeavours to procure that any of its members which ceases to be a member of the NWD Group, does not use the name "New World" or "新世界" in any manner related to any operation and supply of mobile wireless service carried on by it in Hong Kong or infrastructure relating to such service and does not use as its corporate name, words which includes "New World" or "新世界" together with the word "mobile" or other words which identify it as the provider of a mobile service or any other service which is provided as part of operation and supply of mobile wireless service or infrastructure relating to such service. Such undertaking will continue for so long as a member of the Merged Group continues to use the name "New World" or "新世界" in the provision of services by it and for a period of three years thereafter.

If NWD is unable to procure that any member of the NWD Group refrains from doing such act for reasons beyond NWD's reasonable control, NWD will not be treated as being in breach of the above undertakings provided that it immediately divests itself of its interest in that member so that it ceases to be a member of the NWD Group.

The NWM Board considers that the remaining business of the NWM Group will not be affected by the giving of the abovementioned non-competition undertakings.

INFORMATION ON THE NWM GROUP AND THE NWPCS GROUP

NWD is beneficially interested in approximately 58.04% of the issued share capital of NWM as at the Latest Practicable Date.

The NWM Group is principally engaged in offering superior mobile communications services including voice and value-added services tailored to the specific needs of individual customer groups via advanced mobile technology. The NWM Group acquired the NWCS Group in October 2005 to provide technology-related businesses including mobile Internet services and information technology outsourcing services. The NWM Group, through its wholly-owned subsidiary, NWPCS, operates the business of providing 2G Services in Hong Kong. The number of subscribers of the NWPCS Group as at 30 June 2005 amounted to over 1.3 million.

The audited consolidated results of the NWPCS Group for the two years ended 30 June 2005 were as follows:

	Year ended 30 June 2005 *(HK$' million)* *(As restated)*	**Year ended 30 June 2004** *(HK$' million)* *(As restated)*
Turnover	1,704.8	1,698.7
EBITDA	403.9	459.0
Net profit before tax	81.3	199.0
Net profit attributable to the shareholders	60.3	163.1

As at 31 October 2005, the audited consolidated net liabilities of the NWPCS Group amounted to approximately HK$74.8 million.

INFORMATION ON TELSTRA AND CSL PROVIDED BY TELSTRA

Telstra is Australia's leading telecommunications and information services company which offers a full range of services and compete in all telecommunications markets throughout Australia, providing more than 10 million fixed lines and more than 8 million mobile subscribers in Australia. The Telstra Group through CSL operates the business of providing 2G Services and 3G Services in Hong Kong. The number of mobile telecommunications subscribers of the Telstra CSL Group as at 30 June 2005 amounted to approximately 1.3 million.

The audited consolidated results of the Telstra CSL Group for the three years ended 30 June 2005 and the four months ended 31 October 2005 are set out in the accountants' report on the Telstra CSL Group in Appendix III to this circular. As at 31 October 2005, the audited consolidated net assets of the Telstra CSL Group amounted to approximately HK$2,273.9 million.

REASONS FOR AND BENEFITS OF THE PROPOSED MERGER

The Hong Kong mobile telecommunications market has already one of the highest penetration rates of subscribers to mobile telecommunications services in the world. Based on statistics published by OFTA, mobile telecommunications subscribers in Hong Kong amounted to approximately 8.4 million as at 30 September 2005, representing a mobile penetration rate of over 100% of the Hong Kong population. The NWM Board has noted that the growth in the mobile telecommunications market in Hong Kong has slowed down since 2004, and expects that the number of mobile telecommunications subscribers will increase at a relatively modest rate given the already high penetration rates of subscribers in Hong Kong. As there are currently six Mobile Network Operators (four with both 2G and 3G licences, and two with 2G licences only) in Hong Kong serving a highly penetrated market, the NWM Board considers that the mobile telecommunications market in Hong Kong is highly competitive.

As stated in the annual report of NWM for the year ended 30 June 2005, it is the continuing strategy of NWPCS to (i) exercise various measures to control costs; and (ii) explore new revenue streams and business opportunities. The Proposed Merger is driven by the intense competition in the highly penetrated mobile telecommunications market in Hong Kong and the cost savings which it anticipated will be achieved through improved operational efficiency. The fact that both operators use a common network vendor will facilitate the rationalisation of the combined network platform in the future.

The NWM Board has noted that the Proposed Merger, if proceeds to Completion, would create the largest Mobile Network Operator in terms of number of subscribers in Hong Kong. The NWM Board considers that the Proposed Merger will provide an opportunity for integration of services of CSL and NWPCS. With the Proposed Merger, the NWM Board believes that the Merged Group will be well positioned in Hong Kong in terms of resources allocation and rationalisation of capital expenditure and operating expenses. It is anticipated that this will provide a strong foundation to accelerate the development and launch of new services and products in the areas which are expected to be the major growth drivers of the mobile telecommunications market in Hong Kong.

Based on the preliminary work conducted in the feasibility study for the Proposed Merger, it is estimated that the annual pre-tax operating cost savings for the Merged Group after integration of the networks and services of CSL and NWPCS will be mainly derived from network rationalisation, staff rationalisation and other reductions in cost including information technology and corporate expenses, and that the aggregate value of such annual pre-tax operating cost savings will be approximately HK$230 million. In addition, it is estimated that there will be annual capital expenditure savings of approximately HK$45 million. Net integration capital expenditure is estimated to be approximately HK$170 million predominantly on network infrastructure and information technology platforms.

The NWM Board is of the view that the entering into of the Merger Agreement and the Shareholders' Agreement is in the interests of the NWM Group and the NWM Shareholders as a whole.

The Merged Group will not be members of the NWD Group upon Completion. The NWD Board considers that as the remaining business of the NWD Group is entirely different from the business of the Merged Group, it will not be affected by the giving of the non-competition undertakings. The NWD Group intends to hold its interest in the Merged Group as long term investments.

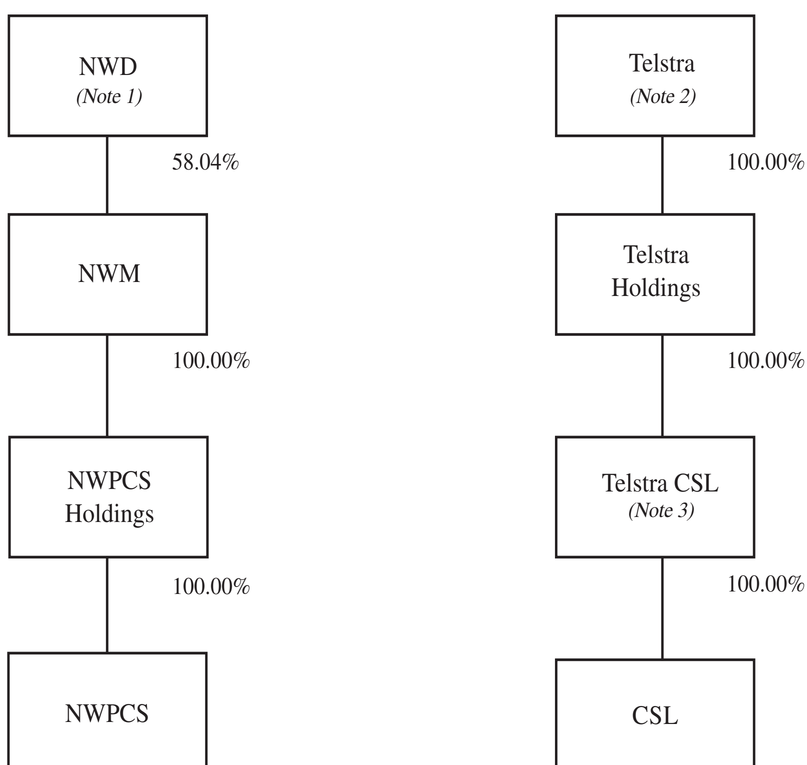
Mr. Hubert Ng will be the chief executive officer of the Merged Group from Completion. Dr. Wai Fung Man, Norman will remain as an executive Director and the chief executive officer of NWM from Completion and he will be responsible for, among other things, monitoring NWM's 23.6% interest in the Merged Group.

Mr. Hubert Ng, with more than 30 years in the technology industry, was appointed as the chief executive officer of CSL in February 2001. Mr. Ng has over 20 years of senior management telecommunications expertise in business planning and development, operations, sales and marketing. Mr. Ng was formerly the president of PCCW Mobility Services, and is the honorary adviser to the Internet & Telecom Association of Hong Kong, which promotes the further development of the local telecommunications industry. Mr. Ng has been appointed as a Council Member of the Hong Kong Trade Development Council in January 2004 and a member of the Digital 21 Strategy Advisory Committee by the Secretary for Commerce, Industry and Technology of Hong Kong in October 2004. Mr. Ng is also the chairman of ICT Services Advisory Committee and the Service Promotion Programme Committee, Hong Kong Trade Development Council.

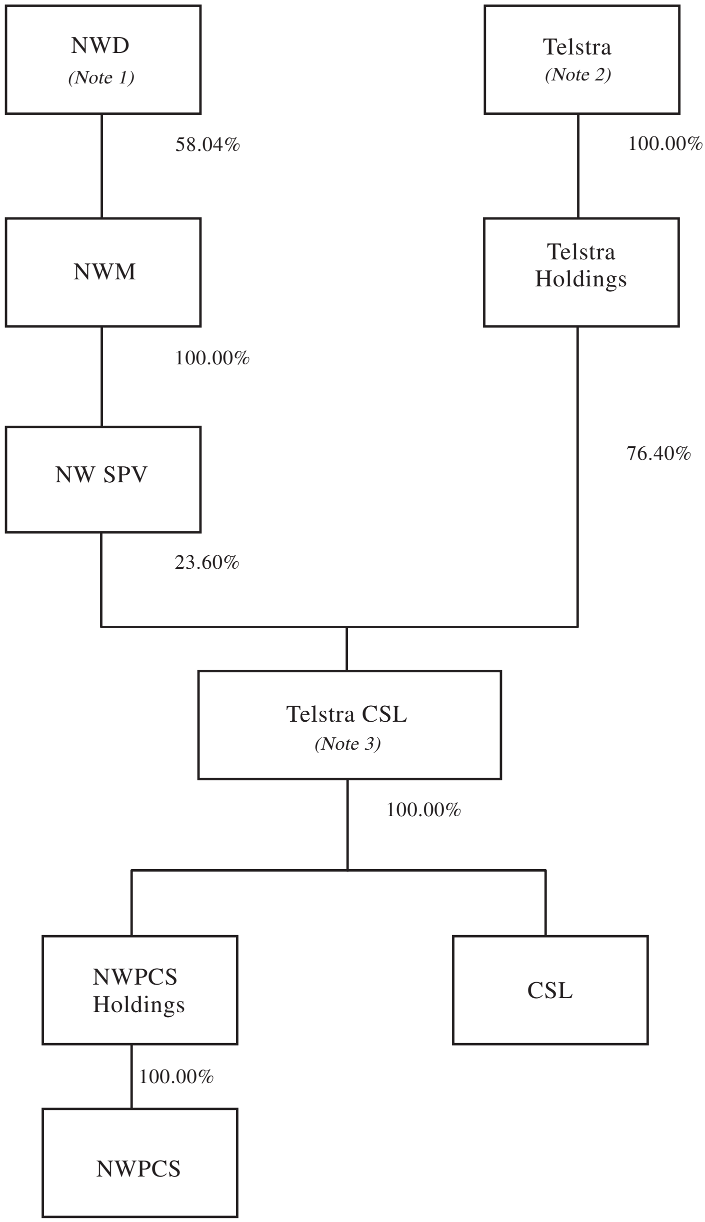
IMPACTS OF THE PROPOSED MERGER ON NWM AND THE NWM SHAREHOLDERS

Simplified structure of the Mobile Businesses in the Proposed Merger:

(1) As at the Latest Practicable Date:



(2) Immediately after Completion:



Notes:

1. As at the Latest Practicable Date, NWD was beneficially interested in 58.04% of the issued share capital of NWM by virtue of (i) the 55.84% interest in the issued share capital of NWM held by PPG; and (ii) the 2.20% interest in the issued share capital of NWM held by NWCBN.

   NWCBN is the holder of the outstanding convertible note (issued on 2 November 2001) of NWM of face value of HK$28,286,000. PPG is the holder of the outstanding subscription note (issued on 6 July 2004) of NWM of face value of HK$1,200,000,000.

2. As at the Latest Practicable Date, Telstra was interested in 100% of the issued share capital of Telstra Holdings by virtue of the 100% interest in the issued share capital of Telstra Holdings held by Telstra Holdings Pty. Limited, a wholly-owned subsidiary of Telstra.

3. As at the Latest Practicable Date, Telstra CSL was interested in 100% of the issued share capital of CSL by virtue of the 100% interest in the issued share capital of CSL held by Bestclass Holdings Limited, a wholly-owned subsidiary of Telstra CSL.

Financial impacts on the NWM Group and the remaining business of the NWM Group:

As at the Latest Practicable Date, NWPCS was a wholly-owned subsidiary of NWPCS Holdings which was a wholly-owned subsidiary of NWM. Immediately after Completion, NWM, through NW SPV's interest in Telstra CSL, will be interested in 23.6% of the Merged Group, which in turn will own and operate the Mobile Businesses upon Completion. The members of the NWPCS Group will cease to be subsidiaries of NWM upon Completion.

The total liabilities of the NWM Group (with the exclusion of the NWPCS Group) amounted to approximately HK$1,185.9 million as at 31 October 2005, which comprised, among other things, (i) the outstanding amount of a convertible bond of approximately HK$28.3 million; and (ii) the outstanding amount of a subscription note of approximately HK$1,146.8 million.

The NWM Board expects that, if Completion had taken place on 31 October 2005, the NWM Group would record (i) an unaudited gain on disposal of its 76.4% interest in NWPCS pursuant to the NWPCS Disposal of approximately HK$950 million; and (ii) an unaudited goodwill arising from the acquisition of a 23.6% interest in Telstra CSL pursuant to the Telstra CSL Acquisition of approximately HK$987 million. The NWM Board wishes to draw the attention of the NWM Shareholders that the abovementioned financial impacts are based on the pro forma financial information on the Enlarged Group as set out in Appendix V to this circular, and should not be taken as an indication of the future financial performance of the Enlarged Group.

Following Completion, the NWM Group will continue to (i) operate its technology-related businesses including mobile Internet services and information technology outsourcing services through the NWCS Group; and (ii) hold its 23.6% interest in the Merged Group through NW SPV's interest in Telstra CSL.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE NWM GROUP AND THE TELSTRA CSL GROUP

The accountants' report on the NWM Group and the Telstra CSL Group for the three years ended 30 June 2005 and the four months ended 31 October 2005 were set out in Appendix I and Appendix III to this circular respectively.

As a result of Completion, NWM would only be beneficially interested in 23.6% of the Merged Group, and it would not exercise any statutory control over the Merged Group before or after Completion. As the Merged Group (being Telstra CSL and its subsidiaries after Completion) will be the subsidiaries of Telstra after Completion, the NWM Board expects that the Merged Group will adopt the accounting policies of the Telstra Group following Completion. As such, there exist practical difficulties for NWM to request Telstra CSL to follow the accounting polices of NWM for the purpose of preparing the accountants' report of the Telstra CSL.

In addition, being engaged by Telstra CSL rather than NWM as the reporting accountants of the Telstra CSL Group, Ernst & Young have performed its duties based on the instructions from Telstra CSL instead of NWM. As such, Ernst & Young have provided their opinions on the accountants' report of the Telstra CSL Group which adopts the accounting policies of Telstra CSL. Furthermore, given that (i)

Completion has not taken place prior to the despatch of this circular; and (ii) Telstra CSL has already appointed Ernst & Young as its statutory auditors, PricewaterhouseCoopers are not authorised to have access to the financial and other records of the Telstra CSL Group before Completion for the purposes of the accountants' report of the Telstra CSL Group adopting NWM's accounting policies.

In this regard, the NWM Board wishes to draw the attention of the NWM Shareholders that there would be certain differences between the accounting policies adopted in the accountants' report on the NWM Group and that on the Telstra CSL Group as set out in this circular. The aforesaid differences could be summarised as follows:

In respect of the amortisation policy of goodwill

The NWM Group early adopted Hong Kong Financial Reporting Standard 3 ("HKFRS 3") for the financial year ended 30 June 2005 and has performed impairment test on goodwill on an annual basis according to the accounting standard. The Telstra CSL Group did not previously decide to early adopt HKFRS 3 but has adopted the standard in the financial year ending 30 June 2006, upon the standard becoming effective, on a prospective basis as required under the standard. Prior to the adoption of HKFRS 3, Telstra CSL amortised goodwill on the straight-line basis.

In respect of the accounting treatment of revenue recognition

The NWM Group would capitalise handset subsidies and amortise such subsidies over the contract period to which the sales transaction relates. The Telstra CSL Group would expense handset subsidies with service contracts lasting less than two years in the periods which the sales transactions are completed and would defer only those handset subsidies with service contracts lasting two years or more and amortise such on a straight-line basis over the average duration of service contracts of customers.

In light of the above differences between the accounting policies adopted by the NWM Group and the Telstra CSL Group, NWM has applied to the Stock Exchange for a wavier in respect of the strict compliance with Rule 14.69(4)(a)(i) of the Listing Rules in respect of the preparation of the accountants' report on the Telstra CSL Group using the accounting policies being materially consistent with those adopted by the NWM Group. The Stock Exchange has granted a waiver to NWM in respect of the strict compliance with Rule 14.69(4)(a)(i) of the Listing Rules.

In this connection, the NWM Board considers that, for the purpose of providing the NWM Shareholders with the financial information of the Telstra CSL Group which are consistent with the accounting policies adopted by NWM, it is preferable to present the restated financial information on the Telstra CSL Group using NWM's accounting policies as set out in Appendix IV to this circular.

GENERAL

The entering into of the Merger Agreement by NWM and the transactions contemplated thereunder constitute (i) a very substantial disposal for NWM under Chapter 14 of the Listing Rules by virtue of the NWPCS Disposal; and (ii) a very substantial acquisition for NWM under Chapter 14 of the Listing Rules by virtue of the Telstra CSL Acquisition. As such, Completion is subject to the approval by the NWM Shareholders at the EGM. To the best of the knowledge, information and belief of the NWM Board and having made all reasonable enquiries, none of the NWM Shareholders are required to abstain from voting on the proposed resolution approving the Merger Agreement and the transactions contemplated thereunder at the EGM.

EGM

Set out on pages 167 to 168 of this circular is a notice convening the EGM which will be held at The Four Seasons Ballroom, 2/F, New World Renaissance Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 24 March 2006 at 11:00 a.m. at which an ordinary resolution will be proposed to approve the Merger Agreement and the transactions contemplated thereunder which include the NWPCS Disposal and the Telstra CSL Acquisition.

The form of proxy for use by the NWM Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to NWM's branch share registrars in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

RECOMMENDATION

The Directors consider that the terms of the Merger Agreement are fair and reasonable, and the entering into of the Merger Agreement is in the interests of NWM and the NWM Shareholders as a whole. The Directors therefore recommend the NWM Shareholders to vote in favour of the resolution to approve the Merger Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

NWM Shareholders and potential investors in NWM should note that the Merger Agreement, which is subject to a number of conditions precedent, may or may not be completed. NWM Shareholders and potential investors are reminded to exercise caution when dealing in the securities of NWM.

Yours faithfully,
For and on behalf of the Board
New World Mobile Holdings Limited
Dr. Wai Fung Man, Norman
Executive Director and Chief Executive Officer

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the auditors and reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

7 March 2006

The Directors
New World Mobile Holdings Limited

Dear Sirs

We set out below our report on the financial information relating to New World Mobile Holdings Limited (the "Company") as at 31 December 2002 and 2003, 30 June 2005 and 31 October 2005, and the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 30 June 2003, 2004 and 2005 and the four months ended 31 October 2004 and 2005 (the "Relevant Periods") for inclusion in the circular of the Company dated 7 March 2006 (the "Circular") in connection with the merger agreement (the "Merger Agreement") dated 8 December 2005 entered among the Company, Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited ("Telstra Holdings"), pursuant to which the Company has agreed to procure Upper Start Holdings Limited ("NW SPV"), a wholly owned subsidiary of the Company, to subscribe for new shares in Telstra CSL, representing 23.6% of the enlarged share capital of Telstra CSL upon completion of the Merger Agreement, in exchange for the transfer of all of the Company's interests in New World PCS Holdings Limited ("NWPCS") to Telstra CSL and a cash payment of HK$244.024 million by the Company to Telstra CSL.

The Company was incorporated in the Cayman Islands on 25 May 1998 with limited liability. As at the date of this report, the Company had direct and indirect interests in the subsidiaries and associated companies as set out in notes 17 and 18 of Section II below, all of which are private companies. All companies comprising the Group have adopted 30 June as their financial year end date except for those as disclosed in notes 2 and 18 of Section II below.

We acted as the auditors of the Company for the years ended 31 December 2002 and 2003, for the eighteen months ended 30 June 2005. We also acted as the auditors of the Group for the years ended 30 June 2003, 2004 and 2005 other than those specified in notes 2 and 18 of Section II below.

For the purpose of this report, we have examined the financial information of the Group for each of the three years ended 30 June 2003, 2004 and 2005 and the four months ended 31 October 2005 and of the Company as at 31 December 2002 and 2003, 30 June 2005 and 31 October 2005 (the "Financial Information"), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have reviewed the financial information for the four months ended 31 October 2004 in accordance with SAS 700 "Engagement to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the four months ended 31 October 2004.

The Financial Information as set out in Sections I to IV has been prepared in accordance with accounting principles generally accepted in Hong Kong and accounting standards issued by the HKICPA, based on the audited financial statements, or where appropriate, the unaudited management accounts, of the Group for the Relevant Periods, after making such adjustments as are appropriate.

The directors of the Company are responsible for preparing these financial statements which gives a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination and review, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2002 and 2003, 30 June 2005 and 31 October 2005, and of the Group as at 30 June 2003, 2004 and 2005 and 31 October 2005 and of the consolidated results and cash flows of the Group for the years and periods then ended.

Moreover, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the financial information for the four months ended 31 October 2004.

I FINANCIAL INFORMATION

(a) Consolidated profit and loss statements

		Year ended			Four months ended	
		30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(As restated)	*(As restated)*	*(As restated)*	*(Unaudited)*	
Turnover	*6*	1,662,328	1,698,744	1,709,054	583,723	700,265
Cost of sales		(701,949)	(773,224)	(866,113)	(297,963)	(441,251)
Gross profit		960,379	925,520	842,941	285,760	259,014
Other income		128	115	635	164	533
Selling expenses		(108,360)	(104,506)	(101,468)	(42,316)	(41,930)
Administrative expenses		(641,480)	(614,796)	(598,701)	(201,193)	(192,457)
Operating profit	*8*	210,667	206,333	143,407	42,415	25,160
Finance costs	*9*	(9,724)	(7,336)	(65,287)	(25,648)	(29,691)
Profit/(loss) before taxation		200,943	198,997	78,120	16,767	(4,531)
Taxation	*13*	(13,068)	(35,866)	(21,066)	(5,611)	(2,265)
Profit/(loss) for the year/period		187,875	163,131	57,054	11,156	(6,796)
Attributable to:						
Equity holders of the parent		187,875	163,131	57,054	11,156	(6,796)
Minority interest		–	–	–	–	–
		187,875	163,131	57,054	11,156	(6,796)
Earnings/(loss) per share						
– Basic	*14*	HK$4.51	HK$3.92	HK$0.73	HK$0.14	(HK$0.08)
– Diluted	*14*	N/A	N/A	HK$0.09	HK$0.03	(HK$0.08)

(b) Consolidated balance sheets

		Group			
		As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(As restated)	*(As restated)*	*(As restated)*	
ASSETS					
Non-current assets					
Fixed assets	*16(a)*	1,289,694	1,186,236	1,068,301	1,024,350
Investment properties	*16(c)*	–	–	–	3,900
Investments in associated companies	*18*	–	–	–	–
Intangible assets	*19*	–	–	65,964	72,959
Deferred taxation	*20*	224,353	188,487	167,472	165,207
Rental and other deposits		14,121	10,659	8,882	7,900
		1,528,168	1,385,382	1,310,619	1,274,316
Current assets					
Inventories	*21*	11,520	29,657	38,024	26,326
Trade receivables	*22*	31,075	83,218	94,015	102,365
Prepayments and other receivables		10,466	11,285	42,112	49,288
Handset subsidies		–	9,352	34,886	68,010
Rental and other deposits		36,840	33,380	39,421	41,014
Amounts due from fellow subsidiaries	*23*	7,137	3,098	29	29
Amount due from a related company	*24*	–	–	813	813
Cash and bank balances	*25*	113,640	94,444	116,534	76,065
		210,678	264,434	365,834	363,910
Total assets		1,738,846	1,649,816	1,676,453	1,638,226
EQUITY					
Capital and reserves attributable to the Group's equity holders					
Share capital	*28*	1	1	300	16,454
Other reserves	*29(a)*	999	999	(88,051)	(83,205)
Accumulated losses		(1,042,958)	(879,827)	(822,773)	(829,569)
Total deficit on shareholders' fund		(1,041,958)	(878,827)	(910,524)	(896,320)

		Group			
		As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(As restated)	*(As restated)*	*(As restated)*	
LIABILITIES					
Non-current liabilities					
Non-current portion of long-term liabilities	*27*	372,500	102,500	–	–
Amount due to the immediate holding company	*31*	933,602	933,592	–	–
Loan from a fellow subsidiary	*31*	–	–	877,500	877,500
Convertible bond	*30*	–	–	28,250	28,256
Subscription note	*2*	–	–	1,131,199	1,146,829
Asset retirement obligations	*3(a)*	5,348	5,908	6,529	6,758
Deferred income		–	–	–	2,646
		1,311,450	1,042,000	2,043,478	2,061,989
Current liabilities					
Trade payables	*26*	42,678	44,305	108,086	174,156
Accrued charges, other payables, deposits received and deferred income		298,603	314,265	320,935	293,547
Amount due to the ultimate holding company	*23 and 31*	73	73	–	–
Amounts due to fellow subsidiaries	*23*	–	–	11,132	4,317
Amounts due to other related companies	*24 and 36*	–	–	846	537
Current portion of long-term liabilities	*27*	270,000	270,000	102,500	–
Promissory note issued to the immediate holding company	*31*	858,000	858,000	–	–
		1,469,354	1,486,643	543,499	472,557
Total liabilities		2,780,804	2,528,643	2,586,977	2,534,546
Total equity and liabilities		1,738,846	1,649,816	1,676,453	1,638,226
Net current liabilities		1,258,676	1,222,209	177,665	108,647
Total assets less current liabilities		269,492	163,173	1,132,954	1,165,669

(c) Balance sheets

	Note	Company As at 31 December 2002 HK$'000 (As restated)	As at 31 December 2003 HK$'000 (As restated)	As at 30 June 2005 HK$'000 (As restated)	As at 31 October 2005 HK$'000
ASSETS					
Non-current assets					
Fixed assets	*16(b)*	1,853	1,380	90	–
Investments in subsidiaries	*17*	251,806	137,312	1,521,385	1,541,830
		253,659	138,692	1,521,475	1,541,830
Current assets					
Amount due from an associated company		161	161	–	–
Amount due from a jointly controlled entity		230	203	–	–
Amount due from a related company	*24*	–	–	225	225
Prepayments, deposits and other receivables		5,837	103	74	24
Cash and bank balances		31,420	22,383	188	2
		37,648	22,850	487	251
Total assets		291,307	161,542	1,521,962	1,542,081
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	*28*	36,415	37,515	79,182	95,336
Other reserves	*29(b)*	442,719	452,101	119,297	124,143
(Accumulated losses)/ retained profits		(233,842)	(358,118)	162,354	145,526
Total equity		245,292	131,498	360,833	365,005
LIABILITIES					
Non-current liabilities					
Convertible bond	*30*	37,736	27,881	28,250	28,256
Subscription note	*2*	–	–	1,131,199	1,146,829
		37,736	27,881	1,159,449	1,175,085
Current liabilities					
Amount due to an associated company		496	12	–	–
Amount due to a fellow subsidiary	*23*	376	376	563	428
Accrued charges and other payables		7,407	1,775	1,117	1,563
		8,279	2,163	1,680	1,991
Total liabilities		46,015	30,044	1,161,129	1,177,076
Total equity and liabilities		291,307	161,542	1,521,962	1,542,081
Net current assets/(liabilities)		29,369	20,687	(1,193)	(1,740)
Total assets less current liabilities		283,028	159,379	1,520,282	1,540,090

(d) Consolidated cash flow statements

	Note	Year ended 30 June 2003 HK$'000	30 June 2004 HK$'000	30 June 2005 HK$'000	Four months ended 31 October 2004 HK$'000 (Unaudited)	31 October 2005 HK$'000
Operating activities						
Net cash inflow generated from operations	33(a)	423,439	410,380	396,209	137,203	120,743
Interest paid		(9,216)	(6,776)	(13,983)	(5,003)	(18,253)
Hong Kong profits tax paid		–	–	(51)	–	–
Net cash inflow from operating activities		414,223	403,604	382,175	132,200	102,490
Investing activities						
Purchase of fixed assets		(140,110)	(153,752)	(140,791)	(60,291)	(51,974)
Sales of fixed assets		62	847	5	–	299
Acquisition of subsidiaries	33(b)	–	–	45,630	45,630	9,896
Sales of other investments		–	–	900	900	–
Sales of investment securities		–	–	3,609	3,609	–
Interests received		128	115	635	164	533
Net cash outflow from investing activities		(139,920)	(152,790)	(90,012)	(9,988)	(41,246)
Net cash inflow before financing		274,303	250,814	292,163	122,212	61,244
Financing activities						
Decrease in amounts due to immediate holding company and ultimate holding company		(842,705)	(10)	(73)	(73)	–
Repayment of bank loan		(135,000)	(270,000)	(270,000)	(90,000)	(102,500)
New loan payable		777,500	–	–	–	–
Net cash outflow from financing activities		(200,205)	(270,010)	(270,073)	(90,073)	(102,500)
Net increase/(decrease) in cash and cash equivalents		74,098	(19,196)	22,090	32,139	(41,256)
Cash and cash equivalents at the beginning of the year/period		39,542	113,640	94,444	94,444	116,534
Cash and cash equivalents at the end of the year/period		113,640	94,444	116,534	126,583	75,278

(e) Consolidated statements of changes in equity

	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2002, as previously stated	1	999	(1,229,206)	(1,228,206)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(1,627)	(1,627)
At 1 July 2002, as restated	1	999	(1,230,833)	(1,229,833)
Profit for the year, as previously stated	–	–	188,806	188,806
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(931)	(931)
Profit for the year, as restated	–	–	187,875	187,875
At 30 June 2003, as restated	1	999	(1,042,958)	(1,041,958)
At 30 June 2003, as previously stated	1	999	(1,040,400)	(1,039,400)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(2,558)	(2,558)
At 30 June 2003, as restated	1	999	(1,042,958)	(1,041,958)
Profit for the year, as previously stated	–	–	164,114	164,114
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(983)	(983)
Profit for the year, as restated	–	–	163,131	163,131
At 30 June 2004, as restated	1	999	(879,827)	(878,827)
At 30 June 2004, as previously stated	1	999	(876,286)	(875,286)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(3,541)	(3,541)
At 30 June 2004, as restated	1	999	(879,827)	(878,827)

	Share capital HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 30 June 2004, as restated	1	999	(879,827)	(878,827)
Issue of shares *(Notes 28 and 29(a))*	299	913,793	–	914,092
Arising from reverse acquisition *(Note 2)*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond *(Note 3(a))*	–	40	–	40
Issue of Subscription Note *(Note 3(a))*	–	112,655	–	112,655
Profit for the year, as previously stated	–	–	93,111	93,111
Interest expenses on convertible bond and subscription note	–	–	(35,013)	(35,013)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(1,044)	(1,044)
Profit for the year, as restated	–	–	57,054	57,054
At 30 June 2005, as restated	300	(88,051)	(822,773)	(910,524)
At 30 June 2005, as previously stated	300	(200,746)	(783,175)	(983,621)
Accretion and depreciation expenses arising from asset retirement obligations	–	–	(4,585)	(4,585)
Interest expenses on convertible bond and subscription note	–	–	(35,013)	(35,013)
Renewal of convertible bond *(Note 3(a))*	–	40	–	40
Issue of Subscription Note *(Note 3(a))*	–	112,655	–	112,655
At 30 June 2005, as restated	300	(88,051)	(822,773)	(910,524)
Issue of shares *(Note 28(g))*	16,154	4,846	–	21,000
Loss for the period	–	–	(6,796)	(6,796)
At 31 October 2005	16,454	(83,205)	(829,569)	(896,320)

II NOTES TO THE FINANCIAL INFORMATION

1 General information

New World Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in offering mobile telecommunications services including voice and data services tailored to the specific needs of individual customer groups via mobile technology and technology-related business including mobile Internet services and information technology outsourcing activities 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 has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousand of Hong Kong Dollars (HK$'000), unless otherwise stated.

2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

On 29 March 2004, the Company, formerly known as Asia Logistics Technologies Limited ("ALT"), 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 ALT shares prior to the 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 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.

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, included in long-term borrowings, 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 (Note 29) net of deferred income taxes, if any.

The fair values of the liability component of the Subscription Note as at 30 June 2005 and 31 October 2005 approximated their carrying values respectively.

Interest expenses on the Subscription Note are calculated using the effective interest method by applying the effective interest rate of 4.10% per annum to the liability component.

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 Holdings") and its subsidiaries (the "NWPCS Group") from NWTHL at an aggregate cash consideration of HK$1,250,000,000. This transaction (the "Reverse Acquisition") was completed on 6 July 2004 (the "Completion Date").

Under the generally accepted accounting principles in Hong Kong, the Reverse 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 Reverse Acquisition. For accounting purposes, NWPCS Holdings is regarded as the acquirer while the Company and its subsidiaries before the Reverse Acquisition (collectively, the "Logistics Group") are deemed to have been acquired by NWPCS Holdings. As a result, these consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the NWPCS 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 values (the "Net Fair Value");

(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 Reverse Acquisition;

(iii) the purchase consideration is deemed to have been incurred by NWPCS Holdings for the Reverse 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 Reverse 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 Holdings 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 Reverse Acquisition and the Deemed Consideration is transferred to a consolidation reserve of the Group;

(viii) the comparative information shown in these consolidated financial statements 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 sheets are based on 31 December 2003 and 2002 audited financial statements of the Company.

3 Principal accounting policies

(a) Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised standards and interpretations of HKFRS (collectively "new HKFRSs") below which are effective for accounting periods beginning on or after 1 January 2005.

From 1 July 2005, the Group adopted the HKFRSs below, which are relevant to its operations.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment properties
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 1, 2, 7, 8, 10, 17, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected certain presentation in the balance sheet, profit and loss statement and statement of changes in equity.

– HKASs 2, 7, 8, 10, 17, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and certain other related-party disclosures.

The adoption of HKAS 16 has resulted in a change in accounting policy of which the costs of fixed assets include the estimates of obligations which arise from future reinstatement of leased properties.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. Furthermore, 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 convertible bond or the Subscription Note is converted or redeemed. In prior years, the convertible bond and Subscription Note were recognised as liabilities only.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss statement as part of other income. Prior to the adoption of the standard, the increases in fair value, if any, would be credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 June 2005, the provision of share options to employees did not result in an expense in the profit and loss statements. Effective on 1 July 2005, the Group expenses the cost of share options in the profit and loss statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 July 2005 was expensed retrospectively in the profit and loss statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, whenever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for information prior to 1 July 2005. The adjustments required for the accounting differences between SSAP 24 and HKAS 39, are determined and recognised at 1 July 2005.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 July 2005.

The adoption of HKAS 16 resulted in:

	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase in fixed assets	2,790	2,367	1,944	1,803
Increase in asset retirement obligations	5,348	5,908	6,529	6,758
Increase in accumulated losses	2,558	3,541	4,585	4,955

	Year ended 30 June 2003	**30 June 2004**	**30 June 2005**	**Four months ended 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in profit attributable to equity holders/Increase in loss attributable to equity holders	931	983	1,044	370
Decrease in earnings per share/Increase in loss per share (basic)	HK$0.02	HK$0.01	HK$0.01	HK$0.00
Decrease in earnings per share/Increase in loss per share (diluted)	N/A	N/A	HK$0.00	HK$0.00

In prior years, the costs of such asset retirement obligations were not recognised as part of the underlying fixed assets at the time when the fixed assets were acquired.

The adoption of HKASs 32 and 39 resulted in:

	As at 30 June 2003 *HK$'000*	**As at 30 June 2004** *HK$'000*	**As at 30 June 2005** *HK$'000*	**As at 31 October 2005** *HK$'000*
Decrease in goodwill	–	–	32	32
Decrease in convertible bond	–	–	36	30
Decrease in Subscription Note	–	–	77,678	65,080
Increase in other reserves	–	–	112,695	112,695
Increase in accumulated losses	–	–	35,013	47,617

	30 June 2003 *HK$'000*	**Year ended 30 June 2004** *HK$'000*	**30 June 2005** *HK$'000*	**Four months ended 31 October 2005** *HK$'000*
Decrease in profit attributable to equity holders/Increase in loss attributable to equity holders	–	–	35,013	12,604
Decrease in profit per share/Increase in loss per share (basic)	–	–	HK$0.45	HK$0.16
Decrease in profit per share (diluted)	N/A	N/A	HK$0.00	HK$0.16

On 1 July 2004, the Group early adopted the following new HKFRSs (the "HKFRS 3 Package"), which were effective for accounting periods beginning on or after 1 January 2005, in the financial statements:

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 July 2004 and so there was no effect on opening balances by the early adoption of the HKFRS 3 Package.

The adoption of the HKFRS 3 Package results in:

	Year ended 30 June 2005 *HK$'000*	**Four months ended 31 October 2005** *HK$'000*
Decrease in administrative expenses	3,255	1,120
Increase in profit attributable to shareholders	3,255	1,120
Increase in basic earnings per share/(decrease in basic loss per share)	HK$0.04	(HK$0.01)
Increase in diluted earnings/(loss) per share	HK$0.00	(HK$0.01)

	As at 30 June 2005 *HK$'000*	As at 31 October 2005 *HK$'000*
Increase in goodwill	3,255	4,375
Decrease in accumulated losses	3,255	4,375

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

(b) Group accounting

(i) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and all its direct and indirect subsidiaries made up to 31 October 2005.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 by the Company on the basis of dividend received and receivable.

(ii) Associated companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(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, jointly controlled entity and associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Prior to 30 June 2004, the Group does not have any goodwill.

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.

(c) 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.

Historical costs of fixed assets include expenditures that are directly attributable to the construction or acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss statement during the financial period in which they are incurred.

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 statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) 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).

(e) 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.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss statement.

(g) 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.

(h) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) 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.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(j) 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 financial statements. 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 is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(k) 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) 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 recognised based on the actual usage by customers. The portion of deferred revenue is included under liabilities as deferred income.

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

The Group derives revenue from the provision of value-added telecommunications services ("VAS") and outsourcing services including software development and call centre services. The Group recognises its revenue net of applicable business taxes and other related taxes. Revenue from the provision of outsourcing services is recognised when services are rendered. Wireless VAS revenue is derived principally from providing mobile phone users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or on a per message basis ("Service Fees"). These services are predominately delivered through the platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

Operating lease rental income is recognised on a straight-line basis over the period of the leases.

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 using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

(m) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the profit and loss statement on a straight-line basis over the period of the lease.

(n) Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each profit and loss statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Investments

From 1 January 2002 to 30 June 2005, the Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as investment securities and other investments.

Investment securities are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss statement. This impairment loss is written back to profit and loss statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair values of other investments are recognised in the profit and loss statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss statement as they arise.

From 1 July 2005 onwards the Group does not hold any investments except for loans and receivables.

(r) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss statement during the financial period in which they are incurred.

Changes in fair values are recognised in the profit and loss statement.

If an investment property becomes owner-occupied, it is reclassified as fixed assets, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as fixed assets and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of fixed assets becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of fixed assets under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale under HKFRS 5.

(s) Licences

Licences are capitalised on the basis of the costs incurred to acquire and bring to use a specific licence. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis. Other costs associated with the licences are recognised as an expense as incurred.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow and fair value interest rate risks.

The Group's risk management program seeks to minimise the potential adverse effects of financial risks on the Group's performance.

(i) Credit risk

The Group has no significant concentration of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, in cash or via major credit cards. The Group has policies that limit the amount of credit exposure to any customers.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of the funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(iii) Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flow are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

(b) Fair value estimation

The nominal values less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3(d). The recoverable amounts of cash-generating units have been determined based on the higher of their fair values less costs and their value-in-use calculations. These value-in-use calculations require the use of estimates. If the revised estimated gross margin at 30 June 2006 had been lower than management's estimates at 30 June 2005, the Group may need to reduce the carrying value of goodwill. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been higher than management's estimates, the Group may need to reduce the carrying value of goodwill. Further, if the actual gross margin had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment losses that arose on goodwill.

(ii) Estimated useful lives and impairment of fixed assets

Fixed assets used in the network are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives the Group allocates to each type of fixed assets. Management performs annual reviews to assess the appropriateness of their estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the market competition and development and the expected growth in subscribers and average revenue per subscriber.

(iii) Asset retirement obligations

The Group evaluates and recognises, on a regular basis, the fair value of fixed assets retirement obligations which arises from future reinstatement of leased properties upon end of lease terms. To establish the fair value of the asset retirement obligations, estimates and judgement are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the types of leased properties, probability of renewal of lease terms and restoration costs. The discount rate used is referenced to the Group's historical weighted average cost of capital.

(iv) Deferred tax

The Group provides for deferred taxation in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are only recognised to the extent that it is probable future taxation profits will be available against which the unused tax losses or unused tax credits can be utilised, and significant judgement is required in determining whether it is probable. If the Group is not able to generate sufficient future taxation profits to utilise the temporary differences, a provision for the deferred tax asset would need to be made.

6 Turnover

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

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Turnover					
Mobile communications services	1,492,079	1,441,984	1,318,337	452,063	430,323
Sales of mobile handsets and accessories	170,249	256,760	386,456	129,117	269,728
Information technology service	–	–	–	–	206
Gross rental income from investment property	–	–	–	–	8
Logistics services	–	–	4,261	2,543	–
	1,662,328	1,698,744	1,709,054	583,723	700,265

7 Segment reporting

For the three years ended 30 June 2003, 2004 and 2005 and four months ended 31 October 2004 and 2005, more than 90% of the Group's turnover and operating profit were attributable to its mobile telecommunications operations in Hong Kong. Accordingly, no analysis by either business or geographical segment is included.

8 Expenses by nature

Expenses included in cost of inventories sold, selling expenses and administrative expenses are analysed as follows:

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(As restated)	*(As restated)*	*(As restated)*	*(Unaudited)*	
Auditors' remuneration	500	270	1,182	672	475
Cost of inventories sold	160,531	261,760	388,882	141,011	259,323
Depreciation of fixed assets	230,135	252,673	259,258	85,568	87,663
Operating lease rentals for land and buildings	58,780	52,127	47,441	16,244	15,777
Operating lease rentals for switching and office equipment	17,948	9	–	–	–
Operating lease rentals for transmission sites	188,319	171,869	158,059	57,297	57,544
Provision for bad and doubtful debts	17,003	12,153	11,494	3,534	3,477
Staff costs, including directors' emoluments *(Note 10)*	204,136	188,384	171,065	60,341	53,728

9 Finance costs

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(As restated)	*(As restated)*	*(As restated)*	*(Unaudited)*	
Interest on secured long-term bank loan	9,216	6,776	3,701	1,384	794
Interest on loan from a fellow subsidiary	–	–	16,226	3,619	12,746
Interest on subscription note	–	–	43,854	19,989	15,630
Interest on convertible bond	–	–	885	449	292
Accretion expenses *(Note (a))*	508	560	621	207	229
	9,724	7,336	65,287	25,648	29,691

Note (a)

Accretion expenses represented changes in the liability of an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period.

10 Staff costs (including directors' emoluments)

	Year ended 30 June 2003 HK$'000	30 June 2004 HK$'000	30 June 2005 HK$'000	Four months ended 31 October 2004 HK$'000 (Unaudited)	31 October 2005 HK$'000
Wages and salaries	168,863	159,316	152,179	52,715	46,034
Bonuses	11,514	15,504	14,444	5,264	5,044
Pension costs – defined contribution plans	8,553	8,414	3,627	3,096	1,576
Termination benefits	8,064	7,393	4,062	1,586	2,300
Medical insurance, staff welfare and other allowances	7,142	2,812	4,089	1,364	853
Less: Staff costs capitalised as fixed assets	–	(5,055)	(7,336)	(3,684)	(2,079)
	204,136	188,384	171,065	60,341	53,728

11 Directors' and senior management's emoluments

(a) Directors' emoluments

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

	Year ended 30 June 2003 HK$'000	30 June 2004 HK$'000	30 June 2005 HK$'000	Four months ended 31 October 2004 HK$'000 (Unaudited)	31 October 2005 HK$'000
Fees	–	–	–	–	–
Other emoluments:					
Salaries and allowances	–	–	3,000	1,000	1,000
Bonuses	–	–	3,672	2,353	2,963
Pension costs – defined contribution plans	–	–	150	50	75
Compensation for loss of office as director paid by:					
– the Company	–	–	–	–	–
– the Company's subsidiaries	–	–	–	–	–
	–	–	6,822	3,403	4,038

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

	Year ended 30 June 2003				
Name of director	**Fees**	**Basic salaries and allowance**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	–	–	–	–	–
Dr. Cheng Kar Shun, Henry	–	–	–	–	–
Mr. Doo Wai Hoi, William, JP	–	–	–	–	–
Mr. To Hin Tsun, Gerald	–	–	–	–	–
Mr. Chow Yu Chun, Alexander	–	–	–	–	–
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	–	–	–	–	–
Mr. Ho Hau Chong, Norman	–	–	–	–	–
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	–	–	–	–	–
Mr. Kwong Che Keung, Gordon	–	–	–	–	–
Mr. Cheng Ming Fun, Paul, JP	–	–	–	–	–
Mr. Hui Chiu Chung, JP	–	–	–	–	–
	–	–	–	–	–

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

	Year ended 30 June 2004				
Name of director	**Fees**	**Basic salaries and allowance**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	–	–	–	–	–
Dr. Cheng Kar Shun, Henry	–	–	–	–	–
Mr. Doo Wai Hoi, William, JP	–	–	–	–	–
Mr. To Hin Tsun, Gerald	–	–	–	–	–
Mr. Chow Yu Chun, Alexander	–	–	–	–	–
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	–	–	–	–	–
Mr. Ho Hau Chong, Norman	–	–	–	–	–
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	–	–	–	–	–
Mr. Kwong Che Keung, Gordon	–	–	–	–	–
Mr. Cheng Ming Fun, Paul, JP	–	–	–	–	–
Mr. Hui Chiu Chung, JP	–	–	–	–	–
	–	–	–	–	–

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

	Year ended 30 June 2005				
Name of director	**Fees**	**Basic salaries and allowance**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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
	–	3,000	3,672	150	6,822

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

	Four months ended 31 October 2004 (Unaudited)				
Name of director	**Fees**	**Basic salaries and allowance**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	–	1,000	1,720	50	2,770
Dr. Cheng Kar Shun, Henry	–	–	39	–	39
Mr. Doo Wai Hoi, William, JP	–	–	16	–	16
Mr. To Hin Tsun, Gerald	–	–	218	–	218
Mr. Chow Yu Chun, Alexander	–	–	216	–	216
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	–	–	18	–	18
Mr. Ho Hau Chong, Norman	–	–	17	–	17
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	–	–	40	–	40
Mr. Kwong Che Keung, Gordon	–	–	38	–	38
Mr. Cheng Ming Fun, Paul, JP	–	–	31	–	31
Mr. Hui Chiu Chung, JP	–	–	–	–	–
	–	1,000	2,353	50	3,403

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

	Four months ended 31 October 2005				
Name of director	**Fees**	**Basic salaries and allowances**	**Bonuses**	**Provident fund contribution**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Dr. Wai Fung Man, Norman	–	1,000	2,318	75	3,393
Dr. Cheng Kar Shun, Henry	–	–	40	–	40
Mr. Doo Wai Hoi, William, JP	–	–	17	–	17
Mr. To Hin Tsun, Gerald	–	–	217	–	217
Mr. Chow Yu Chun, Alexander	–	–	217	–	217
Non-Executive Directors					
Mr. Lo Lin Shing, Simon	–	–	17	–	17
Mr. Ho Hau Chong, Norman	–	–	17	–	17
Independent Non-Executive Directors					
Mr. Wei Chi Kuan, Kenny	–	–	40	–	40
Mr. Kwong Che Keung, Gordon	–	–	40	–	40
Mr. Cheng Ming Fun, Paul, JP	–	–	–	–	–
Mr. Hui Chiu Chung, JP	–	–	40	–	40
	–	1,000	2,963	75	4,038

No emoluments were paid to the directors of the Company during the years ended 30 June 2004 and 30 June 2003 as the Company was not yet consolidated into the NWPCS Group in the years ended 30 June 2004 and 30 June 2003 (Note 2).

None of the directors of the Company waived any emoluments during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, one, one, no and no director for the four months ended 31 October 2005, 2004 and the years ended 30 June 2005, 2004 and 2003, respectively, whose emoluments are reflected in the analyses presented above. The emoluments payable to the remaining four, four, four, five and five individuals for the four months ended 31 October 2005, 2004 and the years ended 30 June 2005, 2004 and 2003 are as follows:

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries and allowances	9,612	9,624	6,098	2,265	2,121
Bonuses	2,857	3,108	2,838	1,907	1,423
Pension costs – defined contribution plans	498	499	300	119	111
	12,967	13,231	9,236	4,291	3,655

The emoluments of the individuals fell within the following bands:

	Number of individuals				
		Year ended		Four months ended	
	30 June 2003	30 June 2004	30 June 2005	31 October 2004 *(Unaudited)*	31 October 2005
Emolument bands					
Nil to HK$1,000,000	–	–	–	3	2
HK$1,000,001 to HK$1,500,000	–	–	–	1	2
HK$1,500,001 to HK$2,000,000	2	2	2	–	–
HK$2,000,001 to HK$2,500,000	1	2	1	–	–
HK$2,500,001 to HK$3,000,000	1	–	1	–	–
HK$3,000,001 to HK$3,500,000	–	–	–	–	–
HK$4,000,001 to HK$4,500,000	1	1	–	–	–
HK$4,500,001 to HK$5,000,000	–	–	–	–	–

12 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.

The 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 statement during the Relevant Periods are as follows:

		Year ended		Four months ended	
	30 June 2003 *HK$'000*	30 June 2004 *HK$'000*	30 June 2005 *HK$'000*	31 October 2004 *HK$'000* *(Unaudited)*	31 October 2005 *HK$'000*
Gross scheme contributions	10,096	9,959	4,420	6,625	3,806
Less: Forfeited contributions utilised to offset contributions for the year/period	(1,543)	(1,545)	(793)	(2,907)	(2,707)
Net scheme contributions	8,553	8,414	3,627	3,718	1,099

As at 31 October 2005, 30 June 2005, 2004 and 2003, forfeited contributions of HK$28,000, HK$212,000, HK$102,000 and HK$188,000 respectively were available to reduce future contributions. Contributions totalling nil, HK$1,082,000, HK$3,832,000 and HK$2,554,000 were payable by the Group as at 31 October 2005, 30 June 2005, 2004 and 2003 respectively.

13 Taxation

No provision for Hong Kong profits tax and overseas taxation has been made for the years/periods as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the four months ended 31 October 2005 and 31 October 2004 and each of the years ended 30 June 2005, 30 June 2004 and 30 June 2003.

The amount of taxation charged to the consolidated profit and loss statement for the Relevant Periods represents:

		Year ended		**Four months ended**	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Current taxation:					
– Under provisions in prior years/periods	–	–	51	–	–
Deferred taxation relating to the origination and reversal of temporary differences *(Note 20)*	35,327	35,866	21,015	5,611	2,265
Deferred taxation resulting from an increase in tax rate	(22,259)	–	–	–	–
Taxation charge	13,068	35,866	21,066	5,611	2,265

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:

		Year ended		**Four months ended**	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000 *(As restated)*	*HK$'000* *(As restated)*	*HK$'000* *(As restated)*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit/(loss) before taxation	200,943	198,997	78,120	16,767	(4,531)
Calculated at a taxation rate of	17.5%	17.5%	17.5%	17.5%	17.5%
Notional tax on profit before taxation	35,165	34,824	13,671	2,934	(793)
Income not subject to taxation	(21)	(20)	(92)	(22)	(92)
Expenses not deductible for taxation purposes	171	1,062	7,487	2,699	3,150
Increase in opening net deferred tax assets/liability from an increase in tax rate	(22,259)	–	–	–	–
Others	12	–	–	–	–
Taxation charge	13,068	35,866	21,066	5,611	2,265

14 Earnings/(loss) per share

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

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	(As restated)	*(As restated)*	*(As restated)*	*(Unaudited)*	
Profit/(loss) attributable to shareholders for purpose of calculating basic earnings/(loss) per share (HK$'000)	187,875	163,131	57,054	11,156	(6,796)
Increase in net profit for deemed conversion of potential ordinary shares (HK$'000)	–	–	44,739	20,438	15,923
Adjusted profit for the purpose of calculating diluted earnings per share (HK$'000)	187,875	163,131	101,793	31,594	9,127
Number of shares *(note a)*					
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share *(note b)*	41,666,666	41,666,666	78,668,311	77,352,196	80,626,876
Effect of dilutive potential ordinary shares	–	–	1,009,169,010	973,273,770	1,023,730,015
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	41,666,666	41,666,666	1,087,837,321	1,050,625,966	1,104,356,891

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating the earnings/(loss) per share has been adjusted retrospectively for the one hundred-to-one share consolidation of the Company which took place on 7 July 2004 (Note 28(f)).

(b) Under the reverse acquisition method of accounting, the 4,166,666,667 Subscription Shares issued by the Company to PPG to effect the Reverse Acquisition described in Note 2 are deemed to be in issue throughout the Relevant Periods prescribed for the purposes of calculating the earnings/(loss) per share.

(c) For the two years ended 30 June 2004 and 2003, no diluted earnings per share are presented as there were no potentially dilutive shares outstanding.

(d) The diluted loss per share equals the basic loss per share for the four months ended 31 October 2005 as the exercise price of the outstanding share options granted by the Company was higher than the average market price of the share of the Company, and the conversion of the outstanding convertible bond and Subscription Note would have an anti-dilutive effect for the four months ended 31 October 2005.

15 Profit/(loss) attributable to shareholders

The profit/(loss) attributable to shareholders is dealt with in the financial statements of the Company to the extent of post-acquisition loss of HK$16,828,000, loss of HK$77,087,000, profit of HK$108,528,000, nil profit/loss and nil profit/loss for the four months ended 31 October 2005, 2004 and years ended 30 June 2005, 2004 and 2003 respectively.

16 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 2002, as previously stated	161,285	26,871	40,262	1,944	28,337	1,861,212	–	2,119,911
Asset retirement obligations	–	–	157	–	–	4,056	–	4,213
At 1 July 2002, as restated	161,285	26,871	40,419	1,944	28,337	1,865,268	–	2,124,124
Additions	28,310	499	1,559	–	1,100	108,642	–	140,110
Transfer between classes	(15,838)	(59)	1,060	(46)	45	14,838	–	–
Disposals	(379)	(6,209)	(1,326)	–	(1,296)	(2,260)	–	(11,470)
At 30 June 2003 , as restated	173,378	21,102	41,712	1,898	28,186	1,986,488	–	2,252,764
At 30 June 2003, as previously stated	173,378	21,102	41,555	1,898	28,186	1,982,432	–	2,248,551
Asset retirement obligations	–	–	157	–	–	4,056	–	4,213
At 30 June 2003 , as restated	173,378	21,102	41,712	1,898	28,186	1,986,488	–	2,252,764
Additions	34,417	634	3,886	118	18	103,384	11,295	153,752
Disposals	(161)	(714)	(4,631)	(616)	(29)	(5,912)	–	(12,063)
At 30 June 2004 , as restated	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
At 30 June 2004 , as previously stated	207,634	21,022	40,810	1,400	28,175	2,079,904	11,295	2,390,240
Asset retirement obligations	–	–	157	–	–	4,056	–	4,213
At 30 June 2004 , as restated	207,634	21,022	40,967	1,400	28,175	2,083,960	11,295	2,394,453
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, as restated	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
At 30 June 2005, as previously stated	215,651	21,298	45,244	2,096	28,175	2,193,535	22,798	2,528,797
Asset retirement obligations	–	–	157	–	–	4,056	–	4,213
At 30 June 2005, as restated	215,651	21,298	45,401	2,096	28,175	2,197,591	22,798	2,533,010
Additions	3,936	151	1,623	–	–	43,185	3,079	51,974
Acquisition of subsidiaries	2,117	229	295	–	–	–	–	2,641
Reclassification	(6,190)	–	(10)	–	–	(3,649)	–	(9,849)
Disposals	(188)	(7)	–	(495)	–	(1,177)	–	(1,867)
At 31 October 2005	215,326	21,671	47,309	1,601	28,175	2,235,950	25,877	2,575,909

	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*
Accumulated depreciation								
At 1 July 2002, as previously stated	72,073	19,319	12,289	1,606	25,458	608,997	–	739,742
Asset retirement obligations	–	–	70	–	–	930	–	1,000
At 1 July 2002, as restated	72,073	19,319	12,359	1,606	25,458	609,927	–	740,742
Charge for the year, as previously stated	25,181	2,112	7,778	77	2,117	192,447	–	229,712
Asset retirement obligations	–	–	17	–	–	406	–	423
Charge for the year, as restated	25,181	2,112	7,795	77	2,117	192,853	–	230,135
Disposals	(366)	(4,143)	(965)	–	(1,278)	(1,055)	–	(7,807)
At 30 June 2003, as restated	96,888	17,288	19,189	1,683	26,297	801,725	–	963,070
At 30 June 2003, as previously stated	96,888	17,288	19,102	1,683	26,297	800,389	–	961,647
Asset retirement obligations	–	–	87	–	–	1,336	–	1,423
At 30 June 2003, as restated	96,888	17,288	19,189	1,683	26,297	801,725	–	963,070
Charge for the year, as previously stated	26,666	1,595	7,735	103	1,197	214,954	–	252,250
Asset retirement obligations	–	–	17	–	–	406	–	423
Charge for the year, as restated	26,666	1,595	7,752	103	1,197	215,360	–	252,673
Disposals	(161)	(636)	(3,604)	(616)	(29)	(2,480)	–	(7,526)
At 30 June 2004, as restated	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
At 30 June 2004, as previously stated	123,393	18,247	23,233	1,170	27,465	1,012,863	–	1,206,371
Asset retirement obligations	–	–	104	–	–	1,742	–	1,846
At 30 June 2004, as restated	123,393	18,247	23,337	1,170	27,465	1,014,605	–	1,208,217
Charge for the year, as previously stated	27,524	1,529	7,858	279	504	221,141	–	258,835
Asset retirement obligations	–	–	17	–	–	406	–	423
Charge for the year, as restated	27,524	1,529	7,875	279	504	221,547	–	259,258
Disposals	(781)	(280)	(398)	(377)	–	(930)	–	(2,766)
At 30 June 2005, as restated	150,136	19,496	30,814	1,072	27,969	1,235,222	–	1,464,709
At 30 June 2005, as previously stated	150,136	19,496	30,693	1,072	27,969	1,233,074	–	1,462,440
Asset retirement obligations	–	–	121	–	–	2,148	–	2,269
At 30 June 2005, as restated	150,136	19,496	30,814	1,072	27,969	1,235,222	–	1,464,709
Charge for the period	8,192	386	2,613	91	96	76,285	–	87,663
Disposals	(188)	(6)	–	(495)	–	(124)	–	(813)
At 31 October 2005	158,140	19,876	33,427	668	28,065	1,311,383	–	1,551,559
Net book value								
At 30 June 2003, as restated	76,490	3,814	22,523	215	1,889	1,184,763	–	1,289,694
At 30 June 2004, as restated	84,241	2,775	17,630	230	710	1,069,355	11,295	1,186,236
At 30 June 2005, as restated	65,515	1,802	14,587	1,024	206	962,369	22,798	1,068,301
At 31 October 2005	57,186	1,795	13,882	933	110	924,567	25,877	1,024,350

(b) Company

	Computer equipment *HK$'000*	Furniture and fittings *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2002	926	–	–	926
Additions	426	799	242	1,467
Disposals	(11)	(7)	–	(18)
At 31 December 2002	1,341	792	242	2,375
Additions	20	313	234	567
Disposals	–	–	(234)	(234)
Written off	–	(205)	–	(205)
At 31 December 2003	1,361	900	242	2,503
Disposals	(1,361)	(900)	–	(2,261)
At 30 June 2005	–	–	242	242
Disposals	–	–	(242)	(242)
Written off	–	–	–	–
At 31 October 2005	–	–	–	–
Accumulated depreciation				
At 1 January 2002	–	–	–	–
Charge for the year	373	117	32	522
At 31 December 2002	373	117	32	522
Charge for the year	414	177	64	655
Disposals	–	–	(16)	(16)
Written off	–	(38)	–	(38)
At 31 December 2003	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
Disposals	–	–	(152)	(152)
At 31 October 2005	–	–	–	–
Net book value				
At 31 December 2002	968	675	210	1,853
At 31 December 2003	574	644	162	1,380
At 30 June 2005	–	–	90	90
At 31 October 2005	–	–	–	–

(c) Investment properties – Group

	As at 30 June 2003 *HK$'000*	As at 30 June 2004 *HK$'000*	As at 30 June 2005 *HK$'000*	As at 31 October 2005 *HK$'000*
At the beginning of the year/period	–	–	–	–
Acquisition of a subsidiary	–	–	–	3,900
At the end of the year/period	–	–	–	3,900

The investment property of the Group is situated at Office Unit 1002 on 10th Floor, Block B, Jinyun Building, Xizhimen Bei Avenue, Haidian District, Beijing, the PRC. It is held on a medium-term lease and its existing use is commercial.

It was revalued on an open market value basis on 8 July 2005 by RHL Appraisal Ltd., an independent qualified valuer.

17 Investments in subsidiaries

	Company			
	As at 31 December 2002 *HK$'000*	As at 31 December 2003 *HK$'000*	As at 30 June 2005 *HK$'000*	As at 31 October 2005 *HK$'000*
Unlisted investments, at cost *(note a)*	10,939	10,939	1,262,670	1,283,670
Amounts due from subsidiaries *(note b)*	329,852	340,737	579,876	579,316
Amounts due to subsidiaries *(note c)*	(2,085)	(2,197)	(2,203)	(2,198)
	338,706	349,479	1,840,343	1,860,788
Less: Provision for impairment	(86,900)	(212,167)	(318,958)	(318,958)
	251,806	137,312	1,521,385	1,541,830

Notes:

(a) Particulars of the principal subsidiaries of the Company as at the date of this report are 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
Jetco Technologies Limited	Hong Kong	1,250,000 Ordinary shares of HK$1 each	100%	Investment holding and property investment
上海易圖通信息技術有限公司	The People's Republic of China (the "PRC")	Registered capital of Renminbi ("RMB") 10,000,000	80%	Provision of Internet content services and telecommunication value-added services in the PRC

(b) The amounts due from subsidiaries are unsecured and interest-free. The Company has confirmed that it will not request for repayment of the amounts due from the subsidiaries, of HK$579,316,000 outstanding as at 31 October 2005, within the next twelve months from the date of this report.

(c) The amounts due to subsidiaries are unsecured and interest-free. The subsidiaries have confirmed that they will not request for repayment of the amounts due to them, of HK$2,198,000 outstanding as at 31 October 2005, within the next twelve months from the date of this report.

18 Investments in associated companies

	Group			
	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	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.

19 Intangible assets

	Goodwill *HK$'000*	Licences *HK$'000*	Total *HK$'000*
At 1 July 2002, 2003 and 2004	–	–	–
Acquisition of Logistics Group *(Notes 2 and 32)*	65,996	–	65,996
At 30 June 2005, as previously stated	65,996	–	65,996
Split of equity component from convertible bond	(32)	–	(32)
At 30 June 2005, as restated	65,964	–	65,964
Acquisition of New World CyberBase Solutions (BVI) Limited ("NWCS") *(Note 32)*	5,525	1,470	6,995
At 31 October 2005	71,489	1,470	72,959

For the purpose of the impairment assessment of goodwill, the Group is considered a cash generating unit. The recoverable amount of the cash generating unit has been determined based on the higher of its fair value less cost to sell, using an observable market price for the unit, and value-in-use calculation.

20 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	As at 30 June 2003 HK$'000	As at 30 June 2004 HK$'000	As at 30 June 2005 HK$'000	As at 31 October 2005 HK$'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than twelve months	(340,909)	(249,715)	(222,292)	(220,463)
– Deferred tax assets to be recovered within twelve months	(15,748)	(53,471)	(40,447)	(31,707)
	(356,657)	(303,186)	(262,739)	(252,170)
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than twelve months	129,624	97,094	75,835	62,051
– Deferred tax liabilities to be recovered within twelve months	2,680	17,605	19,432	24,912
	132,304	114,699	95,267	86,963

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

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

	As at 30 June 2003 HK$'000	As at 30 June 2004 HK$'000	As at 30 June 2005 HK$'000	As at 31 October 2005 HK$'000
At the beginning of the year/period	237,421	224,353	188,487	167,472
Deferred taxation charged to profit and loss statement *(Note 13)*	(13,068)	(35,866)	(21,015)	(2,265)
At the end of the year/period	224,353	188,487	167,472	165,207

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 carry-forwards can be utilised.

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

Deferred tax assets	**Provision**	**Group Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2002	3,740	368,665	372,405
Charged to profit and loss statement	(267)	(15,481)	(15,748)
At 30 June 2003	3,473	353,184	356,657
Charged to profit and loss statement	(804)	(52,667)	(53,471)
At 30 June 2004	2,669	300,517	303,186
Charged to profit and loss statement	(593)	(39,854)	(40,447)
At 30 June 2005	2,076	260,663	262,739
Charged to profit and loss statement	(110)	(10,459)	(10,569)
At 31 October 2005	1,966	250,204	252,170

Deferred tax liabilities	**Group accelerated tax depreciation**
	HK$'000
At 1 July 2002	134,984
Credited to profit and loss statement	(2,680)
At 30 June 2003	132,304
Credited to profit and loss statement	(17,605)
At 30 June 2004	114,699
Credited to profit and loss statement	(19,432)
At 30 June 2005	95,267
Credited to profit and loss statement	(8,304)
At 31 October 2005	86,963

21 Inventories

	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Merchandise	11,520	29,657	38,024	26,326

22 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:

	As at 30 June 2003 *HK$'000*	As at 30 June 2004 *HK$'000*	As at 30 June 2005 *HK$'000*	As at 31 October 2005 *HK$'000*
Current – 30 days	16,810	60,066	71,091	71,887
31 – 60 days	10,976	14,015	13,455	15,476
61 – 90 days	4,236	4,776	9,469	6,547
Over 90 days	18,903	19,614	11,866	19,689
	50,925	98,471	105,881	113,599
Less: Provision for doubtful debts	(19,850)	(15,253)	(11,866)	(11,234)
	31,075	83,218	94,015	102,365

23 Amounts due from/(to) fellow subsidiaries and the ultimate holding company

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

24 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, Henry and Mr. Lo Lin Shing, Simon, the directors of the Company, are the directors of Cyber On-Air (Asia) Limited.

25 Cash and bank balances – Group

The analysis of cash and bank balances is as follows:

	As at 30 June 2003 *HK$'000*	As at 30 June 2004 *HK$'000*	As at 30 June 2005 *HK$'000*	As at 31 October 2005 *HK$'000*
Balances with original maturities of three months or less *(note a)*	113,640	94,444	116,534	75,278
Balances with original maturities of more than three months *(note b)*	–	–	–	787
	113,640	94,444	116,534	76,065

Notes:

(a) Included in the balances are balances with the PRC banks totalling HK$4,859,000. HK$226,000, Nil and Nil which were denominated in RMB as at 31 October 2005 and 30 June 2005, 2004 and 2003 respectively. The remittance of these balances outside the PRC is subject to foreign exchange control rules and regulations of the PRC.

(b) As at 31 October 2005, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of approximately RMB818,000 for claims filed against the subsidiaries whose directors have consulted the lawyers who considered that these claims were without merits.

26 Trade payables

The ageing analysis of the trade payables is as follows:

	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current – 30 days	2,096	19,651	62,013	56,866
31 – 60 days	911	6,473	26,100	44,836
61 – 90 days	553	3,692	2,345	32,285
Over 90 days	39,118	14,489	17,628	40,169
	42,678	44,305	108,086	174,156

27 Long-term liabilities

	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loan, secured	642,500	372,500	102,500	–
Less: Amount repayable within one year shown under current liabilities	(270,000)	(270,000)	(102,500)	–
	372,500	102,500	–	–

The bank loan was denominated in Hong Kong dollar and interest bearing at 0.65% above Hong Kong Interbank Offered Rate ("HIBOR"). It was 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 procured that the aggregate balance of these Charged Accounts shall not at any time be less that the debt service requirement which was approximately HK$24,000,000 at 30 June 2005, 30 June 2004 and 30 June 2003 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 the Company.

The carrying value of the bank loan approximated its fair value at each year end.

On 31 October 2005, the Group repaid the remaining balance of HK$102.5 million.

28 Capital

	Group *(note a)* *HK$'000*
At 1 July 2002, 30 June 2003 and 30 June 2004	1
Issue of shares *(note b)*	299
At 30 June 2005	300
Issue of shares *(note g)*	16,154
At 31 October 2005	16,454

	Company **No. of shares**	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2002, 2003 and 2004	10,000,000,000	100,000
Creation of additional shares *(note e)*	190,000,000,000	1,900,000
Share consolidation *(note f)*	(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 2002	3,182,434,000	31,824
Subscription for new shares *(note c)*	159,121,700	1,591
Shares issued for acquisition of Fusion Tech Holding Limited ("Fusion Tech") *(note d)*	300,000,000	3,000
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 30)*	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 2(a))*	4,166,666,667	41,667
Share consolidation *(note f)*	(7,839,040,144)	–
Ordinary shares of HK$1.00 each at 30 June 2005	79,182,223	79,182
Issue of shares *(note g)*	16,153,846	16,154
Ordinary shares of HK$1.00 each at 31 October 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 consolidated balance sheet represents the amount of issued shares of the legal subsidiary, NWPCS Holdings, prior to the Reverse Acquisition and shares issued by the Company after the Reverse Acquisition. The equity structure (i.e. the number and types of share) 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 Holdings, for capitalisation of loan as mentioned in Note 31.

(c) Pursuant to a subscription agreement dated 21 March 2002 made between Grade Win International Limited and the Company, 159,121,700 new ordinary shares of HK$0.01 each in the capital of the Company were issued on 10 May 2002 at a price of approximately HK$0.1332 per share. A sum of approximately HK$20,000,000, net of share issue expenses, was raised and used by the Group for general working capital purposes. The excess of the proceeds over the nominal value of the shares amounting to HK$19,604,000 was fully credited to the share premium account. These shares rank pari passu with the existing shares.

(d) On 23 October 2002, 300,000,000 new ordinary shares at HK$0.01 each in the capital of the Company were issued at a price of HK$0.15 per share for the acquisition of 45.702% interest in Fusion Tech from Southern Victory Developments Limited. The excess of the proceeds over the nominal value of the shares amounting to HK$20,400,000 was fully credited to the share premium account. These shares rank pari passu with the existing shares.

(e) 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.

(f) 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.

(g) On 21 October 2005, 16,153,846 ordinary shares of HK$1.00 each of the Company were issued at HK$1.3 each to New World CyberBase Limited ("NWC") for acquisition of the entired issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS").

(h) 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 Company has no legal or contractual obligation to repurchase or settle the outstanding share options in cash.

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 2002	15.8.2000 to 14.8.2003	0.284 *(note 1)*	114,000,000
Granted	9.2.2002 to 8.2.2008	0.150 *(note 2)*	50,300,000
Lapsed	9.2.2002 to 8.2.2008	0.150 *(note 2)*	(4,400,000)
At 31 December 2002			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 3)*	9.2.2002 to 8.2.2008	0.150	(44,352,000)
Lapsed	9.2.2002 to 8.2.2008	0.150	(448,000)
At 30 June 2005 and 31 October 2005			200,000

Notes:

(1) The price of Company's shares at grant date of options was HK$0.38.

(2) The price of the Company's shares at grant date of options was HK$0.148.

(3) 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 2) 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 2002, 31 December 2002 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
Lapsed	8.4.2005 to 31.12.2010	1.260	(78,000)
At 31 October 2005			2,916,000

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

Exercise period	Exercise price *HK$*	31 December 2002 Number of options	31 December 2003 Number of options	30 June 2005 Number of options	31 October 2005 Number of options
Directors					
15.8.2000 to 14.8.2003	0.284	114,000,000	–	–	–
9.2.2002 to 8.2.2008	2.440	45,900,000	45,000,000	200,000	200,000
28.1.2005 to 31.12.2010	1.260	–	–	2,916,000	2,838,000
28.1.2005 to 31.12.2010	1.260	–	–	78,000	78,000
		159,900,000	45,000,000	3,194,000	3,116,000

Under the exemption of HKFRS 2, all the options above have not been fair valued as they were fully vested prior to 1 July 2005, the date of the adoption of HKFRS 2.

All the outstanding options are exercisable during the respective exercise periods stated above.

29 Other reserves

(a) Group

	Share premium *(Note 28(a))* *HK$'000*	**Consolidation reserve** *HK$'000*	**Convertible bond reserves** *HK$'000*	**Total** *HK$'000*
At 1 July 2002, 2003 and 2004	999	–	–	999
Premium on issue of share *(Note 28(b))*	913,793	–	–	913,793
Arising from reverse acquisition *(Note 2)*	–	(1,115,538)	–	(1,115,538)
Renewal of convertible bond *(Note 3(a))*	–	–	40	40
Issue of Subscription Note *(Note 3(a))*	–	–	112,655	112,655
At 30 June 2005, as restated	914,792	(1,115,538)	112,695	(88,051)
At 30 June 2005, as previously stated	914,792	(1,115,538)	–	(200,746)
Renewal of convertible bond *(Note 3(a))*	–	–	40	40
Issue of Subscription Note *(Note 3(a))*	–	–	112,655	112,655
At 30 June 2005, as restated	914,792	(1,115,538)	112,695	(88,051)
Premium on issue of shares *(Note 28(g))*	4,846	–	–	4,846
At 31 October 2005	919,638	(1,115,538)	112,695	(83,205)

(b) *Company*

	Share premium *HK$'000*	Convertible bond reserves *HK$'000*	Total *HK$'000*
At 1 January 2002, as previously stated	401,584	–	401,584
Equity component of convertible bond	–	1,849	1,849
At 1 January 2002, as restated	401,584	1,849	403,433
Premium on issue of shares	40,004	–	40,004
Share issue expenses	(718)	–	(718)
At 31 December 2002, as restated	440,870	1,849	442,719
At 31 December 2002, as previously stated	440,870	–	440,870
Equity component of convertible bond	–	1,849	1,849
At 31 December 2002, as restated	440,870	1,849	442,719
Partial conversion of convertible bond *(Note 30)*	9,900	(518)	9,382
At 31 December 2003, as restated	450,770	1,331	452,101
At 31 December 2003, as previously stated	450,770	–	450,770
Equity component of convertible bond	–	1,331	1,331
At 31 December 2003, as restated	450,770	1,331	452,101
Capital reduction *(Note)*	(444,168)	–	(444,168)
Renewal of convertible bond	–	(1,291)	(1,291)
Issue of Subscription Note	–	112,655	112,655
At 30 June 2005, as restated	6,602	112,695	119,297
At 30 June 2005, as previously stated	6,602	–	6,602
Renewal of convertible bond	–	40	40
Issue of Subscription Note	–	112,655	112,655
At 30 June 2005, as restated	6,602	112,695	119,297
Issue of shares *(Note 28(g))*	4,846	–	4,846
At 31 October 2005	11,448	112,695	124,143

Note: 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. The remaining balance, if any, is to be applied as the directors of the Company may consider appropriate, subject to the compliance with the laws of the Cayman Islands.

30 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 Reverse Acquisition and share consolidation as detailed in Notes 2 and 28(f) respectively.

The fair values of the liability component and the equity conversion component were determined at issuance/renewal of the bonds.

The fair value of the liability component, included in long-term borrowings, 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 (Note 29) net of deferred income taxes, if any.

The fair value of the liability component of the Convertible Bond as at 31 December 2002, 31 December 2003, 30 June 2005 and 31 October 2005 approximate their carrying values respectively.

Interest expenses on the Convertible Bond are calculated using the effective interest method by applying the effective interest rates of 4.72% per annum and 3.04% per annum before and after the renewal of the Convertible Bond respectively to the liability component.

31 Promissory note issued to the immediate holding company/amounts due to the immediate holding company and the ultimate holding company/loan from a fellow subsidiary – Group

Pursuant to the S&P Agreement (Note 2), 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 Reverse 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 Reverse 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 28(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 31 October 2005 before 1 April 2007.

32 Business combinations

As mentioned in Note 2, NWPCS Holdings was deemed to have acquired the Logistics Group on 6 July 2004, and the allocation of the cost of acquisition of the Logistics Group is as follows:

	HK$'000	*HK$'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, as previously stated	28,286	
Fair value adjustments	(32)	
Convertible bond, as restated		(28,254)
		70,229
Consideration paid:		
Cash consideration		50,000
Subscription Note issued		1,200,000
Reverse acquisition adjustment *(Note 2)*		(1,115,538)
Deemed consideration		134,462
Professional fee incurred for the acquisition		1,731
		136,193
Goodwill		65,964

As a result of the acquisition of the Logistics Group, the NWPCS Group as part of the Group comprising the Company, a listed company on the Stock Exchange, would be able to provide investors, research analysts and rating agencies with greater clarity on its mobile telecommunications business and financial positions arousing greater interest from investors focused on mobile telecommunications business. The goodwill is attributable to the aforesaid consideration.

The acquiree's book value of net assets acquired at the date of acquisition approximated its fair value as disclosed above.

Turnover and post acquisition loss contributed by the business of the Logistics Group for the year ended 30 June 2005 were HK$4,261,000 and HK$47,092,000, respectively.

On 12 September 2005, the Company entered into a conditional sale and purchase agreement with NWC. Pursuant to the agreement, the Company agreed to acquire, and NWC agreed to dispose of, the entire issued share capital of NWCS, a wholly-owned subsidiary of NWC, and interest of NWC in the interest-free shareholder's loan due from NWCS for an aggregate consideration of HK$21 million. The consideration was satisfied by the issue of 16,153,846 ordinary shares of HK$1.00 each by the Company at an issued price of HK$1.3 per share, representing a discount of approximately 1.2% to the 10-day average closing price of the Company's share of approximately HK$1.316 per share for the last 10 consecutive trading days up to and including 12 September 2005 as quoted on the Stock Exchange.

The allocation of the cost of acquisition of NWCS and its subsidiaries (the "NWPCS Group") is as follows:

	HK$'000
Net assets acquired at fair value	
Investment properties	3,900
Fixed assets	2,641
Intangible assets	1,470
Trade receivables and other current assets	4,719
Cash and bank balances	10,683
Accruals and other payables	(7,938)
	15,475
Cost of acquisition	
Purchase consideration	21,000
Goodwill	5,525

With the acquisition of the NWCS Group, the Group's capability to develop value-added mobile products and services and competitiveness in the mobile telecommunication industry are enhanced. In light of the growing demand for mobile Internet services in the PRC, the acquisition will also enable the Group to capitalise on the mobile Internet service market in the PRC. The goodwill is attributable to the aforesaid factors.

The acquiree's book value of net assets acquired at the date of acquisition approximated its fair value as disclosed above.

Turnover and post acquisition loss contributed by the acquired business to the Group for the four months 31 October 2005 were HK$214,000 and HK$691,000 respectively.

Had the above acquisition been effected at the beginning of fiscal 2006, the revenue and the loss attributable to shareholders of the Group for the four months ended 31 October 2005 would be HK$6,573,000 and HK$5,477,000 respectively.

33 Notes to consolidated cash flow statements

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

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(As restated)	*(As restated)*	*(As restated)*	*(Unaudited)*	
Profit/(loss) before taxation	200,943	198,997	78,120	16,767	(4,531)
Depreciation	230,135	252,673	259,258	85,568	87,663
Loss on disposal of fixed assets	3,601	3,690	2,328	–	755
Gain on disposal of other investments	–	–	(100)	(100)	–
Gain on disposal of investment securities	–	–	(2,089)	(2,089)	–
Interest income	(128)	(115)	(635)	(164)	(533)
Interest expenses	9,724	7,336	65,287	25,648	29,691
Operating profit before working capital changes	444,275	462,581	402,169	125,630	113,045
(Increase)/decrease in inventories	(1,485)	(18,137)	(8,367)	13,726	11,698
Decrease/(increase) in trade receivables	14,299	8,965	(2,184)	16,640	(5,336)
Decrease/(Increase) in prepayments, other receivables and handset subsidies	2,002	(10,171)	(51,023)	(29,058)	(38,595)
Decrease/(increase) in rental and other deposits	12,491	6,922	(4,113)	(1,566)	(611)
(Increase)/decrease in amounts due from fellow subsidiaries and a related company	(1,378)	4,039	6,486	3,789	(2,745)
Decrease in amount due from an associated company	–	–	–	266	–
(Decrease)/increase in trade payables	(21,987)	1,637	63,781	14,146	64,868
Decrease in accrued charges, other payables, deposits received and deferred income	(24,778)	(45,456)	(10,540)	(6,370)	(21,581)
Net cash inflow generated from operations	423,439	410,380	396,209	137,203	120,743

(b) Net cash inflow from acquisition of subsidiaries

	Year ended			Four months ended	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cash and cash equivalents acquired	–	–	97,361	97,361	9,896
Cash consideration paid	–	–	(50,000)	(50,000)	–
Professional fee paid	–	–	(1,731)	(1,731)	–
	–	–	45,630	45,630	9,896

34 Contingent liabilities – Group

	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank guarantees in lieu of deposits	–	9,126	8,528	8,685

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

35 Commitments

(a) Capital commitments

	Group			
	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for	84,571	249,205	123,680	97,941
Authorised but not contracted for	–	15,340	138,284	67,732
	84,571	264,545	261,964	165,673

(b) Commitments under operating leases

(i) The Group had total future aggregate minimum lease payments under non-cancellable operating leases which expire as follows:

	Group			
	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land and buildings				
Within one year	153,335	136,842	167,406	158,562
In the second to fifth year inclusive	68,636	60,878	98,298	106,845
After the fifth year	3,091	6,524	12,458	31,214
	225,062	204,244	278,162	296,621

(ii) The Group had total future aggregate minimum lease rental receivable under non-cancellable operating leases which expire as follows:

	Group			
	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land and buildings				
Within one year	–	–	–	118
	–	–	–	118

36 Related party transactions

The Group is controlled by PPG (incorporated in the British Virgin Islands), which owns 55.84% of the Company's shares. The remaining 44.16% of the shares are widely held. The ultimate parent of the Group is NWD (incorporated in Hong Kong).

The following transactions were carried out with related parties:

(i) Sales of goods and services

		Year ended			Four months ended	
		30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equipment rental income from a fellow subsidiary	*(a)*	2,908	–	–	–	–
Reimbursement of rental expenses from a fellow subsidiary	*(b)*	7,878	–	–	–	–
Service fee income from fellow subsidiaries	*(c)*	2,756	958	2,566	1,783	1,583

Notes:

(a) Equipment rental income was calculated by applying a fixed rate, as agreed by the parties involved, on the depreciation charge of the shared equipment.

(b) Reimbursement of rental expenses was based on the occupancy of floor area of the parties involved.

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

(ii) Purchase of goods and services

		Year ended			Four months ended	
		30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Purchase of services from fellow subsidiaries	*(a)*	(101,008)	(103,985)	(38,794)	(14,331)	(9,124)
Purchase of fixed assets from						
– fellow subsidiaries	*(a)*	(697)	(697)	–	–	–
– a related company	*(a)*	–	–	(6,320)	(918)	(1,229)
Rental expenses to fellow subsidiaries	*(b)*	(33,041)	(26,242)	(24,431)	(7,668)	(7,819)
Loan interest paid/payable to a fellow subsidiary	*(c)*	–	–	(16,226)	(3,619)	(12,746)
Subscription note interest paid/ payable to PPG	*(d)*	–	–	(8,877)	(2,910)	(3,033)
Convertible bond interest paid/ payable to NWCBN	*(e)*	–	–	(849)	(286)	(286)
Reimbursement of office administrative expenses and fee charged from a related company	*(f)*	–	(3,242)	(5,656)	(2,770)	(2,874)
Acquisition of interest in NWCS from NWC	*32*	–	–	–	–	(21,000)

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

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

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

(d) Interest on the Subscription Note was charged at 0.75% per annum.

(e) Interest on the Convertible Bond was charged at 3% per annum and was payable semi-annually in arrears.

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

(iii) Key management compensation

Management considers remuneration to all key management of the Group has already been disclosed on Note 11(b).

(iv) Year-end/period-end balances arising from sales/purchases of goods/services

	Note	**As at 30 June 2003** *HK$'000*	**As at 30 June 2004** *HK$'000*	**As at 30 June 2005** *HK$'000*	**As at 31 October 2005** *HK$'000*
Receivables from fellow subsidiaries	*23*	7,137	3,098	29	29
Payables to other related companies	*24*	–	–	846	537

III SUBSEQUENT EVENT

On 8 December 2005, the Company entered into the Merger Agreement with Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited, pursuant to which Telstra CSL has agreed to issue and allot and the Company has agreed to procure NW SPV to subscribe for new shares in Telstra CSL (the "Telstra CSL Acquisition"), which will represent 23.6% of the enlarged share capital of Telstra CSL upon completion, in exchange for the transfer of all of the Company's interests in NWPCS Holdings to Telstra CSL (the "Disposal") and a cash payment of HK$244.024 million by the Company to Telstra CSL. The transactions constitute a very substantial disposal and a very substantial acquisition under Chapter 14 of the Listing Rules. As such, the completion of the Merger Agreement (the "Completion") is subject to, amongst others, the approval by the shareholders of the Company. Further, the Company has entered into the subscription agreements whereby the Company will subscribe for new shares in NWPCS Holdings in cash immediately prior to Completion, which will provide the NWPCS Group with funds (i) to retire their outstanding debts as at the date of Completion; and (ii) for a certain level of negative working capital as at the date of Completion. As at 31 October 2005, the amount of outstanding debts of the NWPCS Group was approximately HK$1.13 billion. The board of directors of NWD advises that a shareholder's loan will be advanced by NWD to the Company to enable the Company to satisfy the payment of the subscription amount and the repayment of debt owing to NWD and its subsidiaries. The above-mentioned shareholder's loan, if advanced by NWD to the Company, will be unsecured and has no definite term of repayment.

Upon Completion, the Company will account for the Telstra CSL Acquisition as an investment in an associate, and the NWPCS Group will cease to be subsidiaries of the Company upon Completion. Since the Merger Agreement is subject to Completion, the gain and loss arising from the Disposal, the purchase consideration for the Telstra CSL Acquisition and the resulting goodwill, if any, cannot be determined as at the date of this Report.

The turnover, results, cash flows and net assets of the NWPCS Group are as follows:

	Year ended			**Four months ended**	
	30 June 2003	**30 June 2004**	**30 June 2005**	**31 October 2004**	**31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(As restated)	*(As restated)*	*(As restated)*	*(Unaudited)*	
Turnover	1,662,328	1,698,744	1,704,793	581,180	700,051
Other revenue	128	115	527	124	439
Operating costs	(1,451,789)	(1,492,526)	(1,559,612)	(538,626)	(673,707)
Operating profit	210,667	206,333	145,708	42,678	26,783
Finance costs	(9,724)	(7,336)	(64,402)	(25,199)	(29,399)
Profit/(loss) before taxation	200,943	198,997	81,306	17,479	(2,616)
Taxation	(13,068)	(35,866)	(21,015)	(5,611)	(2,265)
Profit/(loss) for the year	187,875	163,131	60,291	11,868	(4,881)
Net operating cash inflow	414,223	403,604	388,520	135,353	103,375
Net investing cash outflow	(139,920)	(152,790)	(140,259)	(60,167)	(51,236)
Net financing cash outflow	(200,205)	(270,010)	(239,075)	(55,755)	(103,339)
Total net cash inflow/ (outflow)	74,098	(19,196)	9,186	19,431	(51,200)

	As at 30 June 2003	**As at 30 June 2004**	**As at 30 June 2005**	**As at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(As restated)	*(As restated)*	*(As restated)*	
Fixed assets	1,289,694	1,186,236	1,067,750	1,021,245
Deferred taxation	224,353	188,487	167,472	165,207
Rental and other deposits	14,121	10,659	8,882	7,900
Current assets	210,678	264,434	351,964	334,668
Total assets	1,738,846	1,649,816	1,596,068	1,529,020
Current liabilities	(1,469,354)	(1,486,643)	(439,131)	(461,773)
Non-current liabilities	(1,311,450)	(1,042,000)	(1,242,527)	(1,142,088)
Total liabilities	(2,780,804)	(2,528,643)	(1,681,658)	(1,603,861)
Net liabilities	(1,041,958)	(878,827)	(85,590)	(74,841)

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or its subsidiaries in respect of any period subsequent to 30 June 2005. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 30 June 2005.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(A) WORKING CAPITAL

The NWM Board is of the opinion that after taking into account the existing financing available to the Enlarged Group, the working capital requirements, the expected cash flows of the Enlarged Group, the Enlarged Group will, following Completion, have sufficient working capital for its present requirements for the next 12 months from the date of this circular in the absence of unforeseen material circumstances.

(B) MATERIAL ADVERSE CHANGES

The NWM Board confirms that there have not been any material adverse changes in the financial or trading position or prospects of the NWM Group since 31 October 2005, the date to which the last published audited accounts of the NWM Group were made up.

(C) INDEBTEDNESS

At the close of business on 31 December 2005 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the NWM Group had outstanding borrowings of HK$2,120,340,000, comprising unsecured loans from a fellow subsidiary of HK$60,000,000 repayable within one year and HK$877,500,000 of which the fellow subsidiary has confirmed that it will not request for repayment before 1 April 2007, an unsecured convertible note to the immediately holding company of HK$1,154,856,000 and an unsecured convertible bond of HK$27,984,000 to a fellow subsidiary which are both repayable within a period of more than one year but not exceeding two years.

At the close of business on 31 December 2005, the NWM Group had aggregate contingent liabilities of HK$8,682,000, all of which was related to the issue of bank guarantees given in lieu of deposits.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 December 2005, the NWM Group did not have any outstanding indebtedness, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the NWM Group since 31 December 2005. Foreign currency amounts have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rate of exchange ruling at the close of business on 31 December 2005.

(D) MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS OF THE NWM GROUP

Year ended 30 June 2003

As a result of the Reverse Acquisition, the financial information of the NWM Group for the years ended 30 June 2003 and 2002 represented that of the NWPCS Group.

Financial review

For the year ended 30 June 2003, the NWM Group's consolidated turnover slightly increased by HK$43 million to HK$1,662 million (2001/02: HK$1,619 million). The turnover of the NWM Group was contributed by mobile communications services revenue and sales of handsets and accessories.

The gross margin increased to HK$960 million, an increase of HK$83 million from that for the year ended 30 June 2002 of HK$877 million. The operating expenses, excluding depreciation and amortisation charge ("OPEX") amounted to HK$520 million, a decrease of HK$95 million as compared with HK$615 million for the previous year. The NWM Group's EBITDA for the year ended 30 June 2003 increased to HK$441 million. (2001/02: HK$354 million).

Finance costs for the year ended 30 June 2003 decreased to HK$10 million. (2001/02: HK$39 million).

The NWM Group's profit attributable to shareholders increased to HK$188 million (2001/02: HK$86 million).

Capital structure, liquidity and financial resources

The total borrowings of the NWM Group amounted to HK$2,435 million (30 June 2002: HK$2,634 million). The borrowings comprised a loan of HK$934 million from the immediate holding company, a promissory note of HK$858 million issued to the immediate holding company and bank loans of HK$643 million. These borrowings are denominated in Hong Kong dollars and are interest free, interest free and bearing interest at 0.65% above HIBOR per annum respectively.

As at 30 June 2003, the NWM Group's cash and bank balances amounted to HK$114 million (30 June 2002: HK$40 million).

Capital expenditure of the NWM Group amounted to HK$140 million for the year (2001/02: HK$212 million).

The NWM Group adopts a conservative and balanced treasury policy. Any surplus funds placed as deposit with banks in Hong Kong are maintained in Hong Kong dollars.

The functional currency of the NWM Group is Hong Kong dollar. The NWM Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollar. The NWM Group does not therefore have any significant exposure to foreign currency gains and losses. It is the NWM Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the NWM Group. The NWM Group does not conduct any foreign currency speculative activities.

Employees and remuneration policy

As at 30 June 2003, the NWM Group had a total of 792 employees (30 June 2002: 795). The NWM Group's emolument policy is to pay salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the NWM Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

Year ended 30 June 2004

As a result of the Reverse Acquisition, the financial information of the NWM Group for the years ended 30 June 2004 and 2003 represented that of the NWPCS Group.

Financial review

For the year ended 30 June 2004, the NWM Group's consolidated turnover slightly increased by HK$37 million to HK$1,699 million (2002/03: HK$1,662 million). The turnover of the NWM Group was contributed by mobile communications services revenue and sales of handsets and accessories.

The gross margin dropped to HK$926 million, a decrease of HK$34 million from that for the year ended 30 June 2003 of HK$960 million. OPEX amounted to HK$467 million, a decrease of HK$53 million from HK$520 million for the previous year. The NWM Group's EBITDA for the year ended 30 June 2004 increased to HK$459 million. (2002/03: HK$441 million).

Finance costs for the year ended 30 June 2004 decreased to HK$7 million. (2002/03: HK$10 million).

The NWM Group's profit attributable to shareholders dropped to HK$163 million (2002/03: HK$188 million).

Capital structure, liquidity and financial resources

The total borrowings of the NWM Group amounted to HK$2,165 million (30 June 2003: HK$2,435 million). The borrowings comprised a loan of HK$934 million from the immediate holding company, a promissory note of HK$858 million issued to the immediate holding company and bank loans of HK$373 million. These borrowings are denominated in Hong Kong dollars and are interest free, interest free and bearing interest at 0.65% above HIBOR per annum respectively.

As at 30 June 2004, the NWM Group's cash and bank balances amounted to HK$94 million (30 June 2003: HK$114 million).

Capital expenditure of the NWM Group amounted to HK$154 million for the year (2002/03: HK$140 million).

The NWM Group adopts a conservative and balanced treasury policy. Any surplus funds placed as deposit with banks in Hong Kong are maintained in Hong Kong dollars.

The functional currency of the NWM Group is Hong Kong dollar. The NWM Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollar. The NWM Group does not therefore have any significant exposure to foreign currency gains and losses. It is the NWM Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the NWM Group. The NWM Group does not conduct any foreign currency speculative activities.

Employees and remuneration policy

As at 30 June 2004, the NWM Group had a total of 706 employees (30 June 2003: 792). The NWM Group's emolument policy is to pay salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the NWM Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

Year ended 30 June 2005

Change of financial year end

On 6 July 2004, NWM completed the Reverse Acquisition. Since then, the NWM Group has mainly been engaged in offering a host of quality mobile communications services in Hong Kong, including voice services and value-added services tailored to the specific needs of individual customer groups, via advanced mobile technologies.

The Reverse Acquisition constituted a reverse acquisition for accounting purposes and therefore the comparative financial information presented in these accounts represented that of the NWPCS Group, which had a financial year end date of 30 June.

In order to conform to the financial year end date of NWD and the NWPCS Group, NWM changed its financial year end date from 31 December to 30 June. Accordingly, the financial period of NWM under review in the Annual Report 2004/2005 of NWM covered the eighteen months from 1 January 2004 to 30 June 2005.

Financial review

For the year ended 30 June 2005, the NWM Group's consolidated turnover slightly increased by HK$10 million to HK$1,709 million (2003/04: HK$1,699 million). The turnover of the NWM Group was mainly contributed by mobile communications services revenue and sales of handsets and accessories.

Mobile communications services revenue for the year ended 30 June 2005 amounted to HK$1,318 million (2003/04: HK$1,442 million), representing a 8.6% decrease. The decline was mainly attributable to aggressive price promotions offered by mobile service operators and severe competition on tariffs. As a result, the post-paid ARPU dropped from HK$180 in the year ended 30 June 2004 to HK$170 in the year ended 30 June 2005. However, the NWM Group continued to excel in customer servicing and providing mobile users with pioneering data services to maintain its competitiveness during the year. The NWM Group was successful in maintaining the churn rate at approximately 3.6% (2003/04: approximately 3.3%).

Revenue from sales of mobile handsets and accessories for the year ended 30 June 2005 was HK$386 million, representing a surge of approximately 50% as compared with HK$257 million for the year ended 30 June 2004. This was achieved by offering various "free handset" promotional offers and a wide range of handset models with advanced features to customers during the year.

The cost of goods sold and services provided was HK$866 million, representing an increase of HK$93 million as compared with the year ended 30 June 2004 (2003/04: HK$773 million). The increase was a direct result of a corresponding increase in handset sales.

The gross profit margin of the NWM Group was approximately 49% for the year ended 30 June 2005 (2003/04: approximately 54%). The decrease was mainly due to the relatively low gross profit margin of mobile handsets and accessories sales and the decline of ARPU.

Investments in trading securities and other investments were disposed of during the year ended 30 June 2005 resulting in gains on sales of investments of HK$2 million.

The NWM Group continues to enhance operating efficiency, resulting in a lower OPEX. The OPEX was reduced by approximately 5.6% to HK$441 million (2003/04: HK$467 million).

The NWM Group's EBITDA for the year ended 30 June 2005 dropped to HK$403 million (2003/04: HK$459 million).

Finance costs for the year ended 30 June 2005 increased to HK$65 million (2003/04: HK$7 million). The increase was mainly due to the interest payments by the NWM Group in respect of a loan from a fellow subsidiary, the Subscription Note (as defined below) which arose as a result of the Reverse Acquisition and a convertible bond ("Convertible Bond"). Increase in HIBOR was also a substantial factor for the increase in finance costs.

As a result of the combined effects of the above, the NWM Group's profit attributable to shareholders dropped to HK$57 million (2003/04: HK$163 million).

Capital structure, liquidity and financial resources

Prior to the completion of the Reverse Acquisition, the outstanding balances of the promissory note issued to and the amount due to the immediate holding company of NWM as at 30 June 2004 amounted to HK$858 million and HK$934 million respectively. An amount of HK$914 million of the aforesaid outstanding balances due to the immediate holding company of NWM was capitalised through the issuance of 298,911,000 ordinary shares by NWPCS Holdings on 6 July 2004. The remaining balance of amounts due to the immediately holding company of NWM of HK$878 million was repaid by a fresh loan from a fellow subsidiary of NWM.

For financing the Reverse Acquisition, NWM issued the convertible note in the principal amount of HK$1,200 million (the "Subscription Note") and 41,666,666 new NWM Shares (the "Subscription Shares") at HK$1.20 per NWM Share respectively, in July 2004. The liability component of the Subscription Note amounted to approximately to HK$1,131 million as at 30 June 2005.

Apart from the Subscription Note, the total borrowings of the NWM Group as at 30 June 2005 were HK$1,009 million (30 June 2004: HK$2,164 million). The total borrowings mainly comprised a loan from New World Finance Company Limited ("NWF") of HK$878 million, the Convertible Bond of HK$28 million, and a bank loan of HK$103 million. All these borrowings are denominated in Hong Kong dollars and bear interest at HIBOR + 0.65%, 3% and HIBOR + 0.65%, respectively.

The loan from NWF is repayable on demand after 1 April 2007. The maturity date for the Convertible Bond is in November 2007. The bank loan was fully repaid in October 2005.

As most of the borrowings of the NWM Group including the Subscription Note as at 30 June 2005 are regarded as shareholders' loans, the gearing ratio of the NWM Group calculated thereon is considered to be misleading and is not presented in this circular.

As at 30 June 2005, the NWM Group's cash and bank balances amounted to HK$117 million (30 June 2004: HK$94 million).

The NWM Group's net cash inflow from operations reduced by HK$14 million to HK$396 million (2003/04: HK$410 million).

As at 30 June 2005, none of the assets held by the NWM Group were pledged to other parties (30 June 2004: Nil).

Capital expenditure of the NWM Group amounted to HK$141 million for the year ended 30 June 2005 (2003/04: HK$154 million). Capital expenditure was mainly for ongoing enhancements in service quality, coverage of the mobile network, and purchase of hardware and software for multimedia services provision.

The NWM Group adopts a conservative and balanced treasury policy. Any surplus funds placed as deposit with banks in Hong Kong are maintained in Hong Kong dollars.

The functional currency of the NWM Group is Hong Kong dollars. The NWM Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollars. The NWM Group does not therefore have any significant exposure to foreign currency gains and losses. It is the NWM Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the NWM Group. The NWM Group does not conduct any foreign currency speculative activities.

As at 30 June 2005, the NWM Group had obtained bank guarantees in lieu of deposits of HK$9 million (30 June 2004: HK$9 million) in aggregate.

Employees and remuneration policy

As at 30 June 2005, the NWM Group had a total of 662 employees (30 June 2004: 706). The NWM Group's remuneration policy is to pay salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the NWM Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

Four months ended 31 October 2005

Financial review

The NWM Group recorded a turnover of HK$700 million for the period, representing an increase of approximately 19.9% from HK$584 million for the same period in 2004. The NWM Group's turnover was mainly contributed by mobile communications services revenue and sales of handsets and accessories.

Revenue from mobile communications services amounted to HK$430 million, representing a decrease of approximately 4.9% from HK$452 million in the same period last year. The ARPU remained the same as last year's at HK$172. The NWM Group continued to focus on improving its networks and service quality while maintaining its competitiveness in the current price-driven market. The NWM Group succeeded in retaining its customers, reducing the churn rate from approximately 3.2% in the four months ended 31 October 2004 to approximately 3.0% in the four months ended 31 October 2005.

Revenue from sales of mobile handsets and accessories for the period surged to HK$270 million, representing slightly over two times the revenue of HK$129 million for the same period last year. The increase in revenue was attributed to various handset programs promotional offers and the provision of a wide selection of mobile handsets with advanced features.

The gross profit margin of the NWM Group reduced from approximately 49.0% for the last corresponding period to approximately 37.0%. This was mainly due to the relatively low gross profit margin of mobile handsets and accessories sales. The NWM Group's gross profit of HK$259 million was approximately 9.4% lower than that for the corresponding period last year. This was mainly due to the decrease in revenue from mobile communications services.

The NWM Group continued to exercise tight cost control to maintain a lower OPEX. The OPEX declined by approximately 7.0% from HK$158 million for the same period last year to HK$147 million.

The NWM Group's EBITDA dropped to HK$113 million from HK$128 million for the same period in 2004.

Finance costs increased to HK$30 million from HK$26 million for the corresponding period last year. The increase was mainly due to the increase in variable interest rates as a result of the increase in HIBOR slightly offset by the decrease in interest expenses on the Subscription Note and Convertible Bond arising from the adoption of HKAS 32.

As a result of the combined effects of the above, the NWM Group had a loss attributable to shareholders of HK$7 million, as compared to a profit of HK$11 million for the corresponding period of the previous year.

Capital structure, liquidity and financial resources

For financing the Reverse Acquisition, NWM has issued Subscription Shares and Subscription Note at considerations of HK$50 million and HK$1,200 million, respectively, in July 2004. The liability component of the Subscription Note amounted to HK$1,147 million as at 31 October 2005 (30 June 2005: HK$1,131 million).

Apart from the Subscription Note, the total borrowings of the NWM Group as at 31 October 2005 were HK$906 million (30 June 2005: HK$1,009 million). The total borrowings comprised a loan from NWF of HK$878 million and the Convertible Bond of HK$28 million. All these borrowings are denominated in Hong Kong dollars and bear interest at HIBOR + 0.65% and 3% respectively.

The loan from NWF is repayable on demand after 1 April 2007. The maturity date for the Convertible Bond is in November 2007.

As most of the borrowings of the NWM Group including the Subscription Note as at 31 October 2005 are regarded as shareholders' loans, the gearing ratio of the Group calculated thereon is considered to be misleading and so not presented in this circular.

As at 31 October 2005, the NWM Group's cash and bank balances amounted to HK$76 million (30 June 2005: HK$117 million).

The NWM Group's net cash inflow generated from operations was reduced by HK$16 million to HK$121 million for the current period ended as compared to the same period last year.

Pursuant to the respective terms of the Subscription Note and the Convertible Bond, NWD may exercise its conversion rights to convert an aggregate amount of HK$1,175 million into new NWM Shares. The remaining borrowing of HK$878 million is repayable after 1 April 2007. It is expected that the NWM Group will generate cash flow from dividends from the investment in the Merged Group following Completion.

Capital expenditure of the NWM Group amounted to HK$52 million for the current period. This was mainly for ongoing enhancements in service quality, coverage of the mobile network, and purchase of hardware and software for the provision of multimedia services.

The NWM Group adopts a conservative and balanced treasury policy. Any surplus funds placed as deposit with banks in Hong Kong are maintained in Hong Kong dollars.

The principal functional currency of the NWM Group is Hong Kong dollars. The Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollars. The NWM Group does not therefore have any significant exposure of foreign currency gains and losses. It is the NWM Group's treasury policy to manage foreign currency gains and losses whenever its financial impact is material to the NWM Group. The NWM Group does not conduct any foreign currency speculative activities.

As at 31 October 2005, the NWM Group had obtained bank guarantees in lieu of deposits of HK$9 million in aggregate.

Acquisition of NWCS

On 21 October 2005, NWM acquired from New World CyberBase Limited the entire issued share capital of NWCS and was assigned the interests of New World CyberBase Limited in its shareholder's loan owing from NWCS for an aggregate consideration of HK$21 million. The consideration was satisfied by the issue of 16,153,846 NWM Shares at an issue price of HK$1.3 each.

Employees and remuneration policy

As at 31 October 2005, the NWM Group had a total of 887 employees (30 June 2005: 662) The increase in the number of employees was attributable to the headcount of the NWCS Group acquired by the NWM Group in October 2005. The NWM Group's emolument policy is to pay salaries that are competitive in the industry in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the NWM Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

(E) INFORMATION ON THE NWCS GROUP

Based on the unaudited management accounts of the NWCS Group prepared in accordance with the generally accepted accounting principles in Hong Kong, the unaudited consolidated loss both before and after taxation attributable to the NWCS Group for the year ended 31 March 2004 were HK$16.0 million, whereas the unaudited consolidated loss both before and after taxation attributable to the NWCS Group for the year ended 31 March 2005 were HK$20.7 million. As at 31 March 2005, the unaudited consolidated net deficit of the NWCS Group amounted to HK$265.4 million.

During the first six months of the fiscal year, the business of the NWCS Group focused on two streams: information technology-related ("IT") business and property-related business. For IT business, the NWCS Group continued to build its strong foundation in China and leverage on the fast and exciting development of the telecommunication and Internet market. The NWCS Group saw the continuous growth in multimedia messaging services ("MMS"), wireless application protocol ("WAP") and Internet. The NWCS Group continued to enrich the product portfolio leading up to the transition into the 3G market.

During the last six months of the fiscal year, the NWCS Group established a presence in two major areas: (i) digital music-related services in the mobile entertainment sector and (ii) "local" city directory search services.

The NWCS Group has successfully launched over 20 nationwide mobile entertainment MMS, WAP and short messaging services ("SMS") products. These service offerings mainly focused on digital music segment for the wireless and on-line market in the PRC including ring-tone, color ring-back tone and side tone downloads.

In addition, the NWCS Group has expanded from its nationwide mapping mobile Internet service, www.chinaquest.com to offer a comprehensive local city search information services initially covering few major provinces. The service will allow customers to search for local city information and mapping direction via the Internet and mobile phone.

The NWCS Group has established seven operating offices in PRC, with 228 employees in the PRC in December 2005, including Beijing, Shanghai, Guangzhou, Nanjing, Xian, Chengdu, and Shenyang. The operations are spread over six regional areas focusing on sales operations of the assigned territory, while product management and research and development teams are stationed in Shanghai.

(F) FINANCIAL AND TRADING PROSPECTS

The Hong Kong mobile telecommunications market is one of the highest penetrated in the world with approximately 8.4 million mobile telecommunications subscribers as at 30 November 2005 and a mobile communications penetration rate (defined as the total number of mobile telecommunications subscribers as a percentage of the Hong Kong population) of approximately 121% as at October 2005. The Hong Kong mobile telecommunications market has been growing strongly over the past few years with the number of mobile telecommunications subscribers increasing from approximately 5.2 million as at 31 December 2000 to approximately 8.4 million as at 30 November 2005, representing a compounded annual growth rate of approximately 10%.

The Hong Kong mobile telecommunications market had 3.7 million pre-paid mobile telecommunications subscribers representing approximately 44% of the total Hong Kong mobile telecommunications subscriber base as at 30 November 2005. Following the issuance by OFTA of 3G mobile telecommunications licenses in October 2001, the Hong Kong mobile telecommunications market had attracted approximately 0.6 million 3G mobile telecommunications subscribers as at 30 November 2005. According to OFTA, the Hong Kong's mobile telecommunications market had approximately 1.8 million 2.5G and 3G subscribers, representing approximately 22% of the total Hong Kong mobile telecommunications subscriber base as at 30 November 2005.

Mobile Number Portability ("MNP") was introduced in Hong Kong on 1 March 1999. MNP allows mobile telecommunications subscribers to change mobile operators while retaining their mobile phone numbers. The objective in introducing MNP was to promote competition between the various Mobile Network Operators. As per statistics published by OFTA, as at 30 November 2005 there were approximately 8.4 million numbers ported since the introduction of MNP in Hong Kong, equating to an average of 102,365 portings per month.

The presence of Mobile Virtual Network Operators ("MVNO") has also been a catalyst to intensify the already strong competition in the Hong Kong mobile telecommunications market. An MVNO provides mobile telecommunications services to customers through interconnection with and access to the radiocommunications infrastructure of a licensed Mobile Network Operator. As at 30 June 2005, MVNO licenses have been issued to seven service licensees. As at 30 November 2005, MVNO in Hong Kong had 509,488 mobile telecommunications subscribers on a combined basis.

The NWM Board has noted that the growth in the mobile telecommunications market in Hong Kong has slowed down since 2004, and expect that the number of mobile telecommunications subscribers will increase at a relatively modest rate given the currently already high penetration rates for subscribers in Hong Kong. Based on the aforesaid, the NWM Board considers that the mobile telecommunications market in Hong Kong is highly competitive.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

7 March 2006

The Board of Directors
New World Mobile Holdings Limited

The Board of Directors
Telstra CSL Limited

Dear Sirs,

We set out below our report on the financial information regarding Telstra CSL Limited ("TCSL") and its subsidiaries (hereinafter collectively referred to as the "TCSL Group") for each of the three years ended 30 June 2003, 2004 and 2005, the four months ended 31 October 2005 (collectively, the "Relevant Periods"), and the four months ended 31 October 2004 (the "31 October 2004 Financial Information"), for inclusion in the circular (the "Circular") dated 7 March 2006 issued by New World Mobile Holdings Limited ("NWM Holdings"), in connection with its proposed very substantial acquisition of a 23.6% equity interest in TCSL.

TCSL was incorporated in Bermuda with limited liability on 22 September 2000. The principal activity of TCSL is investment holding.

At the date of this report, TCSL has the following subsidiaries:

Name of subsidiary	Place of operations and incorporation	Nominal value of issued share capital	Percentage of issued share capital held by TCSL		Principal activities
			Directly	Indirectly	
Bestclass Holdings Limited	Hong Kong/ British Virgin Islands	US$50,000	100%	–	Investment holding
Hong Kong CSL Limited	Hong Kong	HK$2,031,043,443	–	100%	Provision of mobile telecommunications services and products
Integrated Business Systems Limited	Hong Kong	HK$2	–	100%	Property investment
One2Free PersonalCom Limited	Hong Kong	HK$2	–	100%	Inactive
CSL Limited	Hong Kong	HK$2	–	100%	Dormant

No audited financial statements have been prepared for TCSL and Bestclass Holdings Limited for the Relevant Periods as there is no statutory requirement for the entities to prepare audited financial statements. For the purpose of this report, we have carried out audit procedures as we considered necessary in respect of the management accounts of TCSL and Bestclass Holdings Limited for the Relevant Periods, prepared in accordance with accounting principles generally accepted in Hong Kong by the directors of TCSL and Bestclass Holdings Limited, respectively, in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory consolidated financial statements of Hong Kong CSL Limited and its subsidiaries, including Integrated Business Systems Limited, One2Free PersonalCom Limited and CSL Limited, for each of the three years ended 30 June 2003, 2004 and 2005, which were prepared in accordance with accounting principles generally accepted in Hong Kong, were audited by us in accordance with HKSAs issued by the HKICPA.

For the purpose of this report, the directors of TCSL have prepared the consolidated financial statements of the TCSL Group for the Relevant Periods (the "Financial Information") on the basis set out in Note 1 below. We have examined the Financial Information in accordance with HKSAs issued by the HKICPA, and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information is the responsibility of the directors of TCSL. It is our responsibility to form an independent opinion on such information and to report our opinion to you.

For the purpose of this report, we have performed a review of the 31 October 2004 Financial Information, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than an audit and, accordingly, we do not express an audit opinion on the 31 October 2004 Financial Information.

Opinion in respect of the Relevant Periods

In our opinion, the Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of TCSL and of the TCSL Group as at 30 June 2003, 2004 and 2005, and 31 October 2005, and of the results and cash flows of the TCSL Group for each of the Relevant Periods.

Review conclusion in respect of the 31 October 2004 Financial Information

On the basis of our review, for the purpose of this report, we are not aware of any material modification that should be made to the results and cash flows of the TCSL Group as set out in the 31 October 2004 Financial Information.

1. BASIS OF PRESENTATION

The Financial Information has been prepared on a going concern basis notwithstanding that TCSL and the TCSL Group recorded net current liabilities as at 31 October 2005 since TCSL's ultimate holding company, Telstra Corporation Limited ("Telstra"), a company incorporated in Australia and listed on the Australian Stock Exchange, has agreed to provide adequate funds for TCSL and the TCSL Group to meet their liabilities as and when they fall due.

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Starting from the four months ended 31 October 2005, the TCSL Group has adopted, for the first time, a number of the relevant new and revised HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005:

HKAS 1	"Presentation of financial statements"
HKAS 2	"Inventories"
HKAS 7	"Cash flow statements"
HKAS 8	"Accounting policies, changes in accounting estimates and errors"
HKAS 10	"Events after the balance sheet date"
HKAS 12	"Income taxes"
HKAS 14	"Segment reporting"
HKAS 16	"Property, plant and equipment"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 19	"Employee benefits"
HKAS 21	"The effects of changes in foreign exchange rates"
HKAS 23	"Borrowing costs"
HKAS 24	"Related party disclosures"
HKAS 27	"Consolidated and separate financial statements"
HKAS 31	"Interests in joint ventures"
HKAS 32	"Financial instruments: Disclosure and presentation"
HKAS 33	"Earnings per share"
HKAS 36	"Impairment of assets"
HKAS 37	"Provisions, contingent liabilities and contingent assets"
HKAS 38	"Intangible assets"
HKAS 39	"Financial instruments: Recognition and measurement"
HKFRS 2	"Share-based payment"
HKFRS 3	"Business combinations"

Except for the adoption of HKFRS 3 and HKAS 36 which impacts the TCSL Group's accounting policy for goodwill, as described further below, the adoption of the above new accounting standards has had no significant impact on the accounting policies of the TCSL Group.

HKFRS 3 "Business combinations" and HKAS 36 "Impairment of assets"

Prior to 1 July 2005, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the TCSL Group to eliminate at 1 July 2005 the carrying amount of accumulated amortisation of HK$2,393,528,000 with a corresponding adjustment to the cost of goodwill.

The effects of the above changes are summarised in Note 7(b). In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STARDARDS

The TCSL Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to the Financial Information. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	"Capital disclosures"
HKAS 19 Amendment	"Actuarial gains and losses, group plans and disclosures"
HKAS 39 Amendment	"Cash flow hedge accounting of forecast intragroup transactions"
HKAS 39 Amendment	"The fair value option"
HKAS 39 & HKFRS 4 Amendments	"Financial guarantee contracts"
HKFRSs 1 & 6 Amendments	"First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources"
HKFRS 6	"Exploration for and evaluation of mineral resources"
HKFRS 7	"Financial instruments: Disclosures"
HK(IFRIC)-Int 4	"Determining whether an arrangement contains a lease"
HK(IFRIC)-Int 5	"Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"
HK(IFRIC)-Int 6	"Liabilities arising from participating in a specific market – waste electrical and electronic equipment"

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the TCSL Group's objective, policies and processes for managing capital; quantitative data about what TCSL regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the TCSL Group. HK(IFRIC)-Int 6 shall be applied for annual periods beginning on or after 1 December 2005.

The TCSL Group is not yet in a position to state whether the adoption of the new and revised HKFRSs listed above would have any significant impact on the TCSL Group's financial statements in the period of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of TCSL and its subsidiaries for the Relevant Periods. All significant intercompany transactions and balances within the TCSL Group are eliminated on consolidation.

Subsidiaries

A subsidiary is an entity whose financial and operating policies TCSL controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the TCSL's income statement to the extent of dividends received and receivable. TCSL's investment in a subsidiary is stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the TCSL Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the TCSL Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a jointly-controlled entity if the TCSL Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture company that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The TCSL Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The TCSL Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the TCSL Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of businesses represents the excess of the cost of the acquisition over the fair values of the identifiable net assets acquired as at the date of acquisition. Such goodwill is recognised in the TCSL Group's balance sheet as an asset and is stated at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually and more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the TCSL Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the TCSL Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the TCSL Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible asset – mobile carrier licence for the provision of third generation ("3G") telecommunications services (the "3G Licence")

This comprises the one-time expenditures on acquiring the TCSL Group's 3G telecommunications spectrum rights and the discounted value of the minimum annual spectrum utilisation fees payable in accordance with the 3G Licence together with the corresponding interest accrued prior to the commercial launch of 3G telecommunications services. Such expenditures are amortised on the straight-line basis over the period from the date of the commercial launch of 3G telecommunications services in December 2004 to the end of the period of validity of the 3G Licence on 21 October 2016.

After the commercial launch of 3G telecommunications services, interest accrued on the outstanding minimum annual spectrum utilisation fees are recognised as finance costs directly in the income statement. Any variable annual spectrum utilisation fees payable in addition to the minimum annual fees are recognised directly in the income statement.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, employee benefit assets, financial assets, goodwill and non-current assets/ disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than projects under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings *(Note)*	Over the shorter of 50 years and the terms of the leases
Exchange equipment and other plant	2 – 10 years
Furniture and fittings	2 – 10 years

Note: Buildings situated on leasehold land, where the fair values of the leasehold interest in land and buildings cannot be measured separately at the inception of the lease.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Projects under construction are stated at cost less any impairment losses and are not depreciated. Certain costs relating to projects under construction are capitalised and included in the costs of fixed assets, which include attributable staff costs, materials and overheads. Projects under construction are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the TCSL Group and when the revenue can be measured reliably, on the following bases:

(i) telecommunications revenue based on the usage of the TCSL Group's network and facilities, when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised on the straight-line basis over the respective periods. Other telecommunications revenue is recognised when products are delivered or services are rendered to customers;

(ii) rental income, on a time proportion basis over the lease terms; and

(iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Paid leave carried forward

An accrual is made at the balance sheet date for the expected future cost of paid annual leave provided to employees which remains untaken as at the balance sheet date and is permitted to be carried forward and utilised by the respective employees.

Pension schemes

The TCSL Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions made to the MPF Scheme are based on a percentage of the employees' basic salaries, charged to the income statement as they become payable and vest fully with the employees.

The TCSL Group also operates a separate retirement benefits scheme under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"), for those employees who are eligible to participate. The ORSO Scheme comprises a defined contribution section (the "DC Scheme") and three defined benefit sections (the "DB Scheme"). The DC Scheme operates in a similar way to the MPF Scheme, except when an employee leaves the scheme before his/her interest in the TCSL Group's employer contributions vests fully, the ongoing contributions payable by the TCSL Group can be reduced by the relevant amount of the forfeited employer contributions.

For the DB Scheme, an actuarial estimate is made annually by a professionally qualified independent actuary, using the projected unit credit actuarial valuation method, of the present value of future defined benefit obligation as at the balance sheet date (the "Scheme Obligation"). The net of actuarial gains and losses is initially recorded in the balance sheet and is subsequently recognised in the income statement only to the extent that the amount exceeds 10% of the higher of the Scheme Obligation and the fair value of assets contributed by the TCSL Group (the "Scheme Assets") at the beginning of the period. Such "excess" is recognised in the income statement over the expected average remaining service lives of the employees. The expected costs of providing pensions under the DB Scheme are charged to the income statement over the periods during which the employees provide the related service to the TCSL Group.

The net of the Scheme Obligation and the fair value of the Scheme Assets at the balance sheet date, together with the actuarial gains and losses remaining in the balance sheet at that date, is recognised in the balance sheet within non-current assets or non-current liabilities, as appropriate. If the net amount results in an asset, the amount of the asset is limited to the net total of any net cumulative actuarial losses and past service costs remaining in the balance sheet, and the present value of any future refunds from the DB Scheme or reductions in future contributions to the DB Scheme.

The amounts of the contributions payable by the TCSL Group to the DB Scheme are determined by the actuary using the attained age funding actuarial valuation method.

All assets of the TCSL Group's pension schemes are held separately from the assets of the TCSL Group in independently administered funds.

Related parties

A party is considered to be related to the TCSL Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, TCSL/the TCSL Group; (ii) has an interest in TCSL that gives it significant influence over TCSL/the TCSL Group; or (iii) has joint control over TCSL/the TCSL Group.

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of TCSL or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significant influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) and (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of TCSL/the TCSL Group, or any entity that is a related party of TCSL/the TCSL Group.

Dividends

Final dividends proposed by the directors after the balance sheet date are classified as a separate allocation of retained profits within the equity section of the balance sheet. When final dividends have been declared and approved by the shareholders in a general meeting, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because TCSL's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Trade and other receivables

Trade and other receivables are financial assets initially recognised at fair value (original invoice amount) and subsequently at amortised cost using the effective interest method. Provision for impairment loss is made when there is objective evidence that the TCSL Group will not be able to collect the debts. Bad debts are written off when identified.

Impairment of financial assets carried at amortised cost

The TCSL Group assesses at each balance sheet date whether there is any objective evidence that a financial assets or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the receivables' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The TCSL Group first assesses whether objective evidence of impairment exists individually for receivable balances that are individually significant, and individually or collectively for receivable balances that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed balance, whether significant or not, the balance is included in a group of balances with similar credit risk characteristics and that group of balances is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired. Bank overdrafts which are repayable on demand and form an integral part of the TCSL Group's cash management are also included in cash and cash equivalents.

For the purpose of the balance sheet, cash and bank balances comprise cash at banks and on hand, including term deposits, which are not restricted as to use.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred for disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency transactions

The Financial Information is presented in Hong Kong dollars, which is TCSL's functional and presentation currency. Each entity in the TCSL Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the TCSL Group is the lessor, assets leased by the TCSL Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the TCSL Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Deferred mobile telephone customer acquisition costs

The direct costs of acquiring new mobile telephone customers with service contracts lasting less than two years are expensed as and when incurred, and those lasting two years or more are deferred and amortised on the straight-line basis over the average subscription lives of the customers.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the TCSL Group's accounting policies, management has made certain judgements, estimates and assumptions that have effects on the amounts recognised in the financial statements.

The key estimates and associated assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, in relation to goodwill impairment and defined benefit retirement obligations have been included in Notes 7(b) and 7(m)(iv), respectively.

6. INCOME STATEMENT

The following is a summary of the consolidated income statements of the TCSL Group for the Relevant Periods.

	Notes	Year ended 30 June			Four months ended 31 October	
		2003	**2004**	**2005**	**2004**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
REVENUE	*(a)*	4,167,942	4,020,770	4,301,939	1,405,450	1,426,862
Operating costs		(3,311,468)	(3,196,319)	(3,550,711)	(1,170,760)	(1,172,773)
Operating profit		856,474	824,451	751,228	234,690	254,089
Amortisation of goodwill	*7(b)*	(337,910)	(337,910)	(337,910)	(112,637)	–
Amortisation of an intangible asset	*7(c)*	–	–	(30,261)	–	(19,112)
Other income and gains	*(a)*	336,962	3,273	23,016	2,043	21,769
PROFIT FROM OPERATING ACTIVITIES	*(b)*	855,526	489,814	406,073	124,096	256,746
Finance costs	*(c)*	–	(15,738)	(60,547)	(5,622)	(32,550)
Share of loss of a jointly-controlled entity	*7(e)*	–	–	(1,351)	–	(561)
PROFIT BEFORE TAX		855,526	474,076	344,175	118,474	223,635
Tax	*(e)*	(208,461)	(143,095)	(134,264)	(37,841)	(49,426)
NET PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		647,065	330,981	209,911	80,633	174,209
DIVIDENDS	*(f)*					
Interim		1,188,024	–	–	–	–
Proposed final		213,264	26,120	245,474	–	–
		1,401,288	26,120	245,474	–	–

(a) Revenue, other income and gains

Revenue is stated on a gross basis before allocations to other telecommunications operators and comprises the following:

(i) telecommunications revenue from the sale of mobile equipment and accessories, airtime and service charges for the use of the digital mobile radio telephone networks and associated value-added services; and

(ii) property rental income.

	Year ended 30 June			Four months ended 31 October	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue					
Telecommunications revenue	4,166,103	4,018,628	4,299,541	1,404,667	1,426,058
Property rental income	1,839	2,142	2,398	783	804
	4,167,942	4,020,770	4,301,939	1,405,450	1,426,862
Other income and gains					
Gain on disposal of items of property, plant and equipment	56,049	6	5,768	–	10,805
Interest income	59,182	3,267	17,248	2,043	10,964
Exchange gains arising from the translation of the amount due from the ultimate holding company	221,731	–	–	–	–
	336,962	3,273	23,016	2,043	21,769

(b) Profit from operating activities

The TCSL Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	Year ended 30 June			Four months ended 31 October	
		2003	**2004**	**2005**	**2004**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Included in operating costs:						
Cost of inventories sold		718,828	770,524	1,010,440	342,469	320,752
Cost of services provided		849,239	870,472	937,304	291,996	334,198
Impairment/(reversal of impairment) of items of property, plant and equipment	*7(a)*	61,188	30,000	30,000	30,000	(19,017)
Employee benefit expenses (including directors' remuneration *(note 6(d))*):						
Wages and salaries		402,588	384,789	384,884	128,484	128,985
Less: Amount capitalised in projects under construction		(51,220)	(65,238)	(67,259)	(23,840)	(21,908)
		351,368	319,551	317,625	104,644	107,077
Pension scheme contributions for the MPF Scheme and the DC Scheme		8,975	9,152	9,348	3,141	3,245
Pension scheme costs for the DB Scheme	*7(m)(i)*	16,680	14,422	10,379	3,459	2,703
Depreciation	*7(a)*	444,048	448,178	485,889	149,869	185,111
Minimum lease payments under operating leases for land and buildings		381,889	344,714	417,027	112,371	112,166
Auditors' remuneration		500	500	550	167	183
Impairment/(reversal of impairment) of trade receivables		24,400	18,200	(30,700)	3,600	3,600
Other exchange losses/(gains), net		1,200	1,482	596	296	(260)
Gain on disposal of items of property, plant and equipment		(56,049)	(6)	(5,768)	–	(10,805)
Interest income		(59,182)	(3,267)	(17,248)	(2,043)	(10,964)

(c) Finance costs

	TCSL Group				
	Year ended 30 June			Four months ended 31 October	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Interest on a loan from the ultimate holding company	–	15,738	27,517	5,622	11,086
Interest on an amount due to the ultimate holding company	–	–	–	–	503
Accretion expense – 3G Licence	–	–	33,030	–	20,961
	–	15,738	60,547	5,622	32,550

(d) Directors' remuneration

Directors' remuneration for the Relevant Periods is as follows:

	TCSL Group				
	Year ended 30 June			Four months ended 31 October	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Fees	–	–	–	–	–
Others emoluments:					
Salaries, allowances and benefits in kind	–	2,188	5,416	3,635	4,296
Pension scheme contributions	–	187	367	107	134
	–	2,375	5,783	3,742	4,430
	–	2,375	5,783	3,742	4,430

(e) Tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

	Year ended 30 June			Four months ended 31 October	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
TCSL Group:					
Provision for the year/period	175,721	142,684	91,268	45,069	43,081
Underprovision/(overprovision) in prior years/periods	15,362	(364)	46	–	9,509
Deferred tax:					
Deferred tax assets *(Note 7(l))*	(2,568)	135	135	46	1,121
Deferred tax liabilities *(Note 7(l))*	19,946	640	42,815	(7,274)	(4,285)
Total tax charge for the year/period	208,461	143,095	134,264	37,841	49,426

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	TCSL Group									
	Year ended 30 June						Four months ended 31 October			
	2003		**2004**		**2005**		**2004**		**2005**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(Unaudited)*	*%*	*HK$'000*	*%*
Profit before tax	855,526		474,076		344,175		118,474		223,635	
Tax at the statutory tax rate	149,717	17.5	82,963	17.5	60,231	17.5	20,733	17.5	39,136	17.5
Effect on opening deferred tax of increase in rate	16,759	2.0	–	–	–	–	–	–	–	–
Adjustments in respect of current tax of previous years/periods	15,362	1.8	(364)	–	46	–	–	–	9,509	4.3
Income not subject to tax	(49,160)	(5.7)	(572)	(0.1)	(3,018)	(0.9)	(358)	(0.3)	(4,209)	(1.9)
Expenses not deductible for tax	66,790	7.8	62,210	13.1	64,325	18.7	20,802	17.6	2,103	0.9
Others	8,993	1.0	(1,142)	(0.3)	12,680	3.7	(3,336)	(2.8)	2,887	1.3
Tax charge at the effective rate	208,461	24.4	143,095	30.2	134,264	39.0	37,841	32.0	49,426	22.1

There was no unprovided deferred tax during the Relevant Periods and as at 30 June 2003, 2004 and 2005, and 31 October 2005.

(f) Dividends

	Notes	Year ended 30 June 2003 HK$'000	Year ended 30 June 2004 HK$'000	Year ended 30 June 2005 HK$'000	Four months ended 31 October 2004 HK$'000 (Unaudited)	Four months ended 31 October 2005 HK$'000
Interim	(i)	1,188,024	–	–	–	–
Final	(ii)	213,264	26,120	245,474	–	–
		1,401,288	26,120	245,474	–	–

Notes:

(i) HK$2.376 per ordinary share

(ii) HK$0.427, HK$0.052 and HK$0.491 per ordinary share for the years ended 30 June 2003, 2004 and 2005, respectively.

(g) Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not meaningful.

7. BALANCE SHEET

The following is a summary of the consolidated balance sheets of the TCSL Group as at the end of the Relevant Periods.

TCSL Group

	Notes	30 June 2003 HK$'000	30 June 2004 HK$'000	30 June 2005 HK$'000	31 October 2005 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	(a)	2,179,682	2,173,987	2,387,823	2,403,523
Goodwill	(b)	1,661,394	1,323,484	985,574	985,574
Intangible asset	(c)	589,256	649,834	648,389	629,277
Interest in a jointly-controlled entity	(e)	–	–	6,448	5,887
Deposits and prepayments		49,111	49,975	30,247	31,525
Pension scheme asset	(m)	37,556	44,509	54,288	58,169
Deferred tax assets	(l)	2,568	2,433	2,298	1,177
Total non-current assets		4,519,567	4,244,222	4,115,067	4,115,132
CURRENT ASSETS					
Inventories	(f)	23,183	63,922	70,126	35,752
Trade receivables	(g)	116,570	160,358	197,818	183,165
Deposits, prepayments and other receivables		116,181	98,917	113,757	118,388
Due from the ultimate holding company	(k)	555,054	1,077,600	1,638,476	–
Cash and cash equivalents	(h)	269,096	148,139	154,931	128,475
Total current assets		1,080,084	1,548,936	2,175,108	465,780
CURRENT LIABILITIES					
Trade payables	(i)	176,041	221,139	199,810	151,866
Other payables and accruals, customer deposits and deferred revenue	(j)	750,829	845,831	1,178,422	1,136,261
Due to a related company	(k)	4,127	8,496	3,255	830
Tax payable		237,055	157,158	109,701	162,291
Due to the ultimate holding company	(k)	–	–	–	135,266
Loan from the ultimate holding company	(k)	–	–	1,700,000	–
Total current liabilities		1,168,052	1,232,624	3,191,188	1,586,514
NET CURRENT ASSETS/(LIABILITIES)		(87,968)	316,312	(1,016,080)	(1,120,734)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,431,599	4,560,534	3,098,987	2,994,398
NON-CURRENT LIABILITIES					
Loan from the ultimate holding company	(k)	1,700,000	1,700,000	–	–
Other liabilities		489,256	499,834	511,681	482,642
Deferred tax liabilities	(l)	198,714	199,354	242,169	237,884
Total non-current liabilities		2,387,970	2,399,188	753,850	720,526
Net assets		2,043,629	2,161,346	2,345,137	2,273,872
EQUITY					
Issued capital	(n)	1,233,503	1,233,503	1,233,503	1,233,503
Reserves	(o)	596,862	901,723	866,160	1,040,369
Proposed final dividend	6(f)	213,264	26,120	245,474	–
Total equity		2,043,629	2,161,346	2,345,137	2,273,872

The below is a summary of the balance sheets of TCSL as at the end of the Relevant Periods.

		30 June			31 October
	Notes	**2003**	**2004**	**2005**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET					
Investment in a subsidiary	*(d)*	4,695,600	4,695,600	4,695,600	4,695,600
CURRENT ASSETS					
Due from a subsidiary	*(d)*	3,854,531	4,067,785	4,093,905	–
Cash and cash equivalents		7	7	–	–
Total current assets		3,854,538	4,067,792	4,093,905	–
CURRENT LIABILITIES					
Other payables and accruals		2,660	–	–	–
Due to a subsidiary	*(d)*	3,865,166	4,078,591	4,104,876	–
Due to the ultimate holding company		–	–	–	10,803
Total current liabilities		3,867,826	4,078,591	4,104,876	10,803
NET CURRENT LIABILITIES		(13,288)	(10,799)	(10,971)	(10,803)
Net assets		4,682,312	4,684,801	4,684,629	4,684,797
EQUITY					
Issued capital	*(n)*	1,233,503	1,233,503	1,233,503	1,233,503
Reserves	*(o)*	3,235,545	3,425,178	3,205,652	3,451,294
Proposed final dividend	*6(f)*	213,264	26,120	245,474	–
Total equity		4,682,312	4,684,801	4,684,629	4,684,797

(a) Property, plant and equipment

	Leasehold buildings	Exchange equipment and other plant	Furniture and fittings	Projects under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 July 2002	131,332	5,434,128	61,531	152,964	5,779,955
Additions	–	20,046	10,623	239,554	270,223
Transfers	–	255,682	12,032	(267,714)	–
Disposals	–	(472,408)	–	–	(472,408)
At 30 June 2003 and 1 July 2003	131,332	5,237,448	84,186	124,804	5,577,770
Additions	16,043	129,369	10,788	317,419	473,619
Transfers	–	104,474	–	(104,474)	–
Disposals	–	(18,470)	(176)	–	(18,646)
At 30 June 2004 and 1 July 2004	147,375	5,452,821	94,798	337,749	6,032,743
Additions	7,252	604,729	7,465	111,667	731,113
Transfers	–	308,192	3,765	(311,957)	–
Disposals	–	(992,509)	(969)	–	(993,478)
At 30 June 2005 and 1 July 2005	154,627	5,373,233	105,059	137,459	5,770,378
Additions	–	20,774	733	162,463	183,970
Transfers	–	33,115	1,248	(34,363)	–
Disposals	(783)	(17,339)	(34)	–	(18,156)
At 31 October 2005	153,844	5,409,783	107,006	265,559	5,936,192

	Notes	Leasehold buildings	Exchange equipment and other plant	Furniture and fittings	Projects under construction	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation and impairment:						
At 1 July 2002		11,252	3,323,951	30,057	–	3,365,260
Depreciation		2,682	424,138	17,228	–	444,048
Impairment	*(i)*	61,188	–	–	–	61,188
Disposals		–	(472,408)	–	–	(472,408)
At 30 June 2003 and 1 July 2003		75,122	3,275,681	47,285	–	3,398,088
Depreciation		2,768	427,754	17,656	–	448,178
Impairment	*(ii)*	–	30,000	–	–	30,000
Disposals		–	(17,334)	(176)	–	(17,510)
At 30 June 2004 and 1 July 2004		77,890	3,716,101	64,765	–	3,858,756
Depreciation		3,105	467,102	15,682	–	485,889
Impairment	*(ii)*	–	30,000	–	–	30,000
Disposals		–	(991,128)	(962)	–	(992,090)
At 30 June 2005 and 1 July 2005		80,995	3,222,075	79,485	–	3,382,555
Depreciation		1,088	178,867	5,156	–	185,111
Disposals		(192)	(15,754)	(34)	–	(15,980)
Reversal of impairment	*(iii)*	(19,017)	–	–	–	(19,017)
At 31 October 2005		62,874	3,385,188	84,607	–	3,532,669
Net book value:						
At 30 June 2003		56,210	1,961,767	36,901	124,804	2,179,682
At 30 June 2004		69,485	1,736,720	30,033	337,749	2,173,987
At 30 June 2005		73,632	2,151,158	25,574	137,459	2,387,823
At 31 October 2005		90,970	2,024,595	22,399	265,559	2,403,523

Notes:

(i) The impairment losses were provided for certain leasehold buildings as a result of the decline in the property market in Hong Kong. The impairment losses were determined by the directors based on the estimated market values of these properties.

(ii) The impairment losses were provided for certain network equipment which were subject to replacement due to technical obsolescence. The impairment losses were determined by the directors based on the estimated recoverable values from the disposal of the equipment.

(iii) The impairment losses recognised in prior periods for certain leasehold buildings were reversed as a result of the increase in the recoverable amounts of the properties following the recovery of the property market in Hong Kong. The reversal of impairment losses was determined by the directors based on the estimated market values of these properties.

An analysis by lease term of the net book value of the leasehold buildings of the TCSL Group, which are all situated in Hong Kong, is as follows:

	30 June			**31 October**
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long term leases	21,956	16,604	18,555	15,279
Medium term leases	34,254	52,881	55,077	75,691
	56,210	69,485	73,632	90,970

(b) Goodwill

	TCSL Group
	HK$'000
Cost:	
At 1 July 2002 and 30 June 2003, 2004 and 2005	3,379,102
Elimination of accumulated amortisation upon adoption of HKFRS 3 *(see Note 2)*	(2,393,528)
At 1 July 2005 and 31 October 2005	985,574
Accumulated amortisation:	
At 1 July 2002	1,379,798
Charge for the year	337,910
At 30 June 2003 and 1 July 2003	1,717,708
Charge for the year	337,910
At 30 June 2004 and 1 July 2004	2,055,618
Charge for the year	337,910
At 30 June 2005 and 1 July 2005	2,393,528
Elimination of accumulated amortisation upon adoption of HKFRS 3 *(see Note 2)*	(2,393,528)
At 1 July 2005 and 31 October 2005	–

	TCSL Group
	HK$'000
Net carrying amount:	
At 30 June 2003	1,661,394
At 30 June 2004	1,323,484
At 30 June 2005	985,574
At 31 October 2005	985,574

Up to 30 June 2005 and prior to the adoption of HKFRS 3 (see Note 2), goodwill was amortised over its estimated useful life of 10 years.

Impairment testing of goodwill

Goodwill relates to the TCSL Group's provision of mobile telecommunications services business.

The recoverable amount of the TCSL Group's mobile telecommunications services business has been determined according to the value in use calculation using cash flow projections based on financial budgets approved by management covering a 10-year period. Assumptions have been made by management that the cash flows from the TCSL Group's existing mobile telecommunications services will continue beyond at least the forecast period based on management's experience in the industry with due consideration for market and technological changes. The discount rate applied to cash flow projections is 12%.

The annual growth rate used to extrapolate the cash flows for the TCSL Group's mobile telecommunications services business during the 10-year period is between 4% and 13% based on the forecasted development of the mobile telecommunications market in Hong Kong, taking into account the changes in technology and customers' needs over the types of mobile telecommunications services.

c) Intangible asset

	3G Licence
	HK$'000
Cost:	
At 1 July 2002	529,813
Addition - accretion of interest	59,443
At 30 June 2003 and 1 July 2003	589,256
Addition - accretion of interest	60,578
At 30 June 2004 and 1 July 2004	649,834
Addition - accretion of interest	28,816
At 30 June 2005, 1 July 2005 and 31 October 2005	678,650
Accumulated amortisation:	
At 1 July 2002, 30 June 2003, 1 July 2003, 30 June 2004 and 1 July 2004	–
Amortisation	30,261
At 30 June 2005 and 1 July 2005	30,261
Amortisation	19,112
At 31 October 2005	49,373
Net carrying amount:	
At 30 June 2003	589,256
At 30 June 2004	649,834
At 30 June 2005	648,389
At 31 October 2005	629,277

The intangible asset is amortised on the straight-line basis over the period from the date of the commercial launch of 3G telecommunications services in December 2004 to the end of the period of validity of the 3G Licence on 21 October 2016.

(d) Investment in a subsidiary

	TCSL			
	30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	4,695,600	4,695,600	4,695,600	4,695,600

Particulars of the subsidiaries of TCSL are as follows:

Name of subsidiary	Place of operations and incorporation	Nominal value of issued share capital	Percentage of equity attributable to TCSL Directly	Percentage of equity attributable to TCSL Indirectly	Principal activities
Bestclass Holdings Limited	Hong Kong/ British Virgin Islands	US$50,000	100%	–	Investment holding
Hong Kong CSL Limited	Hong Kong	HK$2,031,043,443	–	100%	Provision of mobile telecommunications services and products
Integrated Business Systems Limited	Hong Kong	HK$2	–	100%	Property investment
One2Free PersonalCom Limited	Hong Kong	HK$2	–	100%	Inactive
CSL Limited	Hong Kong	HK$2	–	100%	Dormant

The balances with subsidiaries included in TCSL's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

(e) Interest in a jointly-controlled entity

The TCSL Group's share of the assets and liabilities of a jointly-controlled entity during the Relevant Periods is as follows:

	30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	–	–	6,378	6,300
Non-current assets	–	–	1,173	1,243
Current liabilities	–	–	(1,103)	(1,656)
Net assets	–	–	6,448	5,887

The TCSL Group's share of the revenue and expenses of a jointly-controlled entity during the Relevant Periods is as follows:

	30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	–	–	–	829
Other income	–	–	24	59
Operating costs	–	–	(1,375)	(1,449)
Loss for the year/period	–	–	(1,351)	(561)

Particulars of the jointly-controlled entity of the TCSL Group are as follows:

			Percentage of			
Name	**Business structure**	**Place of incorporation and operations**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Bridge Mobile Pte Ltd.	Corporate	Republic of Singapore	12.5%	12.5%	12.5%	Services development for an alliance of mobile telecommunications service operators

(f) Inventories

The inventories of the TCSL Group represented mobile handsets and accessories.

The carrying amounts of inventories carried at net realisable value were HK$23,183,000, HK$47,641,000, HK$37,484,000 and HK$31,569,000 as at 30 June 2003, 2004 and 2005, and 31 October 2005, respectively.

(g) Trade receivables

The TCSL Group's generally allows an average credit period of one month for customers. The TCSL Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As the TCSL Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the TCSL Group's trade receivables as at 30 June 2003, 2004 and 2005, and 31 October 2005, based on the invoice date and net of provisions, is as follows:

	30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	116,570	160,358	195,858	180,449
1 to 2 months	–	–	1,960	2,716
	116,570	160,358	197,818	183,165

(h) Cash and cash equivalents

	30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	15,296	148,139	21,931	19,475
Time deposits	253,800	–	133,000	109,000
	269,096	148,139	154,931	128,475

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are due within one month, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

(i) Trade payables

An aged analysis of the TCSL Group's trade payables as at 30 June 2003, 2004 and 2005, and 31 October 2005, based on the invoice date, is as follows:

	30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	176,041	221,139	199,810	151,866

(j) Other payables and accruals, customer deposits and deferred revenue

Other payables and customer deposits are non-interest bearing. Other payables generally have terms of less than one year.

(k) Balances with affiliated companies

The amount due to a related company, a jointly-owned entity of the ultimate holding company, is unsecured, interest-free and is repayable within one month.

The amount due from the ultimate holding company is unsecured and has no fixed terms of repayment. The balance was originally denominated in Australian dollars and bore interest at Australian dollar 30-day Bank Bill Swap Rate per annum up to 25 June 2003 when the denominating currency was changed to Hong Kong dollars and the interest rate was changed to Hong Kong dollar Inter-Bank Offer Rate ("HIBOR") per annum.

The loan from the ultimate holding company was unsecured, bore interest at the HIBOR plus 0.5% per annum and was fully repaid during the four months ended 31 October 2005.

As at 31 October 2005, except for an unsecured amount of HK$11 million which is interest-free and has no fixed terms of repayment, the amount due to the ultimate holding company is unsecured, bears interest at the HIBOR plus 0.25% and has no fixed terms of repayment.

(l) Deferred tax

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax liabilities

TCSL Group

	Accelerated tax depreciation	3G Licence spectrum utilisation fees	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2002	299,052	(124,324)	4,040	178,768
Deferred tax charged/(credited) to the income statement *(Note 6(e))*	27,981	7,497	(15,532)	19,946
Gross deferred tax liabilities at 30 June 2003 and 1 July 2003	327,033	(116,827)	(11,492)	198,714
Deferred tax charged/(credited) to the income statement *(Note 6(e))*	(19,410)	19,351	699	640
Gross deferred tax liabilities at 30 June 2004 and 1 July 2004	307,623	(97,476)	(10,793)	199,354
Deferred tax charged to the income statement *(Note 6(e))*	23,337	8,498	10,980	42,815
Gross deferred tax liabilities at 30 June 2005 and 1 July 2005	330,960	(88,978)	187	242,169
Deferred tax charged/(credited) to the income statement *(Note 6(e))*	(3,733)	(3,345)	2,793	(4,285)
Gross deferred tax liabilities at 31 October 2005	327,227	(92,323)	2,980	237,884

Deferred tax assets

TCSL Group

	Decelerated tax depreciation
	HK$'000
At 1 July 2002	–
Deferred tax credited to the income statement *(Note 6(e))*	2,568
Gross deferred tax assets at 30 June 2003 and 1 July 2003	2,568
Deferred tax charged to the income statement *(Note 6(e))*	(135)
Gross deferred tax assets at 30 June 2004 and 1 July 2004	2,433
Deferred tax charged to the income statement *(Note 6(e))*	(135)
Gross deferred tax assets at 30 June 2005 and 1 July 2005	2,298
Deferred tax charged to the income statement *(Note 6(e))*	(1,121)
Gross deferred tax assets at 31 October 2005	1,177

(m) Pension scheme asset

(i) The movements in the net asset of the DB Scheme in the consolidated balance sheet during the Relevant Periods are as follows:

		TCSL Group			
		Year ended 30 June			Four months ended 31 October
	Notes	**2003**	**2004**	**2005**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period		11,303	37,556	44,509	54,288
Net pension scheme costs recognised in the consolidated income statement	*6(b), 7(m)(iii)*	(16,680)	(14,422)	(10,379)	(2,703)
Contributions paid to the DB Scheme		42,933	21,375	20,158	6,584
At 30 June/31 October	*7(m)(ii)*	37,556	44,509	54,288	58,169

(ii) The components of the net asset of the DB Scheme as at 30 June 2003, 2004 and 2005, and 31 October 2005 are as follows:

		TCSL Group			
		30 June			31 October
	Note	**2003**	**2004**	**2005**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Present value of defined benefit obligation		(358,241)	(366,517)	(442,631)	(409,031)
Fair value of scheme assets		344,264	410,931	472,302	480,976
		(13,977)	44,414	29,671	71,945
Net cumulative actuarial losses/(gains)		51,533	95	24,617	(13,776)
Net pension scheme asset recognised	*7(m)(i)*	37,556	44,509	54,288	58,169

(iii) The components of the net pension scheme cost recognised in the consolidated income statements for the Relevant Periods, together with the actual return on the DB Scheme assets for the Relevant Periods, are as follows:

		TCSL Group			
		30 June			31 October
	Note	**2003**	**2004**	**2005**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current service costs		19,848	21,426	20,549	8,025
Interest cost on a defined benefit obligation		19,267	15,625	17,608	5,400
Expected return on the DB Scheme assets		(22,435)	(23,837)	(27,778)	(10,722)
Net cumulative actuarial losses recognised in the income statement		–	1,208	–	–
	7(m)(i)	16,680	14,422	10,379	2,703
Actual return on the DB Scheme assets		1,602	60,455	53,231	10,342

(iv) The principal actuarial assumptions used in determining the net asset of the DB Scheme as at 30 June 2003, 2004 and 2005, and 31 October 2005 are as follows:

	30 June			31 October
	2003	**2004**	**2005**	**2005**
	% per annum	*% per annum*	*% per annum*	*% per annum*
Discount rate	4.5	5.0	3.75	4.5
Expected rate of return on the DB Scheme assets	6.8	6.8	6.8	6.8
Future salary increases:				
First year	1.0	1.5	2.5	4.0
Second year	1.0	2.5	4.0	4.0
Third year	1.0	4.0	4.0	4.0
Fourth year onwards	4.0	4.0	4.0	4.0

(v) The actuarial valuations of the DB Scheme as at 30 June 2003, 2004 and 2005, and 31 October 2005 were performed by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited ("Watson Wyatt"), a fellow of the Faculty of Actuaries of the United Kingdom, using the valuation method detailed under the heading "Employee benefits: Pension schemes" in Note 4 of this report.

According to the latest actuarial valuation carried out at 30 June 2003 by Watson Wyatt using the attained age funding actuarial valuation method to value the pension scheme obligation under the Occupational Retirement Schemes Ordinance, the level of funding of the pension scheme was 100%.

(n) Share capital

	TCSL 30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
500,000,000 ordinary shares of US$0.3163 each	1,233,503	1,233,503	1,233,503	1,233,503
Issued and fully paid:				
500,000,000 ordinary shares of US$0.3163 each	1,233,503	1,233,503	1,233,503	1,233,503

(o) Reserves

(i) TCSL Group

The amounts of the TCSL Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Note 8 of this report.

(ii) TCSL

	Issued share capital *HK$'000*	Contributed surplus *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*
At 1 July 2002	3,900,000	795,694	(5,909)	–	4,689,785
Capital reduction (*Note (iii)* below)	(2,666,497)	–	–	–	(2,666,497)
Net profit for the year	–	–	3,847,048	–	3,847,048
Interim dividend	–	–	(1,188,024)	–	(1,188,024)
Final 2003 dividend	–	–	(213,264)	213,264	–
At 30 June 2003 and 1 July 2003	1,233,503	795,694	2,439,851	213,264	4,682,312
Final 2003 dividend declared	–	–	–	(213,264)	(213,264)
Net profit for the year	–	–	215,753	–	215,753
Final 2004 dividend	–	–	(26,120)	26,120	–
At 30 June 2004 and 1 July 2004	1,233,503	795,694	2,629,484	26,120	4,684,801
Final 2004 dividend declared	–	–	–	(26,120)	(26,120)
Net profit for the year	–	–	25,948	–	25,948
Final 2005 dividend	–	–	(245,474)	245,474	–
At 30 June 2005 and 1 July 2005	1,233,503	795,694	2,409,958	245,474	4,684,629
Final 2005 dividend declared	–	–	–	(245,474)	(245,474)
Net profit for the period	–	–	245,642	–	245,642
At 31 October 2005	1,233,503	795,694	2,655,600	–	4,684,797

(iii) Pursuant to a resolution passed on 28 March 2003 and a resolution passed on 20 May 2003, the issued share capital of TCSL was reduced from US$500,000,000 divided into 500,000,000 ordinary shares of a nominal value of US$1.0000 each to US$410,256,410 divided into 500,000,000 ordinary shares of a nominal value of US$0.8205 each and from US$410,256,410 divided into 500,000,000 ordinary shares of a nominal value of US$0.8205 each to US$158,150,000 divided into 500,000,000 ordinary shares of a nominal value of US$0.3163 each.

(iv) The contributed surplus balances of TCSL and the TCSL Group represent the difference between the consolidated shareholders' funds of the subsidiaries acquired and the nominal value of TCSL's shares issued in exchange therefor at the time of the group reorganisation completed in 2001 which resulted in the formation of the TCSL Group.

Under the Bermuda Companies Act 1981 (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances.

8. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The following is a summary of the consolidated statements of changes in equity of the TCSL Group for the Relevant Periods.

	Notes	**Issued share capital**	**Contributed surplus**	**Retained profits/ (accumulated losses)**	**Proposed final dividend**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note 7(o)(iv))			
At 1 July 2002		3,900,000	480,102	870,983	–	5,251,085
Capital reduction	*7(o)(iii)*	(2,666,497)	–	–	–	(2,666,497)
Net profit for the year		–	–	647,065	–	647,065
Interim dividend	*6(f)*	–	–	(1,188,024)	–	(1,188,024)
Final 2003 dividend	*6(f)*	–	–	(213,264)	213,264	–
At 30 June 2003 and 1 July 2003		1,233,503	480,102	116,760	213,264	2,043,629
Final 2003 dividend declared		–	–	–	(213,264)	(213,264)
Net profit for the year		–	–	330,981	–	330,981
Final 2004 dividend	*6(f)*	–	–	(26,120)	26,120	–
At 30 June 2004 and 1 July 2004		1,233,503	480,102	421,621	26,120	2,161,346
Final 2004 dividend declared		–	–	–	(26,120)	(26,120)
Net profit for the year		–	–	209,911	–	209,911
Final 2005 dividend	*6(f)*	–	–	(245,474)	245,474	–
At 30 June 2005 and 1 July 2005		1,233,503	480,102	386,058	245,474	2,345,137
Final 2005 dividend declared		–	–	–	(245,474)	(245,474)
Net profit for the period		–	–	174,209	–	174,209
At 31 October 2005		1,233,503	480,102	560,267	–	2,273,872
At 1 July 2004		1,233,503	480,102	421,621	26,120	2,161,346
Final 2004 dividend declared		–	–	–	(26,120)	(26,120)
Net profit for the period (unaudited)		–	–	80,633	–	80,633
At 31 October 2004 (unaudited)		1,233,503	480,102	502,254	–	2,215,859

9. CONSOLIDATED CASH FLOW STATEMENTS

The following is a summary of the consolidated cash flow statements of the TCSL Group for the Relevant Periods and the four months ended 31 October 2004.

		Year ended 30 June			Four months ended 31 October	
	Notes	**2003**	**2004**	**2005**	**2004**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		855,526	474,076	344,175	118,474	223,635
Adjustments for:						
Interest income	*6(a), 6(b)*	(59,182)	(3,267)	(17,248)	(2,043)	(10,964)
Finance costs	*6(c)*	–	15,738	60,547	5,622	32,550
Gain on disposal of items of property, plant and equipment	*6(a), 6(b)*	(56,049)	(6)	(5,768)	–	(10,805)
Share of loss of a jointly-controlled entity		–	–	1,351	–	561
Depreciation	*7(a)*	444,048	448,178	485,889	149,869	185,111
Amortisation of goodwill	*7(b)*	337,910	337,910	337,910	112,637	–
Amortisation of an intangible asset		–	–	30,261	–	19,112
Impairment/(reversal of impairment) of items of property, plant and equipment	*7(a)*	61,188	30,000	30,000	30,000	(19,017)
Operating profit before working capital changes		1,583,441	1,302,629	1,267,117	414,559	420,183
Decrease/(increase) in inventories		5,929	(40,739)	(6,204)	13,962	34,374
Decrease/(increase) in receivables prepayments and deposits		123,191	(27,388)	(32,572)	19,703	8,744
(Decrease)/increase in payables and accruals		(148,900)	(11,556)	75,906	(70,662)	(97,772)
Increase in pension scheme asset		(26,253)	(6,953)	(9,779)	(3,389)	(3,881)
Increase/(decrease) in an amount due to a related company		310	4,369	(5,241)	(584)	(2,425)
(Increase)/decrease in an amount due from the ultimate holding company		(555,054)	(522,546)	(560,876)	(119,481)	1,638,476
Increase in an amount due to the ultimate holding company		–	–	–	–	135,266
Cash generated from operations		982,664	697,816	728,351	254,108	2,132,965
Interest received		59,182	3,267	17,248	2,043	10,964
Finance costs paid		–	(15,738)	(27,517)	(5,622)	(11,589)
Hong Kong profits tax paid		(137,480)	(222,217)	(138,771)	–	–
Net cash inflow from operating activities		904,366	463,128	579,311	250,529	2,132,340

	Year ended 30 June			Four months ended 31 October	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Net cash inflow from operating activities	904,366	463,128	579,311	250,529	2,132,340
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in a jointly-controlled entity	–	–	(7,799)	–	–
Purchases of items of property, plant and equipment	(270,223)	(321,963)	(495,756)	(159,256)	(176,303)
Payment of annual spectrum utilisation fees for the 3G Licence	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Proceeds from disposal of items of property, plant and equipment	56,049	1,142	7,156	–	12,981
Net cash outflow from investing activities	(264,174)	(370,821)	(546,399)	(209,256)	(213,322)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for capital reduction *(Note (a))*	(966,497)	–	–	–	–
Repayment of a loan from the ultimate holding company	–	–	–	–	(1,700,000)
Dividends paid	(1,188,024)	(213,264)	(26,120)	(26,120)	(245,474)
Net cash outflow from financing activities	(2,154,521)	(213,264)	(26,120)	(26,120)	(1,945,474)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,514,329)	(120,957)	6,792	15,153	(26,456)
Cash and cash equivalents at beginning of year/period	1,783,425	269,096	148,139	148,139	154,931
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	269,096	148,139	154,931	163,292	128,475
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	269,096	148,139	154,931	163,292	128,475

(a) Major non-cash transaction

On 25 June 2003, the TCSL Group obtained an unsecured loan of HK$1,700,000,000 from the ultimate holding company to satisfy part of the payable to the immediate holding company of TCSL of HK$2,666,497,000 which arose from the capital reduction of TCSL as detailed in Note 7(o)(iii). The remaining payable balance was settled by cash.

10. SEGMENT INFORMATION

During the Relevant Periods, more than 90% of the TCSL Group's revenue, operating profit and operating assets were attributable to the provision of mobile telecommunications services and products to customers in Hong Kong through its mobile systems and networks. Accordingly, no analysis of business and geographical segment information is presented.

11. COMMITMENTS

Capital commitments

As at 30 June 2003, 2004 and 2005, and 31 October 2005, the TCSL Group had the following capital commitments not provided for in the financial statements:

	TCSL Group			
	30 June			**31 October**
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for, property, plant and equipment	2,378	57,600	59,435	37,317
Authorised, but not contracted for, property, plant and equipment	128,601	597,237	540,716	448,408
Contracted, but not provided for, capital contributions payable to a jointly-controlled entity	–	–	23,400	23,400

In addition, the TCSL Group's share of a jointly-controlled entity's own capital commitments, which are not included in the above, as at 30 June 2003, 2004 and 2005, and 31 October 2005 was as follows:

	TCSL Group			
	30 June			**31 October**
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for, property, plant and equipment	–	–	3,960	3,960

12. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The TCSL Group leases certain of its leasehold buildings under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of leases also require the tenants to pay security deposits.

At 30 June 2003, 2004 and 2005, and 31 October 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	TCSL Group 30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	660	1,306	1,121	956
In the second to fifth years, inclusive	261	105	484	263
	921	1,411	1,605	1,219

(ii) As lessee

Certain properties of the TCSL Group are leased under operating lease arrangements. As at 30 June 2003, 2004 and 2005, and 31 October 2005, the TCSL Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	TCSL Group 30 June			31 October
	2003	**2004**	**2005**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	181,662	231,373	240,119	233,641
In the second to fifth years, inclusive	91,165	171,750	127,310	134,793
After five years	–	420	2,587	1,964
	272,827	403,543	370,016	370,398

13. CONTINGENT LIABILITIES

As at 30 June 2003, 2004 and 2005, and 31 October 2005, the TCSL Group had the following contingent liabilities:

(a) On 22 October 2001, the Group arranged a bank to provide a performance bond to the Office of the Telecommunications Authority of Hong Kong (the "OFTA") in respect of the 3G Licence awarded. The Licence requires the performance bond to remain in force for five years (or until the expiry of the 3G Licence, if shorter) and to equal the minimum annual fees payable to the OFTA for the forthcoming five years (or until the expiry of the 3G Licence, if shorter).

On 22 October 2002, the OFTA granted a one-year waiver in respect of the performance bond requirement, and accordingly, the revised performance bond issued in favour of the OFTA as at 30 June 2003 amounted to HK$200 million with a duration of four years. The performance bond was issued with an indemnity from Telstra.

As at 30 June 2004, with the two separate one-year waivers granted by the OFTA on 22 October 2002 and 30 August 2003, the performance bond issued in favour of the OFTA amounted to HK$150 million. The performance bond was issued with an indemnity from Telstra.

As at 30 June 2005, the performance bond issued in favour of the OFTA amounted to HK$311 million. The performance bond was issued with an indemnity from Telstra.

As at 31 October 2005, the performance bond issued in favour of the OFTA amounted to HK$351 million. The performance bond was issued with an indemnity from Telstra.

(b) The TCSL Group had contingent liabilities amounting to HK$6,035,654, HK$5,232,000, HK$4,630,000 and HK$3,701,000 as at 30 June 2003, 2004 and 2005 and 31 October 2005, respectively, in respect of bank guarantees issued in favour of third parties.

14. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the TCSL Group had the following significant related party transactions during the Relevant Periods:

		Year ended 30 June			Four months ended 31 October	
	Notes	**2003**	**2004**	**2005**	**2004**	**2005**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Purchases of roaming services from a fellow subsidiary	*(i)*	3,658	4,823	9,384	2,028	2,953
Sales of roaming services to a fellow subsidiary	*(ii)*	(6,138)	(8,489)	(15,135)	(3,892)	(6,985)
Purchases of international call services from a fellow subsidiary	*(iii)*	–	–	29,913	–	26,303
Purchases of international call services from a related company	*(iv)*	58,396	75,716	46,163	28,318	4,167
Interest charged by the ultimate holding company	*(v)*	–	15,738	27,517	5,622	11,589
Interest income from the ultimate holding company	*(v)*	(40,299)	(2,561)	(15,471)	(1,852)	(9,400)

Notes:

(i) The purchases of roaming services were charged by a fellow subsidiary on the basis of the usage of the network of the fellow subsidiary by the TCSL Group's customers at rates specified on invoices.

(ii) The sales of roaming services were charged against a fellow subsidiary on the basis of the usage of the TCSL Group's network by the fellow subsidiary's customers at rates specified on invoices.

(iii) The international call services were provided by a fellow subsidiary. The services were charged against the Group on the basis of the TCSL Group's usage at rates specified on invoices.

(iv) The international call services were provided by a jointly-owned entity of Telstra. The services were charged against the TCSL Group on the basis of the TCSL Group's usage at rates specified on invoices.

(v) Details of the interest terms for the balances with the ultimate holding company are included in Note 7(k) of this report.

(b) Compensation of the key management personnel of the TCSL Group

	Year ended 30 June			Four months ended 31 October	
	2003	**2004**	**2005**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Short term employee benefits	25,730	27,765	20,194	8,853	8,282
Post-employment benefits	1,916	1,496	1,185	395	371
Total compensation paid to key management personnel	27,646	29,261	21,379	9,248	8,653

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The TCSL Group's financial assets and liabilities are, in the normal course of business, exposed to currency exchange rate, interest rate and credit risks. The TCSL Group's risk management strategy aims to minimise the adverse effects of financial risks on the financial performance of the TCSL Group. Financial instruments, if any, are only used to hedge underlying commercial exposures and are not held or sold for speculative purposes.

(a) Foreign currency risk

The TCSL Group incurs foreign currency risk on transactions for receipts and payments for international telecommunications traffic settled in foreign currencies and other purchase transactions priced in foreign currencies.

The TCSL Group manages this risk by initially seeking contracts effectively denominated in Hong Kong dollar where possible and economically favourable to do so. The TCSL Group will continue to monitor its foreign currency risk exposure and market conditions to determine if any hedging is required. The TCSL Group does not conduct any foreign currency speculative activities.

(b) Interest rate risk

The TCSL Group's exposure to the risk of changes in market interest rates relates primarily to the TCSL Group's interest-bearing balances with the ultimate holding company. As the TCSL Group has fully settled all the interest-bearing balances with its ultimate holding company subsequent to the balance sheet date and any further advances to or from the ultimate holding company are not expected to be significant in the near future, the TCSL Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The TCSL Group has cash balances placed with reputable banks which generate interest income for the TCSL Group. The TCSL Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

(c) Credit risk

The TCSL Group's credit risk is mitigated by its combination of cash and credit sales. For credit sales, the Group has no significant concentration of credit risk due to its diverse customer base. Credit risk is managed by formulating a credit policy for credit checks, credit reviews and monitoring procedures that include a formal collection process.

16. SUBSEQUENT EVENT

On 8 December 2005, TCSL entered into an agreement with its immediate holding company, Telstra Holdings (Bermuda) No. 2 Limited, and NWM Holdings, pursuant to which TCSL has agreed to issue and allot and NWM Holdings has agreed to procure its wholly-owned subsidiary, Upper Start Holdings Limited, to subscribe for, new shares in TCSL, which will represent 23.6% of the enlarged share capital of TCSL upon completion, in exchange for the transfer of NWM Holdings' 100% interest in New World PCS Holdings Limited ("NWPCS Holdings") and a cash payment of HK$244.024 million by NWM Holdings to TCSL. NWPCS Holdings and its subsidiaries are principally engaged in the provision of mobile telecommunications services and products in Hong Kong under the brandname of New World Mobility.

As the completion of the above transactions is still subject to, amongst others, the approval by the shareholders of NWM Holdings, the financial effect thereof for the TCSL Group cannot be determined as at the date of this report.

17. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by TCSL or any of its subsidiaries in respect of any period subsequent to 31 October 2005.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(A) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TELSTRA CSL GROUP

Financial Review

For the year ended 30 June 2005, the consolidated turnover of the Telstra CSL Group increased by approximately HK$281 million as compared with the prior corresponding period to approximately HK$4,302 million (2003/04: approximately HK$4,021 million) despite intense price competition. The increase was attributable to both increased handset sales and mobile service revenue. Handset sales rose mainly due to the launch of a variety of new models with advanced features. The growth in mobile services revenue was driven by the continued launch of innovative data services. In addition to launching its Integrated 3G network in December 2004, over the past three years the Telstra CSL Group had a number of Asian and World first launches, including the first Chinese language support for Blackberry. The Telstra CSL Group continues to promote 3G services through the deployment of pioneering technology, for example the launch of Asia's first 3G video sharing service. For the four months ended 31 October 2005, consolidated turnover stood at approximately HK$1,427 million. Between 2002/03 and 2003/04, the consolidated turnover declined approximately HK$147 million as a result of severe competition on local voice tariffs partially offset by an increase in handset sales.

Over the three years ended 30 June 2005, the Telstra CSL Group has been successful in continuing to reduce the average churn rate from approximately 2.2% in 2002/03 to approximately 1.8% and 1.6% in 2003/04 and 2004/05 respectively. However, for the four months ended 31 October 2005, the equivalent churn rate stood at approximately 1.9% with the increase attributable to the severe competition on local voice tariffs.

The cost of goods sold and services provided was approximately HK$1,948 million for 2004/05, representing an increase of approximately HK$307 million as compared with last year (2003/04: approximately HK$1,641 million). This increase was a direct result of the corresponding increase in handset sales as well as higher disbursement charges. For the four months ended 31 October 2005, cost of goods sold and services rose by approximately 3% as compared with the previous corresponding period, mainly due to higher disbursement and network charges with handset costs declining. The increase of approximately HK$73 million between 2002/03 and 2003/04 was mainly due to increased handset costs.

The gross profit margin of the Telstra CSL Group was approximately 55% for 2004/05 and approximately 54% for the four months ended 31 October 2005. This compares to approximately 59% in 2003/04 and approximately 62% in 2002/03 with the decrease over the past three years mainly due to the relatively low gross profit margin on mobile handsets as well as declining local voice revenue.

For 2004/05, OPEX rose by approximately 1% to approximately HK$1,087 million (2003/04: approximately HK$1,077 million) which was mainly attributable to rising cell site rental. For the four months ended 31 October 2005, OPEX slightly decreased by approximately HK$5 million as compared with the previous corresponding period, Between 2002/03 and 2003/04, OPEX declined approximately HK$161 million largely due to staff, network, IT and CRM related savings.

As a result of the combined effects of the above, the Telstra CSL Group's EBITDA for 2004/05 declined approximately 2% (or approximately HK$30 million) to approximately HK$1,273 million (2003/04: approximately HK$1,303 million). The 2004/05 net profit after tax declined by approximately 37% to approximately HK$210 million (2003/04: approximately HK$331 million) inclusive of depreciation, impairment and amortisation which increased approximately 8% year-on-year to approximately HK$884 million (2003/04: approximately HK$816 million), primarily as a result of depreciation of 3G equipment and amortisation of intangible assets. For the four months ended 31 October 2005, EBITDA increased by approximately HK$16 million to approximately HK$431 million.

EBITDA in 2003/04 declined by approximately HK$336 million to HK$1,303 million (2002/03: approximately HK$1,639 million). This was mainly due to a one-off gain in 2002/03 (approximately HK$278 million), being gain on disposal of assets of approximately HK$56 million and an exchange gain on treasury fund of approximately HK$222 million.

As the 3G Licence is used for the provision of 3G services of the Telstra CSL Group, the Telstra CSL Group only commenced to incur amortisation expense upon the commercial launch of such services in December 2004. As such, no amortisation of intangible assets was recorded for the two years ended 30 June 2003 and 30 June 2004 and the four months ended 31 October 2004.

Capital Structure, Liquidity and Financial Resources

The total borrowings of the Telstra CSL Group as at 30 June 2005 was approximately HK$1,700 million (30 June 2003 and 30 June 2004: approximately HK$1,700 million), comprising a shareholder loan from Telstra. This borrowing was denominated in Hong Kong dollars and the associated interest charge was HIBOR + 0.5%. This shareholder loan however was repaid at the end of August 2005 from the current account with Telstra.

As at 30 June 2005, the Telstra CSL Group's cash and bank balances amounted to approximately HK$1,793 million (30 June 2004: approximately HK$1,226 million), including a current account with Telstra of approximately HK$1,638 million (30 June 2004: approximately HK$1,078 million) which earned interest at HIBOR. As at 31 October 2005, and after the repayment of the shareholder loan, cash and bank balances was approximately HK$128 million and the current account with Telstra was in overdraft of approximately HK$135 million of which approximately HK$124 million incurred interest at HIBOR + 0.25%. As at 30 June 2003, the Telstra CSL Group's cash and bank balances were approximately HK$824 million.

For 2004/05, the Telstra CSL Group's net cash inflow from operating activities (including surplus funds placed with Telstra) increased by approximately 16% to approximately HK$1,140 million (2003/04: approximately HK$986 million). Between 2002/03 and 2003/04 net cash inflow from operating activities declined by approximately HK$473 million, or approximately HK$251 million if one off exchange gains are excluded. For the four months ended 31 October 2005, net cash inflow from operating activities (excluding the funds drawn down from Telstra's current account for repayment of the shareholder loan) was approximately HK$359 million, representing a decrease of approximately 3% as compared with the previous corresponding period.

As at 30 June 2005, none of the assets held by the Telstra CSL Group were pledged to other parties and this remained as at 31 October 2005 (30 June 2004: Nil; 30 June 2003: Nil).

Capital expenditure for the Telstra CSL Group amounted to approximately HK$731 million for 2004/05 (2003/04: approximately HK$474 million), with the increase largely attributable to the Integrated 3G network rollout. For the four months ended 31 October 2005, capital expenditure stood at approximately HK$184 million which was at a similar level to the previous corresponding period. For 2002/03, the capital expenditure for the Telstra CSL Group was approximately HK$270 million. The increase of capital expenditure between 2002/03 and 2003/04 was largely due to investment in Edge/3G network equipment.

The Telstra CSL Group adopts a conservative and balanced treasury policy. Any surplus funds placed are placed on deposit with banks in Hong Kong or with Telstra and are mainly maintained in Hong Kong dollars.

The functional currency of the Telstra CSL Group is the Hong Kong dollar. Telstra CSL Group's business transactions, monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Telstra CSL Group does not therefore have any significant exposure to foreign currency gains and losses. The Telstra CSL Group does not conduct any foreign currency speculative activities.

Employees and Remuneration Policy

As at 31 October 2005 and 30 June 2005, the Telstra CSL Group had a total of 1,134 and 1,139 employees respectively (30 June 2004: 1,167; 30 June 2003: 1,143). The Telstra CSL Group's remuneration policy is to pay salaries which are competitive in the industry, in a way that will be motivational, fair and equitable, and that are dependent on individual and company performance. Apart from salaries, the Telstra CSL Group also provides other fringe benefits to employees, which include provident fund schemes, medical insurance and bonus on performance basis.

(B) RESTATED FINANCIAL INFORMATION ON THE TELSTRA CSL GROUP PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES OF THE NWM GROUP

Unaudited consolidated income statements prepared in accordance with the accounting policies of the NWM Group

	For the year ended 30 June											
	2003				2004				2005			
	Unadjusted financial information	Accounting policies adjustments on goodwill	Accounting policies adjustments on revenue recognition	Adjusted financial information	Unadjusted financial information	Accounting policies adjustments on goodwill	Accounting policies adjustments on revenue recognition	Adjusted financial information	Unadjusted financial information	Accounting policies adjustments on goodwill	Accounting policies adjustments on revenue recognition	Adjusted financial information
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	4,167,942	–	(861)	4,167,081	4,020,770	–	413	4,021,183	4,301,939	–	(1,054)	4,300,885
Operating costs	(3,311,468)	–	10,954	(3,300,514)	(3,196,319)	–	(2,106)	(3,198,425)	(3,550,711)	–	15,145	(3,535,566)
Operating profit	856,474	–	10,093	866,567	824,451	–	(1,693)	822,758	751,228	–	14,091	765,319
Amortisation of goodwill	(337,910)	–	–	(337,910)	(337,910)	–	–	(337,910)	(337,910)	337,910	–	–
Amortisation of intangible assets	–	–	–	–	–	–	–	–	(30,261)	–	–	(30,261)
Other revenue	336,962	–	–	336,962	3,273	–	–	3,273	23,016	–	–	23,016
PROFIT FROM OPERATING ACTIVITIES	855,526	–	10,093	865,619	489,814	–	(1,693)	488,121	406,073	337,910	14,091	758,074
Finance costs	–	–	–	–	(15,738)	–	–	(15,738)	(60,547)	–	–	(60,547)
Share of loss of a jointly-controlled entity	–	–	–	–	–	–	–	–	(1,351)	–	–	(1,351)
PROFIT BEFORE TAX	855,526	–	10,093	865,619	474,076	–	(1,693)	472,383	344,175	337,910	14,091	696,176
Tax	(208,461)	–	(1,766)	(210,227)	(143,095)	–	296	(142,799)	(134,264)	–	(2,466)	(136,730)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	647,065	–	8,327	655,392	330,981	–	(1,397)	329,584	209,911	337,910	11,625	559,446
DIVIDENDS												
Interim	1,188,024	–	–	1,188,024	–	–	–	–	–	–	–	–
Proposed final dividend	213,264	–	–	213,264	26,120	–	–	26,120	245,474	–	–	245,474

(B) RESTATED FINANCIAL INFORMATION ON THE TELSTRA CSL GROUP PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES OF THE NWM GROUP *(CONTINUED)*

Unaudited consolidated income statements prepared in accordance with the accounting policies of the NWM Group

	For the four months ended 31 October							
	2004				2005			
	Unadjusted financial information	Accounting policies adjustments on goodwill	Accounting policies adjustments on revenue recognition	Adjusted financial information	Unadjusted financial information	Accounting policies adjustments on goodwill	Accounting policies adjustments on revenue recognition	Accounting Adjusted financial information
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	1,405,450	–	(694)	1,404,756	1,426,862	–	264	1,427,126
Operating costs	(1,170,760)	–	4,693	(1,166,067)	(1,172,773)	–	(1,542)	(1,174,315)
Operating profit	234,690	–	3,999	238,689	254,089	–	(1,278)	252,811
Amortisation of goodwill	(112,637)	112,637	–	–	–	–	–	–
Amortisation of intangible assets	–	–	–	–	(19,112)	–	–	(19,112)
Other revenue	2,043	–	–	2,043	21,769	–	–	21,769
PROFIT FROM OPERATING ACTIVITIES	124,096	112,637	3,999	240,732	256,746	–	(1,278)	255,468
Finance costs	(5,622)	–	–	(5,622)	(32,550)	–	–	(32,550)
Share of loss of a jointly-controlled entity	–	–	–	–	(561)	–	–	(561)
PROFIT BEFORE TAX	118,474	112,637	3,999	235,110	223,635	–	(1,278)	222,357
Tax	(37,841)	–	(700)	(38,541)	(49,426)	–	224	(49,202)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	80,633	112,637	3,299	196,569	174,209	–	(1,054)	173,155
DIVIDENDS								
Interim	–	–	–	–	–	–	–	–
Proposed final dividend	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

(B) RESTATED FINANCIAL INFORMATION ON THE TELSTRA CSL GROUP PREPARED IN ACCORDANCE WITH THE ACCOUNTING POLICIES OF THE NWM GROUP *(CONTINUED)*

Unaudited consolidated balance sheets prepared in accordance with the accounting policies of the NWM Group

	As at 30 June												As at 31 October			
	2003				2004				2005				2005			
	Unadjusted financial information *HK$'000*	Accounting policies adjustments on goodwill *HK$'000*	Accounting policies adjustments on revenue recognition *HK$'000*	Adjusted financial information *HK$'000*	Unadjusted financial information *HK$'000*	Accounting policies adjustments on goodwill *HK$'000*	Accounting policies adjustments on revenue recognition *HK$'000*	Adjusted financial information *HK$'000*	Unadjusted financial information *HK$'000*	Accounting policies adjustments on goodwill *HK$'000*	Accounting policies adjustments on revenue recognition *HK$'000*	Adjusted financial information *HK$'000*	Unadjusted financial information *HK$'000*	Accounting policies adjustments on goodwill *HK$'000*	Accounting policies adjustments on revenue recognition *HK$'000*	Adjusted financial information *HK$'000*
Non-current assets	4,519,567	–	–	4,519,567	4,244,222	–	–	4,244,222	4,115,067	337,910	–	4,452,977	4,115,132	337,910	–	4,453,042
Current assets	1,080,084	–	10,954	1,091,038	1,548,936	–	8,848	1,557,784	2,175,108	–	23,993	2,199,101	465,780	–	22,451	488,231
Current liabilities	(1,168,052)	–	(2,627)	(1,170,679)	(1,232,624)	–	(1,918)	(1,234,542)	(3,191,188)	–	(5,438)	(3,196,626)	(1,586,514)	–	(4,950)	(1,591,464)
Net current (liabilities)/assets	(87,968)	–	8,327	(79,641)	316,312	–	6,930	323,242	(1,016,080)	–	18,555	(997,525)	(1,120,734)	–	17,501	(1,103,233)
Total assets less current liabilities	4,431,599	–	8,327	4,439,926	4,560,534	–	6,930	4,567,464	3,098,987	337,910	18,555	3,455,452	2,994,398	337,910	17,501	3,349,809
Non-current liabilities	(2,387,970)	–	–	(2,387,970)	(2,399,188)	–	–	(2,399,188)	(753,850)	–	–	(753,850)	(720,526)	–	–	(720,526)
Capital and reserves	2,043,629	–	8,327	2,051,956	2,161,346	–	6,930	2,168,276	2,345,137	337,910	18,555	2,701,602	2,273,872	337,910	17,501	2,629,283

Notes to the restated financial information of the Telstra CSL Group:

(i) Preparation

The restated financial information has been prepared by the NWM Group by applying the accounting policies of the NWM Group to the Telstra CSL Group's financial information.

(ii) Accounting for revenue recognition

The NWM Group aggregates the total monetary value amount of a sales arrangement offering a handset as well as monthly service to the customer, i.e. the handset amount together with the total mobile service fee over the entire contract period, to reach a total sum which is the total consideration over such sales arrangement. Accordingly, a fair portion of this consideration is allocated to handset sales and mobile service fee. As a result of this allocation, some of the upfront handset prepayment out of the whole bundle consideration is recognised as service fee during the contract period. Handset subsidies are capitalised and amortised on a straight-line basis over the same contract period. The Telstra CSL Group expenses the handset subsidies unless the underlying service contracts last for two or more years, pursuant to which the handset subsidies are amortised on a straight-line basis over the average duration of service contracts of customers.

(iii) Accounting for goodwill

The NWM Group elected to adopt HKFRS 3 for the financial year ended 30 June 2005 and has performed the impairment test on goodwill on an annual basis according to the accounting standard. The Telstra CSL Group did not elect to adopt HKFRS 3 for the financial year ended 30 June 2005 but has adopted the standard for the financial year ending 30 June 2006, upon the standard becoming effective, on a prospective basis as required under the standard. Prior to the adoption of HKFRS 3, the Telstra CSL Group amortised goodwill on the straight-line basis.

(iv) Cash flows positions

The differences in accounting policies as set out in (ii), (iii) and (iv) above did not have any impact on the cash flow positions of the Telstra CSL Group. As such, no restated unaudited consolidated cash flow statements of the Telstra CSL Group were prepared in accordance with the accounting policies of the NWM Group for the purposes of this circular.

(v) Agreed-upon procedures performed by the auditors of NWM

The Directors acknowledge their sole responsibilities for preparing the restated financial information for inclusion in this circular. In preparing the restated financial information, the Directors have compared the accounting policies adopted by the NWM Group and Telstra CSL Group for the three years ended 30 June 2005 and four months ended 31 October 2004 and 2005, discussed with management of the Telstra CSL Group and instructed the auditors of NWM to carry out certain agreed-upon procedures on the restated financial information.

The said agreed-upon procedures do not constitute an assurance engagement pursuant to standards issued by the HKICPA and because of its nature, the auditors of NWM have not expressed any assurance on any of the items on the restated financial information or of the restated financial information as a whole, and have not determined whether the unaudited adjusted financial information of the Telstra CSL Group has been properly prepared on the bases consistent with the accounting policies of NWM. Moreover, since the said agreed-upon procedures were agreed between the Directors and the auditors of NWM, they should not be used or relied upon by any other parties for any purposes. Such procedures were not planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Areas of possible interest to a third party are not specifically addressed and matters may exist that would be assessed differently by a third party. The said agreed-upon procedures on the restated financial information are as follows:

1. compared the "unadjusted financial information" to that stated in the accountants' report of the Telstra CSL Group (the "CSL Accountants' Report"), as included in the circular;

2. with respect to the amounts stated in the "accounting policy adjustments on goodwill" columns, compared the amortisation expenses to those stated in the CSL Accountants' Report;

3. with respect to the amounts stated in the "accounting policy adjustments on revenue recognition" columns:–

   (a) obtained from management of NWM the schedules (the "Schedules") which state, in respect of the Telstra CSL Group, the adjustments (the "Adjustments") on the capitalisation and amortisation amounts of handset subsidies and the related sales and cost of sales;

   (b) checked the arithmetic accuracy of the calculations of the Adjustments based on the formulae used in the Schedules; and

   (c) compared the Adjustments to the corresponding amounts stated in the "accounting policy adjustments on revenue recognition" columns.

4. checked the additions of the amounts stated in the "unaudited adjusted financial information" columns of the restated financial information.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the Proposed Merger on the financial position or results of the NWM Group and is prepared for illustrative purposes only, and because of its hypothetical nature, the pro forma financial information of the Enlarged Group may not give a true picture of the Enlarged Group's financial position or results.

On 8 December 2005, NWM entered into the Merger Agreement, pursuant to which NWM has agreed to procure NW SPV to subscribe for new shares in Telstra CSL, which will represent 23.6% of the enlarged issued share capital of Telstra CSL upon Completion, in exchange for the transfer of NWM's entire interests in NWPCS Holdings to Telstra CSL and a cash payment of HK$244.024 million by NWM to Telstra CSL. Pursuant to the Merger Agreement, NWM has also entered into the Subscription Agreements whereby NWM will subscribe for new shares in NWPCS Holdings in cash immediately prior to Completion to provide the NWPCS Group with funds to retire its outstanding debts and for a certain level of negative working capital as at the date of Completion. The subscription for new shares in Telstra CSL and NWPCS Holdings by NWM will be funded by shareholder's loan to be advanced by NWD to NWM.

Upon Completion, NWM, through NW SPV's interest in Telstra CSL, will be interested in 23.6% of the Merged Group. The NWPCS Group will also cease to be subsidiaries of NWM. The pro forma financial information has been prepared in accordance with Hong Kong Accounting Standard 28 "Investments in associates" ("HKAS 28") and also Hong Kong Financial Reporting Standard 3 "Business Combination" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants which shall be effective for accounting periods beginning on or after 1 January 2005. HKAS 28 has no material effect on the Enlarged Group's policy. The impact of HKFRS 3 on the pro forma financial information is goodwill arising from the Proposed Merger to be stated at cost less any impairment loss.

The following unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited financial statements of the NWM Group for the four months ended 31 October 2005 and the year ended 30 June 2005 extracted from the accountants' report on the NWM Group set out in Appendix I to this circular and the financial information of the Telstra CSL Group for the four months ended 31 October 2005 and the year ended 30 June 2005 extracted from the Accountants' report set out in Appendix III to this circular as if the Proposed Merger had taken place on 31 October 2005 and making certain adjustments to align the accounting policies of the Telstra CSL Group with the accounting policies of the NWM Group and pro forma adjustments as set out below.

The following unaudited pro forma consolidated profit and loss statements and consolidated cash flow statements of the Enlarged Group are prepared based on the audited financial statements of the NWM Group for the four months ended 31 October 2005 and the year ended 30 June 2005 extracted from the accountants' report on the NWM Group set out in Appendix I to this circular and the financial information of the Telstra CSL Group for the four months ended 31 October 2005 and the year ended 30 June 2005 extracted from the Accountants' report set out in Appendix III to this circular as if the Proposed Merger had taken place on 1 July 2004 and making certain adjustments to align the accounting policies of the Telstra CSL Group with the accounting policies of the NWM Group and pro forma adjustments as set out below.

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is an illustrative and pro forma consolidated balance sheet of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Merger as if it had taken place on 31 October 2005. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Merger been completed as at 31 October 2005 or at any future dates.

	The NWM Group as at 31 October 2005			**Pro forma adjustments**		**The Pro forma Enlarged Group as at 31 October 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS						
Non-current assets:						
Fixed assets	1,024,350	(1,021,245)				3,105
Investment properties	3,900					3,900
Intangible assets	72,959					72,959
Investments in associated companies	–		1,912,638	22,380	244,024	2,179,042
Deferred taxation	165,207	(165,207)				–
Rental and other deposits	7,900	(7,900)				–
	1,274,316					2,259,006
Current assets:						
Inventories	26,326	(26,326)				–
Trade receivables	102,365	(99,393)				2,972
Prepayments and other receivables	49,288	(47,441)				1,847
Handset subsidies	68,010	(68,010)				–
Rental and other deposits	41,014	(41,014)				–
Amounts due from fellow subsidiaries	29	(29)				–
Amounts due from a related company	813					813
Cash and bank balances	76,065	202,729	(1,037,759)		1,037,759	278,794
	363,910					284,426
Total assets	1,638,226					2,543,432

	The NWM Group as at 31 October 2005	Pro forma adjustments				The Pro forma Enlarged Group as at 31 October 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
LIABILITIES						
Non-current liabilities						
Amount due to the ultimate holding company	–				1,281,783	1,281,783
Loan from a fellow subsidiary	877,500	(877,500)				–
Convertible bond	28,256	–				28,256
Subscription note	1,146,829	–				1,146,829
Asset retirement obligations	6,758	(6,758)				–
Deferred income	2,646	(2,646)				–
	2,061,989					2,456,868
Current liabilities:						
Trade payables	174,156	(172,932)				1,224
Accrued charges, other payables, deposits received and deferred income	293,547	(284,977)		22,380		30,950
Amounts due to fellow subsidiaries	4,317	(3,889)				428
Amounts due to related companies	537	25				562
Current portion of long-term liabilities	–					–
Promissory note issued to the immediate holding company	–					–
	472,557					33,164
Total liabilities	2,534,546					2,490,032
Total equity and current liabilities	1,638,226					2,543,432
Net current (liabilities)/assets	(108,647)					251,262
Total assets less current liabilities	1,165,669					2,510,268
Capital	16,454	(300)				16,154
Other reserves	(83,205)	(689,792)	690,092			(82,905)
(Accumulated losses)/retained profits	(829,569)	764,933	184,787			120,151
(Deficit)/surplus on shareholders' fund	(896,320)					53,400

Notes to the unaudited pro forma consolidated balance sheet of the Enlarged Group

1. The balances have been extracted without adjustment from the accountants' report of the NWM Group as at 31 October 2005 as set out in Appendix I to this circular.

2. The adjustment relates to the NWPCS Disposal pursuant to the Merger Agreement. For the purpose of pro forma consolidated balance sheet, the amounts of assets and liabilities of the NWPCS Group to be disposed of are based on the financial information of the NWPCS Group as at 31 October 2005 as set out in Appendix I to this circular.

   The adjustment relates to the gain on the NWPCS Disposal assuming the NWPCS Disposal took place on 31 October 2005.

   The gain on the NWPCS Disposal will be determined based on the difference in the fair value of 76.4% interest in NWPCS disposed of by the NWM Group over the net book value of the NWPCS Group disposed of as at Completion.

   For the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group, the net book value of the NWPCS Group as at 31 October 2005 and the fair value of NWM's shares as to 76.4% based on the closing market price as at 15 February 2006 adjusted for net debts of the NWM Group, excluding the fair value of the NWCS Group and taking into consideration the retirement of debt and extinguishment of certain level of negative working capital of the NWPCS Group, if any, are applied in the calculation of the gain on the NWPCS Disposal. Since the fair value of the NWM Shares at the date of the Completion may be substantially different from their fair value used in the preparation of the pro forma financial information, the final amounts of the gain on the NWPCS Disposal will be different from those amount presented above.

3. The adjustment relates to equity accounting of 23.6% interest in the Merged Group as associate of the Enlarged Group pursuant to the Telstra CSL Acquisition, which has taken into account the following:

   a) The net asset value of the Telstra CSL Group is based on the restated financial information on Telstra CSL using accounting policies adopted by the NWM Group as at 31 October 2005 as set out in Appendix IV to this circular. The Directors consider that, save for the adjustments in relation to the "Accounting for revenue recognition" and "Accounting for goodwill" as detailed in notes (ii) and (iii) of the section B of Appendix IV to this circular, the pro forma financial information of the Enlarged Group has been properly compiled on the bases stated in this appendix and such basis is consistent with the accounting policies of the NWM Group.

   b) The net asset value of the NWPCS Group as at 31 October 2005.

   c) Fair value adjustment ascribed to the Telstra CSL Group relates to recognition of the intangible assets including the 3G Licence, customer base and trademarks, which has been assessed by an independent valuer on the Telstra CSL Group as at 31 October 2005. No fair value adjustment has been ascribed to the NWPCS Group.

   d) Recognition of the goodwill arose from the Telstra CSL Acquisition amounts to approximately HK$987 million (see below for further details).

   e) Issue of new shares by NWPCS Holdings to NWM amounted to HK$1,038 million (based on the amount of outstanding debts owed by the NWPCS Group as at 31 October 2005) pursuant to the Merger Agreement to render the NWPCS Group debt-free upon completion of the Merger Agreement by (i) retirement of outstanding debts at Completion and (ii) extinguishment of certain levels of negative working capital at Completion.

Under HKFRS, the NWM Group will apply the purchase method to account for the Telstra CSL Acquisition. In applying the purchase method, the share of identifiable assets and liabilities (including intangible assets and contingent liabilities) of the Telstra CSL Group will be recorded at the Completion date of the Telstra CSL Acquisition. Any goodwill or negative goodwill arising from the Telstra CSL Acquisition will be determined as the excess or deficit of the purchase consideration, i.e. the fair value of 76.4% interest in the NWPCS Group disposed of by the NWM Group plus cash consideration, over the NWM Group's interest in the net fair value of the identifiable assets and liabilities of the Telstra CSL Group at Completion.

For the purpose of preparing the unaudited pro forma consolidated balance sheet of the Enlarged Group, the net fair value of the identifiable assets and liabilities of the Telstra CSL Group as at 31 October 2005 and the fair value of the NWM Shares as to 76.4% based on the closing market price as at 15 February 2006 are applied in the calculation of the estimated goodwill arising from the Telstra CSL Acquisition. Since the fair value of Telstra CSL Group at the date of Completion may be substantially different from their fair value used in the preparation of the pro forma financial information, the final amounts of the fair values of the assets and liabilities of Telstra CSL Group and intangible assets (including goodwill) will be different from those amounts applied in the calculation of the estimated goodwill.

4. The adjustment reflects the expenses directly attributable to the Proposed Merger of approximately HK$22 million.

5. The adjustment reflects a shareholder's loan advanced by NWD to NWM as at 31 October 2005, for the purpose of satisfaction of the subscription of the NWPCS Holdings's shares by NWM amounting to HK$1,038 million pursuant to one of the Subscription Agreements, and settlement of the cash consideration of HK$244 million pursuant to the Merger Agreement. The loan is unsecured and has no definite term of repayment.

6. No adjustment has been made to reflect any trading result or other transaction of NWM and Telstra CSL entered into subsequent to 31 October 2005.

2. UNAUDITED PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENTS OF THE ENLARGED GROUP

The following is an illustrative and pro forma consolidated profit and loss statements of the Enlarged Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Merger as if it had taken place on 1 July 2004. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Enlarged Group had the Proposed Merger been completed as at 1 July 2004 or at any future dates.

Unaudited pro forma consolidated profit and loss statement for the year ended 30 June 2005

	The NWM Group for the year ended 30 June 2005	**Pro forma adjustments**				**The Pro forma Enlarged Group for the year ended 30 June 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	
Turnover	1,709,054	(1,704,793)				4,261
Cost of sales	(866,113)	864,783				(1,330)
Gross profit	842,941					2,931
Other revenue	635	(527)				108
Selling expenses	(101,468)	101,105				(363)
Administrative expenses	(598,701)	593,724				(4,977)
Operating profit/(loss)	143,407					(2,301)
Finance costs	(65,287)	20,548			(73,253)	(117,992)
Gain on disposal of subsidiaries	–		984,211			984,211
Share of profit of an associate	–			144,983		144,983
Profit before taxation	78,120					1,008,901
Taxation	(21,066)	21,015				(51)
Profit for the year	57,054					1,008,850
Attributable to:						
Equity holders of the parent	57,054					1,008,850

Unaudited pro forma consolidated profit and loss statement for the four months ended 31 October 2005

	The NWM Group for the four months ended 31 October 2005	Pro forma adjustments			The Pro forma Enlarged Group for the four months ended 31 October 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Turnover	700,265	(700,051)			214
Cost of sales	(441,251)	440,908			(343)
Gross profit/(loss)	259,014				(129)
Other revenue	533	(439)			94
Selling expenses	(41,930)	41,901			(29)
Administrative expenses	(192,457)	190,898			(1,559)
Operating profit/(loss)	25,160				(1,623)
Finance costs	(29,691)	13,769		(24,418)	(40,340)
Share of profit of an associate	–		40,438		40,438
(Loss)/profit before taxation	(4,531)				(1,525)
Taxation	(2,265)	2,265			–
Loss for the period	(6,796)				(1,525)
Attributable to:					
Equity holders of the parent	(6,796)				(1,525)

Notes to the unaudited pro forma consolidated profit and loss statements of the Enlarged Group

1. The amounts have been extracted without adjustment from the accountants' report of the NWM Group for the year ended 30 June 2005 and four months ended 31 October 2005 as set out in Appendix I to this circular.

2. The adjustment relates to the NWPCS Disposal pursuant to the Merger Agreement. For the purpose of pro forma consolidated profit and loss statements, the results of the NWPCS Group to be disposed of are based on the financial information for the year ended 30 June 2005 and four months ended 31 October 2005 as set out in Appendix I to this circular.

   The gain on the NWPCS Disposal will be determined based on the difference in the fair value of 76.4% interest in the NWPCS Group disposed of by the NWM Group over the net book value of 76.4% interest of the NWPCS Group disposed of as at Completion.

For the purpose of preparing the unaudited pro forma profit and loss statements of the Enlarged Group, the net book value of the NWPCS Group as at 1 July 2004 and the fair value of NWM Shares as to 76.4% based on the closing market price as at 22 July 2004 less the share of fair value attributable to the NWPCS Group adjusted for net debts of the NWM Group, after taking into consideration the retirement of debt and extinguishment of certain level of negative working capital of the NWPCS Group, if any, are applied in the calculation of the gain on the NWPCS Disposal. Since the fair value of the the NWPCS Group at the date of Completion may be substantially different from the fair value used in the preparation of the pro forma financial information, the final amount of the gain on the NWPCS Disposal will be different from those amounts presented above.

3. The adjustment relates to equity accounting of 23.6% interest in the Merged Group as associate of the Enlarged Group pursuant to the Telstra CSL Acquisition, which has taken into accounts the following:

   a) The results of Telstra CSL Group are extracted from the restated financial information on Telstra CSL using accounting policies adopted by the NWM Group for the year ended 30 June 2005 and four months ended 31 October 2005 as set out in Appendix IV to this circular, and taking into account the add-back of net interest expenses payable to the ultimate holding company of Telstra CSL which would have been avoided assuming that the related intercompany loans had been extinguished upon Completion. The directors consider that, save for the adjustments in relation to the "Accounting for revenue recognition" and "Accounting for goodwill" as detailed in notes (ii) and (iii) of the section (B) of Appendix IV to this circular, the pro forma financial information of the Enlarged Group has been properly compiled on the bases stated in this appendix and such basis is consistent with the accounting policies of the NWM Group.

   b) The results of the NWPCS Group are extracted from the accountants' report of the Group for the year ended 30 June 2005 and four months ended 31 October 2005 as set out in Appendix I to this circular, adding back interest expenses incurred on debt of the NWPCS Group which would have been avoided assuming that such debt had been retired upon Completion.

   c) Recognition of amortisation expenses of the intangible assets as detailed in note 3(c) of section 1 of this appendix.

4. The adjustment reflects interest expenses on shareholder's loan advanced by NWD to NWM, for the purpose of satisfaction of the subscription for the NWPCS Holdings's shares amounting to HK$1,335 million pursuant to one of the Subscription Agreements, and settlement of the cash consideration of HK$244 million pursuant to the Merger Agreement. The loan is unsecured and interest-bearing at 0.65% above HIBOR per annum, and has no definite term of repayment.

5. No adjustment has been made to reflect any trading result or other transaction of NWM and Telstra CSL entered into subsequent to 31 October 2005.

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENTS OF THE ENLARGED GROUP

The following is an illustrative and pro forma consolidated cash flow statements of the Enlarged Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Merger as if it had taken place on 1 July 2004. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Enlarged Group had the Proposed Merger been completed as at 1 July 2004 or at any future dates.

Unaudited pro forma consolidated cash flow statement for the year ended 30 June 2005

	The NWM Group for the year ended 30 June 2005	Pro forma adjustments				The Pro forma Enlarged Group for the year ended 30 June 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Operating activities						
Net cash inflow/ (outflow) generated from operations	396,209	(401,029)				(4,820)
Interest paid	(13,983)	12,509			(73,253)	(74,727)
Hong Kong profits tax paid	(51)					(51)
Net cash inflow/ (outflow) from operating activities	382,175					(79,598)
Investing activities						
Purchase of fixed assets	(140,791)	140,791				–
Sales of fixed assets	5	(5)				–
Acquisition of subsidiaries	45,630					45,630
Sales of other investments	900					900
Sales of investment securities	3,609					3,609
Interests received	635	(527)				108
NWPCS Disposal and Telstra CSL acquisition	–		(220,470)			(220,470)
Net cash outflow from investing activities	(90,012)					(170,223)
Net cash inflow/(outflow) before financing	292,163					(249,821)

Unaudited pro forma consolidated cash flow statement for the year ended 30 June 2005 *(Continued)*

	The NWM Group for the year ended 30 June 2005	Pro forma adjustments				The Pro forma Enlarged Group for the year ended 30 June 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Financing activities						
(Decrease)/increase in amounts due to immediate holding company and ultimate holding company	(73)			1,578,719		1,578,646
Repayment of bank loan	(270,000)	270,000		(372,500)		(372,500)
Repayment of loan from a fellow subsidiary	–			(877,500)		(877,500)
(Increase)/decrease in amount due from the NWPCS Group	–	(30,925)	30,925			–
Net cash (outflow)/inflow from financing activities	(270,073)					328,646
Net increase in cash and cash equivalents	22,090					78,825
Cash and cash equivalents at the beginning of the year	94,444					94,444
Cash and cash equivalents at the end of the year	116,534					173,269

Unaudited pro forma consolidated cash flow statement for the four months ended 31 October 2005

	The NWM Group for the four months ended 31 October 2005	Pro forma adjustments					The Pro forma Enlarged Group for the four months ended 31 October 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
Operating activities							
Net cash inflow/(outflow) generated from operations	120,743	(121,207)					(464)
Interest paid	(18,253)	17,832					(421)
Net cash inflow/(outflow) from operating activities	102,490						(885)
Investing activities							
Purchase of fixed assets	(51,974)	51,974					–
Sales of fixed assets	299	(299)					–
Acquisition of subsidiaries	9,896						9,896
Interests received	533	(439)					94
Dividend received	–					57,932	57,932
Net cash (outflow)/inflow from investing activities	(41,246)						67,922
Net cash inflow before financing	61,244						67,037
Financing activities							
Repayment of bank loan	(102,500)	102,500					–
Decrease/(increase) in amount due from the NWPCS Group	–	839	(839)				
Net cash outflow from financing activities	(102,500)						–

Unaudited pro forma consolidated cash flow statement for the four months ended 31 October 2005 *(Continued)*

	The NWM Group for the four months ended 31 October 2005	Pro forma adjustments					The Pro forma Enlarged Group for the four months ended 31 October 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
Net (decrease)/increase in cash and cash equivalents	(41,256)	51,200	(839)			57,932	67,037
Cash and cash equivalents at the beginning of the period	116,534	(9,186)	(189,545)	328,719	(73,253)		173,269
Cash and cash equivalents at the end of the period	75,278						240,306

Notes to the unaudited pro forma consolidated cash flow statements of the Enlarged Group

1. The amounts have been extracted without adjustment from the accountants' report of the NWM Group for the year ended 30 June 2005 and four months ended 31 October 2005 as set out in Appendix I to this circular.

2. The adjustment reflects the NWPCS Disposal pursuant to the Merger Agreement. For the purpose of pro forma cash flow statements, the cash flows of the NWPCS Group to be disposed of are based on the financial information of the NWPCS Group for the year ended 30 June 2005 and four months ended 31 October 2005 as set out in Appendix I to this circular.

3. The adjustment reflects negative cash and bank balances of the NWPCS Group immediately prior to Completion, cash considerations of approximately HK$244 million net of expenses directly attributable to the Proposed Merger of approximately HK$22 million and the reversal of fund transfer between NWM and the NWPCS Group for the year ended 30 June 2005 and the four months ended 31 October 2005.

4. The adjustment reflects a shareholders' loan advanced by NWD to NWM, and the retirement of debt of the NWPCS Group pursuant to the Merger Agreement, as detailed in note 4 of section 2 in this appendix.

5. The adjustment reflects interest expenses on the shareholder's loan advanced by NWD as detailed in note 4 above.

6. The adjustment reflects the receipt of the share of dividend from the Merged Group declared during the year ended 30 June 2005. For the purpose of the pro forma cash flow statement, the amount of dividend received are extracted from the accountants' report of the Telstra CSL Group.

7. No adjustment has been made to reflect any trading result or other transaction of NWM and Telstra CSL entered into subsequent to 31 October 2005.

4. LETTER FROM THE REPORTING ACCOUNTANTS OF NWM

The following is the text of a report received from the auditors and reporting accountants of NWM, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular. As there is no specific guidance for reporting on pro forma financial information issued by the Hong Kong Institute of Certified Public Accountants, this report is prepared with reference to the principles set out in the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
New World Mobile Holdings Limited

7 March 2006

Dear Sirs,

We report on the unaudited pro forma financial information of New World Mobile Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 142 to 153 under the headings of "Unaudited Pro Forma Financial Information" in Appendix V of the Company's circular dated 7 March 2006, in connection with the proposed merger (the "Proposed Merger") of the mobile telecommunications businesses of Hong Kong CSL Limited and New World PCS Limited by the Company. The unaudited pro forma financial information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Proposed Merger might have affected the relevant financial information of the Group.

RESPONSIBILITIES

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to the principles set out in Technical Release 18/98 "Pro Forma Financial Information – Guidance for the preparers under the Listing Rules" issued by the Institute of Chartered Accountants in England and Wales.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the principles set out in the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

Our work does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the bases set out on pages 142 to 153 for illustrative purpose only and, because of its hypothetical nature, it may not be indicative of:

– the financial position of the Group as at 31 October 2005 or any future date, or

– the results of the Group for the year ended 30 June 2005 and for the four months ended 31 October 2005 or any future periods.

OPINION

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the NWM Group. The Directors collectively and individually accept full responsibility for the accuracy of the information with regard to the NWM Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of NWM and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of NWM in the shares, underlying shares or debentures of NWM and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to NWM and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to NWM and the Stock Exchange, were as follows:–

Interests in NWM Shares

As at the Latest Practicable Date, none of the Directors had any interests in the NWM Shares. As at the Latest Practicable Date, the interests of the Directors in the shares of the associated corporations of NWM were as follows:

	Number of shares/amount of registered capital				Approximate percentage of issued/ registered capital as at the Latest Practicable Date
	Personal interests	**Family interests**	**Corporate interests**	**Total**	
New World China Land Limited ("NWCL")					
(Ordinary shares of HK$0.10 each)					
Dr. Cheng Kar Shun, Henry	12,500,000	–	52,271,200 [(1)]	64,771,200	1.70%
Mr. Doo Wai Hoi, William, *JP*	8,750,000	–	45,050,000 [(2)]	53,800,000	1.41%
Mr. Chow Yu Chun, Alexander	6,250,000	–	–	6,250,000	0.164%

	Number of shares/amount of registered capital				Approximate percentage of issued/ registered capital as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
NWD					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	–	300,000 (3)	–	300,000	0.008%
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.008%
NWS Holdings Limited ("NWSH")					
(Ordinary shares of HK$1.00 each)					
Dr. Cheng Kar Shun, Henry	3,179,199	587,000 (3)	8,000,000 (1)	11,766,199	0.62%
Mr. Doo Wai Hoi, William, *JP*	2,006,566	–	3,130,000 (2)	5,136,566	0.27%
Mr. Chow Yu Chun, Alexander	2,504,761	–	–	2,504,761	0.13%
Mr. Kwong Che Keung, Gordon	601,969	–	–	601,969	0.03%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US$)					
Mr. Doo Wai Hoi, William, *JP*	–	–	3,000,000 (4)	3,000,000	30.00%
Master Services Limited					
(Ordinary shares of US$0.01 each)					
Mr. Chow Yu Chun, Alexander	16,335	–	–	16,335	1.63%
Ramada Property Ltd.					
(Ordinary shares of US$1.00 each)					
Mr. Doo Wai Hoi, William, *JP*	–	–	200 (2)	200	20.00%
Shanghai Ju Yi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai Hoi, William, *JP*	–	–	105,000,000 (4)	105,000,000	30.00%

Notes:

(1) These shares are beneficially owned by a company wholly-owned by Dr. Cheng Kar Shun, Henry, an executive Director and the chairman of NWM.

(2) These shares are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William, *JP*, an executive Director and the vice chairman of NWM.

(3) These shares are held by the spouse of Dr. Cheng Kar Shun, Henry.

(4) These represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William, *JP*.

Interests in underlying shares – share options

(i) NWM

As at the Latest Practicable Date, the following Directors had personal interest in options to subscribe for NWM Shares granted under the share option schemes of NWM:

Name of Director	**Number of share options as at the Latest Practicable Date**	**Date of grant**	**Exercise Price** *HK$*	**Exercisable period**
Dr. Cheng Kar Shun, Henry	780,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. Doo Wai Hoi, William, *JP*	300,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Dr. Wai Fung Man, Norman	482,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. To Hin Tsun, Gerald	482,000	28 January 2005	1.260	28 January 2005 to 31 December 2010

Name of Director	Number of share options as at the Latest Practicable Date	Date of grant	Exercise Price *HK$*	Exercisable period
Mr. Chow Yu Chun, Alexander	482,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. Ho Hau Chong, Norman	78,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. Lo Lin Shing, Simon	200,000	8 February 2002	2.440	9 February 2002 to 8 February 2008
	78,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. Hui Chiu Chung, *JP*	78,000	8 April 2005	1.276	8 April 2005 to 31 December 2010
Mr. Kwong Che Keung, Gordon	78,000	28 January 2005	1.260	28 January 2005 to 31 December 2010
Mr. Wei Chi Kuan, Kenny	78,000	28 January 2005	1.260	28 January 2005 to 31 December 2010

(ii) NWSH

Under the share option scheme of NWSH, a fellow subsidiary of NWM, the following Directors were granted share options to subscribe for shares in NWSH:

		Number of share options with exercise price per share of HK$3.719	
Name of Director	**Date of grant**	**Exercisable Period**	**Balance as at the Latest Practicable Date**
Mr. Chow Yu Chun, Alexander	21 July 2003	*Note (1)*	134,647

Note:

(1) This is divided into two tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of NWM had any interests or short positions in the shares, underlying shares or debentures of NWM or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to NWM and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to NWM and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of NWM, the following persons (other than the Directors or chief executive of NWM) had an interest or short position in the NWM Shares or/and underlying NWM Shares which would fall to be disclosed to NWM under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the NWM Group were as follows:

Interests in the NWM Shares and underlying NWM Shares

Name	Capacity	Interests in NWM Shares	Interests in physically settled unlisted equity derivatives	Total	Approximate percentage of issued capital as at the Latest Practicable Date
NWCBN	Beneficial owner	2,100,000	23,185,245 (1)	25,285,245	26.52%
New World Telephone Holdings Limited (“NWTHL”)	Interest of a controlled corporation	2,100,000 (2)	23,185,245 (2)	25,285,245	26.52%
PPG	Beneficial owner	53,236,666	1,000,000,000 (3)	1,053,236,666	1,104.76%
NWD	Interest of controlled corporations	55,336,666 (4)	1,023,185,245 (4)	1,078,521,911	1,131.28%
Chow Tai Fook Enterprises Limited (“CTF”)	Interest of a controlled corporation	55,336,666 (5)	1,023,185,245 (5)	1,078,521,911	1,131.28%
Million Dollar Trading Limited	Beneficial Owner	16,153,846	–	16,153,846	16.94%
New World CyberBase Limited	Interest of a controlled corporation	16,153,846 (6)	–	16,153,846	16.94%

Notes:

(1) These 23,185,245 underlying NWM Shares represent the NWM Shares which may be issued upon the exercise of any of the conversion rights attaching to the Convertible Bond.

(2) NWCBN is a wholly-owned subsidiary of NWTHL. Accordingly, NWTHL is deemed to be interested in the NWM Shares and underlying NWM Shares held by NWCBN.

(3) These 1,000,000,000 underlying NWM Shares represent the NWM Shares which may be issued upon the exercise of any of the conversion rights attaching to the Subscription Note.

(4) Each of PPG and NWTHL is a wholly-owned subsidiary of NWD. Accordingly, NWD is deemed to have an interest in the NWM Shares and underlying NWM Shares held by PPG and in the NWM Shares and underlying NWM Shares deemed to be interested by NWTHL.

(5) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and CTF is accordingly deemed to have an interest in the NWM Shares and underlying NWM Shares.

(6) Million Dollar Trading Limited is a wholly-owned subsidiary of New World CyberBase Limited. Accordingly, New World CyberBase Limited is deemed to be interested in the NWM Shares and underlying NWM Shares held by Million Dollar Trading Limited.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of NWM) had, or was deemed or taken to have an interest or short position in the NWM Shares or/and underlying NWM Shares which would fall to be disclosed to NWM under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the NWM Group.

Save as stated above, as at 31 October 2005, in the register required to be kept under Section 336 of the SFO, no other persons were recorded to hold any long or short positions in the shares or underlying shares of the equity derivatives of NWM.

(c) Other interests

(1) None of the Directors was materially interested in any contract or arrangement entered into by any member of the NWM Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the NWM Group taken as a whole.

(2) None of the Directors had since 31 October 2005, being the date to which the latest published audited financial statements of NWM were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the NWM Group, or are proposed to be acquired or disposed of by or leased to any member of the NWM Group.

3. MATERIAL LITIGATION

Neither NWM nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against NWM or any of its subsidiaries as at the Latest Practicable Date.

4. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the NWM Group, other than those businesses where the Directors were appointed as directors to represent the interests of NWM and/or the NWM Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the NWM Group nor were there any other service agreements proposed which would not expire or be determinable by the NWM Group within one year without payment of compensation (other than statutory compensation).

6. PROCEDURES FOR DEMANDING A POLL

Under the articles of association of NWM, poll may be demanded in respect of any resolution put to the vote at the EGM (or any adjourned meeting thereof) by:–

(a) the chairman of the meeting; or

(b) at least five members present in person or by proxy and entitled to vote at the meeting; or

(c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the NWM Group) have been entered into by members of the NWM Group within the two years immediately preceding the date of this circular, and are or may be material:

(a) the agreement dated 29 March 2004 entered into between NWM and New World Telephone Holdings Limited in relation to the Reverse Acquisition for a consideration of HK$1,250 million;

(b) the subscription agreement dated 29 March 2004 entered into between PPG and NWM in relation to the subscription by PPG for 4,666,666 NWM Shares and the subscription note in the principal amount of HK$1,200 million;

(c) the assignment dated 31 May 2004 entered into between NWD as the assignor and NWPCS as the assignee (the "Assignment") pursuant to which NWD agreed to assign to NWPCS the trade marks as specified in the Assignment together with the goodwill of the business concerned in the goods and services, at a consideration of HK$10.00 for which the trade marks are registered and all rights therein subject to and upon the terms and conditions contained therein;

(d) the deed of novation and amendment dated 6 July 2004 entered into between NWPCS as borrower, NWD as existing guarantor, NWPCS Holdings as shareholder, NWM as new guarantor and Standard Chartered Bank (Hong Kong) Limited ("Standard Chartered Bank") in relation to the release and discharge of NWD's rights and obligations under the credit agreement dated 21 November 2002 (the "Credit Agreement") and the undertaking by NWM to perform the obligations of NWD under the Credit Agreement;

(e) the subordination deed dated 6 July 2004 entered into between NWPCS Holdings, New World Finance Company Limited ("New World Finance") and Standard Chartered Bank in relation to the release and discharge of NWD's rights and obligations under the Credit Agreement and the undertakings by NWM to perform, discharge and observe the terms of the Credit Agreement;

(f) the loan agreement dated 6 July 2004 (the "2004 Loan Agreement") entered into between NWPCS as borrower and New World Finance as lender pursuant to which New World Finance agreed to make available to NWPCS a loan facility of up to HK$877,500,000 subject to and upon the terms and conditions contained therein;

(g) the guarantee dated 6 July 2004 entered into between NWM as guarantor and New World Finance as lender pursuant to which NWM agreed to guarantee the performance by NWPCS of the obligations under the 2004 Loan Agreement subject to and upon the terms and conditions contained therein;

(h) the agreement dated 12 September 2005 entered into between NWM and NWCB in relation to the sale and purchase of the entire issued share capital of NWCS at a consideration of HK$20,999,999 which was satisfied by the issue of 16,153,846 NWM Shares at an issue price of HK$1.3 per NWM Share by NWM to NWCB;

(i) the deed of assignment of loan dated 21 October 2005 entered into between New World CyberBase Limited ("NWCB") as assignor, NWM as assignee and NWCS in relation to the assignment of the interest-free shareholder's loan owed from NWCS to NWCB and its subsidiaries, at a consideration of HK$1.00, subject to and upon the terms and conditions contained therein;

(j) the loan agreement dated 9 November 2005 entered into between NWPCS as borrower and New World Finance as lender pursuant to which New World Finance agreed to make available to NWPCS a loan facility of up to HK$60,000,000 subject to and upon the terms and conditions contained therein;

(k) the Merger Agreement;

(l) the Shareholders' Agreement; and

(m) the Subscription Agreements.

8. EXPERTS

The following are the qualifications of the professional advisers who have given opinions or advice which are contained in this circular:

Names	**Qualifications**
PricewaterhouseCoopers	Certified Public Accountants
Ernst & Young	Certified Public Accountants

PricewaterhouseCoopers and Ernst & Young have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their reports and letters (if any), as the case may be, and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of PricewaterhouseCoopers and Ernst & Young:

(a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to NWM since 31 October 2005, being the date to which the latest published audited accounts of NWM were made up; and

(b) did not have any shareholding interest in any member of the NWM Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the NWM Group.

9. MISCELLANEOUS

(a) The company secretary and the qualified accountant of NWM is Mr. Sien Yun Man *CPA, ACS, ACIS*.

(b) The registered office of NWM is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the principal place of business of NWM in Hong Kong is at 17th Floor, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.

(c) The branch share registrars and transfer office of NWM in Hong Kong is Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Iu, Lai & Li, Solicitors, at 20th Floor, Gloucester Tower, The Landmark, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM and at the EGM:

(a) the memorandum and articles of association of NWM;

(b) the material contracts referred to under the paragraph headed "Material contracts" in this appendix;

(c) the letters of consent referred to in paragraph headed "Experts" in this Appendix;

(d) the annual report of NWM for the year ended 30 June 2005;

(e) the accountants' report from PricewaterhouseCoopers on the NWM Group dated 7 March 2006, the text of which is set out in Appendix I to this circular;

(f) the accountants' report from Ernst & Young on the Telstra CSL Group dated 7 March 2006, the text of which is set out in Appendix III to this circular;

(g) the letter from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group dated 7 March 2006, the text of which is set out in Appendix V to this circular; and

(h) the written statement signed by PricewaterhouseCoopers setting out the adjustments made by them in arriving at the figures shown in the accountants' report on the NWM Group as set out in Appendix I to this circular and giving the reasons thereof.

NEW WORLD MOBILE HOLDINGS LIMITED
新世界移動控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 862)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the members of New World Mobile Holdings Limited (the "Company") will be held at The Four Seasons Ballroom, 2/F, New World Renaissance Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 24 March 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

"THAT:–

(a) the entering into of the conditional merger agreement dated 8 December 2005 (the "Merger Agreement"), a copy of which has been produced to the meeting marked "A" and initialled by the Chairman of the meeting for the purpose of identification, between the Company, Telstra CSL Limited ("Telstra CSL") and Telstra Holdings (Bermuda) No. 2 Limited, whereby Telstra CSL has agreed to allot and issue and the Company has agreed to procure Upper Start Holdings Limited, a wholly-owned subsidiary of the Company, to subscribe for new shares in Telstra CSL, which will represent 23.6% of the enlarged issued share capital of Telstra CSL upon completion of the Merger Agreement, in exchange for (i) the transfer of the entire interests of the Company in New World PCS Holdings Limited, a wholly-owned subsidiary of the Company and the holding company of New World PCS Limited, to Telstra CSL; and (ii) a cash payment of HK$244.024 million by the Company to Telstra CSL upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the Merger Agreement be and are hereby approved; and

(b) any one director of the Company be and is hereby authorised to do all acts and things and execute all documents by hand or, in case of execution of documents under seal, to do so jointly with either the secretary or a second director of the Company or a person appointed by the board of directors of the Company, which in his or their opinion may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Merger Agreement."

By Order of the Board
New World Mobile Holdings Limited
Sien Yun Man
Company Secretary

Hong Kong, 7 March 2006

Registered office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal place of business in Hong Kong:
17th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her/its stead. In the case of a recognised clearing house, it may authorise such other person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.

3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's branch share registrars in Hong Kong, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or any adjournment thereof or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, then the holder whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.