e-New Media Company Limited

(incorporated in Hong Kong with limited liability)

Results Announcement for the Year Ended 31 December 2001

The Directors of e-New Media Company Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001
(Expressed in Hong Kong dollars)

	Note	**2001**	**2000 restated**
		$'000	*$'000*
Turnover	1	**419,450**	878,169
Cost of sales		**(291,552)**	(649,721)
Gross profit		**127,898**	228,448
Other revenue	2	**10,709**	945
Other net loss	2	**(177,154)**	(102,401)
Administrative and selling expenses		**(107,439)**	(149,744)
Other operating expenses		**(41,824)**	(167,852)
Loss from operations		**(187,810)**	(190,604)
Finance costs	3(a)	**(5,486)**	(11,408)
Share of profits less losses of associates		**405**	(452)
Share of losses of jointly controlled entities		**(6,427)**	(11,541)
Impairment loss on goodwill	6	**—**	(473,061)
Loss before taxation	3	**(199,318)**	(687,066)
Taxation	4	**1,622**	236
Loss after taxation		**(197,696)**	(686,830)
Minority interests		**—**	9,209
Loss attributable to shareholders		**(197,696)**	(677,621)
Loss per share	5		
- Basic and diluted		**(12.0) cents**	(45.5) cents

Notes

1. **Segmental information**

	Group turnover 2001	**Group turnover 2000**	**Profit/(Loss) 2001**	**Profit/(Loss) 2000 restated**
	$'000	*$'000*	*$'000*	*$'000*
Principal activities				
Telecommunications and data bureau services	**349,980**	784,174	**(5,305)**	42,564
Recreational club operation	**26,937**	27,585	**(13,123)**	(25,179)
Investment holding and trading of securities	**42,533**	65,719	**(137,974)**	59,938
e-commerce enabling technologies	**—**	691	**(11,934)**	(201,832)
	419,450	878,169	**(168,336)**	(124,509)
Other group expenses			**(3,016)**	(12,134)
Deficit on revaluation of land and buildings			**(16,058)**	(52,961)
Deficit on revaluation of investment properties			**(400)**	(1,000)
Loss from operations			**(187,810)**	(190,604)
Finance costs			**(5,486)**	(11,408)
Share of profits less losses of				
associates			**405**	(452)
and jointly controlled entity			**(6,427)**	(11,541)
Impairment loss on goodwill			**—**	(473,061)
Taxation			**1,622**	236
Minority interests			**—**	9,209
Loss attributable to shareholders			**(197,696)**	(677,621)

	Group turnover 2001	**Group turnover 2000**
	$'000	*$'000*
Geographical location of operations		
Hong Kong SAR	**70,679**	95,541
The People's Republic of China	**2,583**	2,704
Japan	**139,371**	292,981
Other Asia Pacific regions	**29,783**	20,833
Europe	**104,229**	227,515
North America	**64,698**	204,934
Others	**8,107**	33,661
	419,450	878,169

2. **Other revenue/other net loss**

	2001	**2000**
	$'000	*$'000*
Other revenue		
Consulting services fees	**10,000**	—
Others	**709**	945
	10,709	945
Other net loss		
Net realised and unrealised loss on investments in securities	**174,797**	108,177
Additional consideration received from disposal of a subsidiary in prior year	**—**	(7,765)
Net loss on disposal of fixed assets	**2,409**	1,989
Others	**(52)**	—
	177,154	102,401

3. **Loss before taxation**

Loss before taxation is arrived at after charging/(crediting):

	2001	**2000**
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans and overdrafts	**2,826**	6,033
Factoring fees	**191**	2,025
Interest on convertible bonds	**2,469**	3,350
	5,486	11,408
(b) Other items:		
Cost of inventories sold	**3,757**	4,622
Depreciation	**13,961**	28,150
Amortisation of licence rights	**—**	7,615
Interest income	**(35,877)**	(57,061)
Dividend income	**(6,656)**	(8,658)

4. **Taxation**

	2001	**2000**
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**—**	342
Over-provision in respect of prior years	**(373)**	(2,121)
	(373)	(1,779)
Overseas taxation	**215**	412
(Over)/under-provision in respect of prior years	**(244)**	105
Deferred taxation	**(1,220)**	1,026
	(1,622)	(236)

No provision for Hong Kong Profits Tax has been made for the year as the Group did not earn profit subject to Hong Kong Profits Tax during 2001. The provision for Hong Kong Profits Tax for 2000 is calculated at 16% of the estimated assessable profits for the year ended 31 December 2000. Overseas taxation is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. **Loss per share**

(a) ***Basic loss per share***

The calculation of basic loss per share is based on the loss attributable to shareholders of $197,696,000 (2000 (restated): loss of $677,621,000) and the weighted average of 1,650,658,000 ordinary shares (2000: 1,489,514,000 shares) in issue during the year.

(b) ***Diluted loss per share***

The diluted loss per share for the years ended 31 December 2001 and 2000 is the same as the basic loss per share as the exercise of outstanding share options and the conversion of the convertible bonds in full would have an anti-dilutive effect on the loss per share.

6. **Impairment loss on goodwill**

Following the requirements of Statement of Standard Accounting Practice 31 "Impairment of Assets", the directors have assessed the recoverable amount of the goodwill and consider that there was an impairment loss of $473,061,000 as at 31 December 2000, which has been recognised as an expense in the consolidated income statement for the year ended 31 December 2000 as a prior year adjustment, according to the transitional provisions under Statement of Standard Accounting Practice 30 "Business Combinations". Consequently the Group's loss for the year ended 31 December 2000 has been increased by $473,061,000. The Group's net assets at 31 December 2001 and 2000 are not affected as the goodwill has already been set-off against reserves in prior years.

7. **Reserves**

	Share premium	**Capital redemption reserve**	**Exchange reserves**	**Goodwill reserve**	**Accumulated losses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2001						
- as previously reported	1,189,721	478	1,029	(503,061)	(281,997)	406,170
- prior year adjustment *(note 6)*	—	—	—	473,061	(473,061)	—
- as restated	1,189,721	478	1,029	(30,000)	(755,058)	406,170
Exchange differences	—	—	(239)	—	—	(239)
Loss for the year	—	—	—	—	(197,696)	(197,696)
At 31 December 2001	1,189,721	478	790	(30,000)	(952,754)	208,235

8. **Comparative figures**

Certain comparative figures have been restated as a result of the adoption of Statement of Standard Accounting Practice 31 "Impairment of Assets" and the transitional provisions under Statement of Standard Accounting Practice 30 "Business Combinations" as discussed in note 6.

Comparative figures for the analysis of other operating expenses and other revenue, in the consolidated income statement have been reclassified to conform with the current year's classification of income and expense items, and an additional line item in respect of other net loss has been added.

CHANGE IN USE OF NET PROCEEDS OF PLACING

By an ordinary resolution passed at an extraordinary general meeting of the Company held on 14 August 2001, it was resolved that the balance of the net proceeds from the placing of 235,000,000 new shares of the Company at the placing price of HK$3.75 per share as disclosed in the Company's announcement dated 4 January 2000 (the "Placing Announcement"), in addition to the purposes previously stated in the Placing Announcement, be also used for the general working capital of the Company and for investments either in the industries in which the Company operates its existing businesses or in other industries as and when the directors consider appropriate.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2001 (2000: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group recorded a turnover of HK$419,450,000 for the year and reported an after-tax loss of HK$197,696,000 with the diminution in value of short term investments being a dominant reason for the reported loss. The adverse trading environment in the audiotext market has led to a further deterioration in the results of the telecom business.

Telecommunications including International Premium Rate Services ("IPRS")

The business environment for IPRS has changed significantly. In particular, this has been on two fronts: (1) the pattern of behaviour from the major international telecommunications companies ("telcos") in making payments under the cascade system (2) a continuous reduction in settlement rates for international traffic routes. The payment cycle from originating and transit telcos is getting longer and longer, which places an extra burden on the Group since it essentially provides a factoring service to the Information Providers who generate the traffic flow. The settlement rates for many major international routes have been dramatically cut and sometimes such reductions have been imposed unilaterally by the originating telcos and on a retrospective basis. However, regardless of the manner in which such reductions have been imposed, mandatory policy guidelines imposed by the Federal Communications Commission with respect to international settlement rates are such that the IPRS business, as it has traditionally been based upon the "cascade accounting model", is effectively no longer viable for USA originated traffic. Reductions in international settlement rates have also been increasingly prevalent in both Europe and Asia, and particularly for traffic originating from UK and Japan.

As a result of the above trends, not only has traffic volume as well as the revenue associated therewith been substantially reduced, but cash flow has also been slower. Management has streamlined operations during the year to provide a smaller but efficient team to carry the business in new and more viable directions. At the same time, Management has also put a great deal of effort into seeking to have major payments released to the Group, currently "stockpiled" by telcos both for the reasons given above and aggravated further by the announcement in the last quarter of 2001 of the dissolution of Concert (previously formed from the merger of AT&T's and British Telecom's international business). While a degree of success has been forthcoming by aggressively engaging the major telcos involved, Management will continue to exercise effort in this regard.

The Group has invested in the Short Message Service ("SMS") business under its own brand name "SMSinasia" which operates in Hong Kong and Singapore to offer SMS services to customers via "900" numbers (with connections provided by PCCW and Singtel) and mobile phones (with connections provided by SUNDAY, SmarTone, PEOPLES, CSL, Orange and New World Mobility) to access games, logo and message downloads. Agreements have been reached with several content providers (in Hong Kong SAR, China, Singapore and Australia). In many ways, this represents an extension of the Group's traditional core business, given that revenue is generated via telephone calls, with revenue sharing with the originating carriers.

Internet and Digital Technologies

Year 2001, as with (particularly the latter half of) the previous year, continued to be a very difficult year for technology investments and companies worldwide. Consequently, Management continued with the prudent decision initiated in 2001 to safeguard shareholders' assets and reduce exposure to possible continuing risks. As a result, options to further invest in several USA-based companies in the Group's portfolio of technology investments were not pursued and, with a matching decision to withdraw from indigenous operations in the technology field. This development included shedding of some staff and refocusing of others to support core telecommunications business (including SMS referenced above) as well as being able to reduce the requirement for such extensive office space, with the Group moving into new premises in mid-year.

New Investments

As referenced above, in the face of an uncertain market, Management pursued a very conservative investment strategy during the year. However, investment opportunities that could provide synergy with the Group's trading expertise in Hong Kong SAR and China were attributed special attention:

On 12 November 2001, for a consideration of US$1,000,000, a commitment was signed for the purchase of 666,667 Series B Convertible Preference Shares of ChinaPay.com Holding Limited ("ChinaPay") representing a holding of approximately 7% of the enlarged share capital of the investee company. ChinaPay was established with the aim of building a unified national bank payment system in cooperation with other strategic partners in the PRC. A sum equivalent to the purchase consideration has been deposited in an escrow account and eventual payment will be subject to satisfactory completion of the due diligence exercise and other closing conditions.

An approximately 9% shareholding was acquired in Cardima, Inc. ("Cardima"), a company based in Fremont, California and listed on the U.S. Nasdaq Stock Exchange. Cardima is developing an innovative microcatheter for the treatment of atrial fibrillation (irregular heartbeat), which afflicts an estimated 4.5 million population worldwide. Cardima has completed its Phase II trial under the U.S.A. Food and Drug Administration regulations. Phase III trial is currently underway and has shown promising results. Cardima is seeking to obtain U.S.A. approval for the device before the end of 2002.

Other than this investment in the U.S.A., Management is also proactively looking at investment opportunities in the medical and healthcare industries in the Greater China Region and Management is looking forward to significant progress in this area in 2002.

A 10% shareholding was also acquired in Lesen Technologies Ltd. ("Lesen"), a British Virgin Islands registered company with its operating headquarters based in Macau. Lesen is engaged in the anti-forgery technology business and has obtained the sole marketing and distribution rights for all the key Asian countries (with the exclusion of Japan, Taiwan, Thailand and Vietnam) to an unique and state-of-the-art anti-forgery technology, originally developed in Japan. The technology has wide applications and can be used in identity cards, passports, credit cards, legal tender, trademarks, etc. Lesen will initially focus on markets within China, where it believes strong demand exists for its technology.

During the year, the Group committed to invest in 20% of the enlarged share capital of Beijing Smartdot Technologies Ltd. ("Smartdot"), a company based in China. Smartdot is engaged in software development and solution projects, with its primary focus being in the area of Office Automation. Smartdot was founded in 1998 by a group of graduate students from Tsinghua University which is also a minority shareholder and provider of technology support, and has a strong client base in the government and state-owned corporate sector. Smartdot started to produce earnings in 1999 and has since enjoyed excellent revenue and profit growth. It is anticipated that in 2002 Smartdot will also show strong performance targeting an IPO either in its domestic market or overseas for 2003/04.

Club Operations

Despite the downturn of the Hong Kong economy and reduction in the level of spending by members and guests, the Hong Kong Hilltop Country Club has striven to stay competitive while continuing to provide quality services and as a result achieved stable growth in its business activities.

In the face of a continuing sluggish outlook for the Hong Kong economy in 2002, new marketing and promotion programmes to stimulate spending by members in the restaurants will be introduced from time to time together with event marketing programmes on major festivals and celebrations (such as food festival, Valentine's Day and Mid-Autumn Festival). With these and other promotional activities, the Club's management will seek to build a closer community with members to encourage more participation in Club events and to continue to build membership. Measures to improve the Club infrastructure in the areas of water, electrical, ventilation and safety systems have also been introduced to enhance the comfort and safety of its members.

The operating results for the Shanghai Hilltop Club have not been up to the expectations envisaged at its opening in 1999. This stems from two main reasons: the location of the Club and the restricted opening of its facilities. Located at Putuo, which used to be a light industrial and mixed residential district, imposed constraints on development. However, this district is currently under development towards becoming more of a middle class residential neighbourhood and is likely to see significant investment from government to improve the surrounding environment and transportation services. The prospect of becoming a major recreational and sports centre for the rejuvenated locality bodes well for the Club's future. However, in the short-term the Club will continue to face difficulties in improving revenue, exacerbated by being only partially open. Since the beginning of 2002, various measures have been taken to strengthen the management and improve the operations of the Club, including changes in key employees, launching new promotional programmes (including targeting convention customers, as well as individual members), and the merging of various departments to reduce cost, achieve higher efficiency and better serve customer needs. Strategic marketing partnerships with transport services, travel agencies, and "event companies" (e.g. wedding services company) have also been developed.

Securities

During the year, the Group recorded dividend income of HK$6,656,000 (2000:HK$8,658,000) and net realised and unrealised loss on investments in securities of HK$174,797,000 (2000: HK$108,177,000).

Liquidity and Financial Position

Irrespective of the adverse trading environment, the Group maintained a position of financial stability underpinned by a cash holding of HK$657,272,000. As at 31 December 2001, the Group's total borrowing stands at HK$69,853,000 (2000:HK$242,713,000) with HK$63,303,000 repayment falling due within one year. The Group's gearing ratio, resulting from a comparison of the Group's total borrowing with total equity, was 6.8% (2000:19.7%). The current ratio at 31 December 2001 was 5.7 times (2000:3.2 times).

As at 31 December 2001, the Group's borrowing and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the financial statements. All remaining convertible bonds were redeemed in the second half of the year and other remaining borrowings of the Group are either interest free or on a floating rate basis.

In the reporting year, the Group did not resort to acquiring any financial instruments for hedging purposes.

Pledged Deposits

Pledge of the Company's fixed deposits of US$6,110,000 (2000: US$14,050,000) and corporate guarantees were given to bankers to secure short term loans, bank overdrafts and factoring facilities to the extent of US$11,600,000 (2000: US$22,050,000).

Employee and Remuneration Policies

As of the date of this report, the Group employs a total of 246 full time staff with its main workforce station in the Group's offices in Hong Kong. The Group's remuneration policies are performance based and are in line with the salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support, and a performance based share option scheme.

Contingent liabilities

At 31 December 2001, there were contingent liabilities in respect of the following:

(a) In November 2000, a telecommunications carrier served a notice of arbitration on a subsidiary in respect of various services provided to the subsidiary in connection with the transit of telecommunications traffic. On 31 October 2001, the arbitrator (appointed by American Arbitration Association) ruled against the subsidiary and made an award of US$1,960,000 to the carrier, together with pre-award interest, arbitrator's fees and expenses, arbitration administrative fees and expenses, and interest thereon. The subsidiary does not have the funds available to pay the amounts awarded and there is uncertainty as to whether the award is enforceable against the subsidiary.

The Group is consulting its legal advisors and reviewing the merits of available options, including contesting the award, negotiating with the claimant, and/or whether to provide funding to the subsidiary to discharge any such liability in the event that it is enforceable. As it is not practicable at this stage to determine whether, and if so, the extent to which, any liability to the Group will ultimately become payable, no provision has been made in the financial statements in connection with the award.

(b) One of the telecommunications content providers of a subsidiary issued a letter through its solicitors in March 2002 claiming damages of US$1,500,000 from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputes traffic volumes generated in the past and claims to have been underpaid by at least US$2,736,125.

Management is studying the allegations raised and is seeking legal advice on the subsidiary's legal rights and liabilities. To date, the basis of the claims has not been clearly specified and the Group is not aware of any legitimate grounds for such claims. In the meantime, no provision has been made in the financial statements in connection with these claims.

(c) A dispute has arisen with regard to the terms of a strategic partner agreement between the Group and a joint venture partner. The joint venture partner alleges that the Company failed to fulfil its obligations in funding and in marketing the joint venture partner's products.

Although no formal legal proceedings have begun and there is no information regarding the amount of potential exposure, the Company has nevertheless obtained legal advice and has been advised that it has a good defence to the allegations. Therefore, no provision has been made in the financial statements in connection with these allegations.

(d) During the year ended 31 December 2001, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of US$11,600,000.

AUDIT COMMITTEE

The Group's Audit Committee, established in 1999, continues to exercise its authority to review and supervise the financial reporting process and internal control system of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website in due course.

By order of the Board
James C. NG
Chief Executive Officer

Hong Kong, 15 April 2002

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Hilltop Country Club, 10 Hilltop Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong at 10:00 a.m. on Friday, 14 June 2002 for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2001.
2. To re-elect the retiring Directors and authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as special business and if thought fit, pass with or without amendments, the following resolution as Ordinary Resolution:

"THAT:

(a) subject to paragraph (c) of this Resolution, pursuant to section 57B of the Companies Ordinance the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue or (ii) the exercise of options granted under the share option scheme of the Company, shall not in aggregate exceed 20 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

By order of the Board
CHENG Pui-man
Company Secretary

Hong Kong, 15 April 2002

Notes:

1. A member 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 stead. A proxy need not be a member of the Company.
2. A proxy shall be deemed to be validly appointed if a duly completed form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, must be deposited at the Registered Office of the Company at Suite 1502, 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong NOT LESS THAN 48 hours before the time for holding the Meeting.