

# eNewmedia

## e-New Media Company Limited

(incorporated in Hong Kong with limited liability)

### Interim Results Announcement for the six months ended 30 June 2002

The Board of Directors (the "Board") of e-New Media Company Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002, together with unaudited comparative figures for the corresponding period in 2001.

#### Consolidated income statement for the six months ended 30 June 2002 - unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2002 \$'000	2001 \$'000
Turnover	2	73,011	267,478
Cost of sales		(55,870)	(184,893)
Gross profit		17,141	82,585
Other revenue		2,734	361
Other net loss		(18,763)	(48,436)
Selling and administrative expenses		(42,587)	(59,289)
Other operating expenses		(8,130)	(18,031)
Loss from operations	2	(49,605)	(42,810)
Finance costs	3	(1,354)	(3,458)
Share of profits less losses of associates		24	1,719
Share of losses of jointly controlled entities		—	(1,709)
Loss before taxation	3	(50,935)	(46,258)
Taxation	4	47	—
Loss for the period attributable to shareholders		(50,888)	(46,258)
Loss per share			
- Basic and diluted	5	(3.08) cents	(2.80) cents

#### Notes:

##### 1 Basis of preparation

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA. The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 April 2002. The same accounting policies as adopted in the 2001 annual financial statements have been applied to the interim financial report. The Group has adopted the new and revised Statements of Standard Accounting Practice ("SSAPs") which became effective on 1 January 2002. The adoption of these new and revised SSAPs has no material effect on the Group's financial results for the six months ended 30 June 2002.

##### 2 Segmental information

##### 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 \$50,888,000 (2001: \$46,258,000) and the number of 1,650,658,000 (2001: 1,650,658,000) ordinary shares in issue during the period.

###### (b) Diluted loss per share

The potential issue of ordinary shares in connection with the Company's share options would not give rise to an increase in loss per share and therefore had no dilutive effect on the calculation of the diluted loss per share.

##### 6 Reserves

	Share premium \$'000	Capital redemption reserve \$'000	Exchange reserve \$'000	Goodwill reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2002	1,189,721	478	790	(30,000)	(952,754)	208,235
Exchange differences	—	—	338	—	—	338
Loss for the period	—	—	—	—	(50,888)	(50,888)
At 30 June 2002	1,189,721	478	1,128	(30,000)	(1,003,642)	157,685

##### 7 Contingent liabilities

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 sufficiently specified and, pending legal advice, the Group is unable to establish the legitimacy of such claims. In the meantime, no provision has been made in the financial statements in connection with these claims.

##### 8 Post balance sheet event

A capital reorganisation scheme was approved by the shareholders at an Extraordinary General Meeting on 11 July 2002 and has subsequently been confirmed by the sanction of an order of the High Court of the Hong Kong Special Administrative Region (the "Court") dated 6 August 2002. The details of the capital reorganisation scheme are as follows:

- the authorised share capital of the Company has been reduced from \$1,000,000,000, divided into 2,000,000,000 ordinary shares of \$0.50 each, to \$20,000,000, divided into 2,000,000,000 ordinary shares of \$0.01 each. Such reduction was effected by cancelling paid up capital per share by \$0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from \$0.50 to \$0.01 per ordinary share; and
- upon such reduction of capital taking effect:
  - the authorised share capital of the Company has been increased to its former amount of \$1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of \$0.01 each; and
  - a Special Capital Reserve has been created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to \$808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the Special Capital Reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

##### INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for

contents in our platforms to be marketed and / or distributed in Hong Kong and Singapore. Management is currently looking into setting up similar platforms in Taiwan and China, offering existing contents.

##### Club Operations

Although Shanghai Hilltop Country Club is located in the Putuo District, which is at the fringe of downtown Shanghai with a lower-middle class neighbourhood, its overall performance has been improving gradually after management implemented a series of cost reduction and sales promotion. With gradual infrastructural improvement in the neighbourhood such as new roads and extension of the urban subway, the traveling time between the club and downtown Shanghai will be shortened. The future demand on leisure facilities in the area is expected to increase eventually.

In Hong Kong, quality services and new marketing programmes have allowed Hong Kong Hilltop Country Club to maintain a stable performance in the reporting period. As Tsuen Wan is gradually being transformed from an industrial to a residential neighbourhood, the quality of life in the neighbourhood is anticipated to improve together with the future demand of clubhouse facilities. Furthermore, with the completion of West Railway development, it would definitely bring more traffic to Tsuen Wan and provide further opportunities for the club to expand its customer base.

In response to the changing business and demographic environment of both clubs, management is initiating plans to ensure our club premises appeal to new and wider customer base. Management is aiming to transform the traditional recreational country clubs into modern and diversified leisure facilities with plans to introduce spa and health and beauty treatment services.

##### Other Investments

The first half of 2002 was characterized by worldwide negative sentiment and the risk of global recession. The major equity markets in the world all experienced significant fall in capitalization values. In the reporting period, management adopted a conservative strategy and did not make any new investments, other than completing its commitment made in 2001 in acquiring 20% of the enlarged share capital of Beijing Smartdot Technologies Ltd. The investment in ChinaPay.com Holdings Limited, which was established with the aim of building a unified national bank payment system in cooperation with other strategic partners in the PRC, is in progress and on schedule to complete in the second half of the year. The current investment portfolio of the Group, which now mainly comprises companies in the medical and information technology business, in general, has performed satisfactorily in the reporting period. Under the prevailing environment, management believes that it is of critical importance to preserve the Group's cash holding and shall continue the pursuit for investment opportunities in information technology and bio-medical in the Greater China Region.

##### CAPITAL REORGANISATION SCHEME

A capital reorganisation scheme was approved by the shareholders at an Extraordinary General Meeting on 11 July 2002 and later confirmed by the sanction of a Court Order dated 6 August 2002. Under the capital reorganisation scheme, the Company reduced the nominal value of all its shares from HK\$0.50 to HK\$0.01 per share resulting in a reduction of the authorised and issued share capital to HK\$20,000,000 and HK\$16,507,000 respectively. Furthermore, the authorised share capital of the Company was

accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA. The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 April 2002. The same accounting policies as adopted in the 2001 annual financial statements have been applied to the interim financial report. The Group has adopted the new and revised Statements of Standard Accounting Practice ("SSAPs") which became effective on 1 January 2002. The adoption of these new and revised SSAPs has no material effect on the Group's financial results for the six months ended 30 June 2002.

## 2 Segmental information

The principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial period were as follows:

### Principal activities

	Group turnover Six months ended 30 June		Contribution to loss from operations Six months ended 30 June	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision of telecommunications and data bureau services	53,602	228,165	(22,598)	6,347
Recreational club operation	12,086	13,806	(5,240)	(5,695)
Investment holding and trading of securities	7,323	25,507	(18,906)	(21,136)
Provision of e-commerce enabling technologies	—	—	(643)	(17,343)
	<u>73,011</u>	<u>267,478</u>	<u>(47,387)</u>	<u>(37,827)</u>
Other group expenses			(2,218)	(4,983)
			<u>(49,605)</u>	<u>(42,810)</u>

### Geographical locations of operations

	Group turnover Six months ended 30 June	
	2002 \$'000	2001 \$'000
Hong Kong Special Administrative Region ("HK SAR")	18,616	38,431
The People's Republic of China (excluding HK SAR)	1,734	1,271
Japan	18,695	88,507
Other Asia Pacific regions	2,972	13,514
Europe	27,160	44,688
North America	2,575	72,976
Others	1,259	8,091
	<u>73,011</u>	<u>267,478</u>

## 3 Loss before taxation

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

	Six months ended 30 June	
	2002 \$'000	2001 \$'000
Amortisation of goodwill	907	—
Depreciation	6,442	7,001
Dividend income	(1,259)	(1,882)
Interest income	(6,064)	(23,650)
Interest on borrowings	1,354	3,458
Net exchange gain	(336)	(289)
Net loss on disposal of fixed assets	44	2,058
Net realised and unrealised loss on investments in securities	<u>18,721</u>	<u>46,667</u>

## 4 Taxation

Taxation included in the consolidated income statement represents reversal of overseas taxation over-provided in prior years.

No provision for profits tax has been made in the consolidated income statement for the six months ended 30 June 2002 as companies in the Group either did not earn profit subject to profits tax during the period or had tax losses brought forward which were sufficient to offset the taxable profits for the period.

shares in and August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from \$0.50 to \$0.01 per ordinary share; and

(b) upon such reduction of capital taking effect:

- the authorised share capital of the Company has been increased to its former amount of \$1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of \$0.01 each; and
- a Special Capital Reserve has been created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to \$808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the Special Capital Reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

## INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Overview

The Group recorded turnover of HK\$73,011,000 for the first half of the year and reported an after-tax loss of HK\$50,888,000.

Historically, the Group has two core businesses: 1) Telecommunications business - International Premium Rate Services ("IPRS"); 2) Recreational Clubs. Both are affected by the negative market environment. Management's initiative to IPRS is to consolidate the operation but remain firmly committed to the business. While the operation is smaller, all the essential functions are intact so that we would be well positioned to take advantage of market revival.

Management's response to club business is to adapt to changes. The Shanghai Hilltop Country Club is located in the Putuo District and the infrastructure in the area is now gradually improving. Tsuen Wan District where the Hong Kong Hilltop Country Club is located is changing from an industrial to a residential neighbourhood. We are expanding the facilities of the club premises so that it would appeal to a wider customer base.

Our new business focus is on information technology and bio-medical. The current volatile market condition should ultimately provide good investment opportunities. While management has made no new direct investment in the reporting period but will continue to review proposals and evaluate investment opportunities.

### Telecommunications Including International Premium Rate Services ("IPRS")

The difficult trading conditions reported in the 2001 Annual Report continued throughout the reporting period. Telecommunications worldwide reported a continued slump, highlighted further in the USA by the problems encountered by operators of "900" services and the events surrounding the share price collapse and bankruptcies of major US listed telecommunications companies. The ramifications following the dissolution of "Concert" in the last quarter of 2001 and the separation and re-establishment of the international traffic services to possibly be resumed by its constituent parts (British Telecom and AT&T) have also fuelled uncertainty and made the planning of new international traffic flows difficult. Acquisitions of key South Pacific telecommunications companies by major carriers in the regions such as Singtel and Telstra have also to some degree, added a further complication to business relationships.

Within this business environment, management has undertaken further major actions to contain costs, particularly in relation to reducing infrastructure (installed telecommunication switch installations; leased lines; operators; and maintenance arrangements; etc) supporting non-profitable or marginally viable traffic routes and services. Efforts have also continued unabated to collect outstanding and overdue payments from final transit carriers and to hasten traffic declarations from originating and/or intermediate telecommunications companies.

In line with focusing on a smaller number of higher volume originating markets, management has also been involved and, devoted significant time to seeking to consolidate its relationships with a key group of termination points.

Modest but reasonable progress was also made in the development of Short Message Services ("SMS") business division. SMSinasia is a content aggregator for text-based SMS games / info services, IVRS games / info services, and download services such as operator logos, picture messages and blinking messages. Content providers around the world are putting their

current investment portfolio of the Group, which now mainly comprises companies in the medical and information technology business, in general, has performed satisfactorily in the reporting period. Under the prevailing environment, management believes that it is of critical importance to preserve the Group's cash holding and shall continue the pursuit for investment opportunities in information technology and bio-medical in the Greater China Region.

## CAPITAL REORGANISATION SCHEME

A capital reorganisation scheme was approved by the shareholders at an Extraordinary General Meeting on 11 July 2002 and later confirmed by the sanction of a Court Order dated 6 August 2002. Under the capital reorganisation scheme, the Company reduced the nominal value of all its shares from HK\$0.50 to HK\$0.01 per share resulting in a reduction of the authorised and issued share capital to HK\$20,000,000 and HK\$16,507,000 respectively. Furthermore, the authorised share capital of the Company was immediately restored to the original amount of HK\$1,000,000,000 by the creation of an additional 98,000,000,000 ordinary shares of HK\$0.01 each. A Special Capital Reserve has been created and credited with HK\$808,823,000 arising from the reduction of the issued share capital.

The capital reorganisation scheme is in place to facilitate the future issue of shares as and when required.

## LIQUIDITY AND FINANCIAL POSITION

The Group continues to maintain a position of financial stability underpinned by a cash holding of HK\$642,266,000. As at 30 June 2002, the Group's total borrowing stands at HK\$67,352,000 (31 December 2001: HK\$69,853,000) with HK\$58,542,000 repayment falling due within one year. The Group's gearing ratio, resulting from a comparison of the Group's total borrowings with total equity, was 6.9% at the interim period end date (31 December 2001: 6.8%). The current ratio at 30 June 2002 was 4.7 times (31 December 2001: 5.7 times).

As at 30 June 2002, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the interim financial report. All remaining borrowings of the Group are either interest free or on a floating rate basis.

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

## PLEDGE OF ASSETS

Pledge of the Group's fixed deposits of US\$6,110,000 (31 December 2001: US\$6,110,000) 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 as at 30 June 2002 (31 December 2001: US\$11,600,000).

## EMPLOYEE AND REMUNERATION POLICIES

At the date of this announcement, the Group employs a total of 240 full time staff with its main workforce stationed 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.

## 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.

## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGES'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) 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, 5 September 2002