

# enewmedia

## e-New Media Company Limited

(incorporated in Hong Kong with limited liability)

### Results Announcement for the Year Ended 31 December 2003

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 2003.

#### CONSOLIDATED INCOME STATEMENT (Expressed in Hong Kong dollars)

	Notes	2003 \$'000	2002 \$'000
<b>Turnover</b>	1	<b>138,600</b>	193,359
<b>Cost of sales</b>		<b>(42,848)</b>	(85,751)
<b>Gross profit</b>		<b>95,752</b>	107,608
<b>Other revenue</b>	2	<b>4,496</b>	1,539
<b>Other net loss</b>	2	<b>(17,965)</b>	(90,113)
<b>Administrative and selling expenses</b>		<b>(88,116)</b>	(77,134)
<b>Other operating expenses</b>		<b>(6,166)</b>	(27,956)
<b>Loss from operations</b>		<b>(11,999)</b>	(86,056)
<b>Finance costs</b>	3(a)	<b>(969)</b>	(1,253)
<b>Share of profits less losses of associates</b>		<b>(19,472)</b>	(1,792)
<b>Impairment loss on goodwill</b>		<b>—</b>	(30,000)
<b>Loss from ordinary activities before taxation</b>	3	<b>(32,440)</b>	(119,101)
<b>Income tax</b>	4	<b>(111)</b>	(334)
<b>Loss from ordinary activities after taxation</b>		<b>(32,551)</b>	(119,435)
<b>Minority interests</b>		<b>(1,518)</b>	—
<b>Loss attributable to shareholders</b>		<b>(34,069)</b>	(119,435)
<b>Loss per share</b>	5		
- Basic and diluted		<b>(2.1) cents</b>	<b>(7.2) cents</b>

#### Notes

##### 1. Segmental information

	Group turnover		Profit/(Loss)	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Principal activities</b>				
Wholesale and retail of fashion wear and accessories	52,636	—	3,745	—
Telecommunications services*	50,606	117,735	4,922	(2,341)
Recreational club operation	20,647	24,351	(8,357)	(9,138)
Investment and treasury	14,711	51,273	(19,596)	(56,120)
e-commerce enabling technologies	—	—	—	(428)
	<b>138,600</b>	<b>193,359</b>	<b>(19,286)</b>	<b>(68,027)</b>
Other group expenses			(2,412)	(2,991)
Write back of deficit/(deficit) on revaluation of land and buildings			9,699	(15,038)
<b>Loss from operations</b>			<b>(11,999)</b>	<b>(86,056)</b>
<b>Finance costs</b>			<b>(969)</b>	<b>(1,253)</b>
<b>Share of profits less losses of associates</b>			<b>—</b>	<b>—</b>
- Recreational club operation			(338)	—
- Investment and treasury			(19,134)	(1,792)
<b>Impairment loss on goodwill</b>			<b>—</b>	<b>(30,000)</b>
<b>Income Tax</b>			<b>(111)</b>	<b>(334)</b>
<b>Loss from ordinary activities after taxation</b>			<b>(32,551)</b>	<b>(119,435)</b>
<b>Minority interests</b>			<b>(1,518)</b>	<b>—</b>
<b>Loss attributable to shareholders</b>			<b>(34,069)</b>	<b>(119,435)</b>
			<b>Group turnover</b>	
			<b>2003</b>	<b>2002</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Geographical location of operations</b>				
Hong Kong			82,443	72,865
The People's Republic of China (excluding Hong Kong)			2,836	4,042
Japan			922	29,128
Other Asia Pacific regions			3,271	6,759
Europe			13,396	50,813
North America			35,689	24,414
Others			43	5,338
			<b>138,600</b>	<b>193,359</b>

\* Included in turnover from the provision of telecommunications services for the year ended 31 December 2003 is a sum of \$25,572,000 received from a final transit carrier in respect of traffic revenue generated in prior years which was not recognised previously in view of the uncertainty of its collectibility.

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

	2003 \$'000	2002 \$'000
<b>Other revenue</b>		
Consulting services fees	1,015	1,043
Sub-leasing rental income	1,244	—
Management fees	876	—
Gain on the waiver of repayment of other loans	600	—
Others	761	496
	<b>4,496</b>	<b>1,539</b>
<b>Other net loss</b>		
Net realised and unrealised loss on investments in securities	(17,707)	(90,057)
Net loss on disposal of fixed assets	(258)	(56)
	<b>(17,965)</b>	<b>(90,113)</b>

##### 3. Loss from ordinary activities before taxation

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

	2003 \$'000	2002 \$'000
(a) Finance costs:		
Interest on bank loans and overdrafts	969	1,253
(b) Other items:		
Cost of inventories sold	31,253	3,982
Depreciation	11,664	13,077
Amortisation of goodwill included in share of profits less losses of associates	1,815	1,815
Impairment loss on goodwill included in share of profits less losses of associates	14,519	—
Amortisation of goodwill	267	—
Interest income	(7,140)	(10,577)
Dividend income from listed investments	(4,162)	(40,696)
Dividend income from unlisted investments	(3,409)	—

##### 4. Income Tax

	2003 \$'000	2002 \$'000
<b>Current tax — Provision for Hong Kong Profits Tax</b>		
Tax for the year	3	3
Under-provision in respect of prior years	—	1
	<b>3</b>	<b>4</b>
<b>Current tax — Overseas</b>		
Tax for the year	115	307
(Over)/under-provision in respect of prior years	(7)	1
	<b>108</b>	<b>308</b>
<b>Deferred tax</b>		
Reversal of temporary differences	455	338
Reduction of tax losses previously recognised	(455)	(345)
	<b>—</b>	<b>(7)</b>
<b>Share of associates' taxation</b>		
	<b>—</b>	<b>29</b>
	<b>111</b>	<b>334</b>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the year. Overseas taxation is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

##### 5. Loss per share

(a) <b>Basic loss per share</b>	The calculation of basic loss per share is based on the loss attributable to shareholders of \$34,069,000 (2002: \$119,435,000) and the 1,650,658,000 ordinary shares in issue during both years.
(b) <b>Diluted loss per share</b>	The diluted loss per share for the years ended 31 December 2003 and 2002 is the same as the basic loss per share as the exercise of outstanding share options in full would have an anti-dilutive effect on the loss per share.

##### 6. Change in accounting policy

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised), "Income taxes" issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax. All deferred tax assets and liabilities arising from deductible and taxable temporary differences respectively, being the difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, along with deferred tax assets arising from unused tax losses and unused tax credits, to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised, are recognised based on the expected manner of realisation or settlement of the carrying amounts of the assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

The new accounting policy has been adopted retrospectively, with no material effect on the Group's results for the current and the prior years and the net assets as at the year end.

#### DIVIDENDS

The Directors do not recommend the payment of any dividends for the year ended 31 December 2003 (2002: HK\$Nil).

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Financial Review

The Group reported a turnover of HK\$138,600,000 (2002: HK\$193,359,000) and consolidated loss attributable to shareholders amounted to HK\$34,069,000 (2002: HK\$119,435,000) for the year ended 31 December 2003. The reported loss represented a 71% decrease as compared with that of the previous year. Basic and diluted loss per share was 2.1 HK cents (2002: 7.2 HK cents).

#### Business Review

##### Premium Fashion — The Swank Shop Limited ("Swank")

In 2003, the Group became a strategic partner (60%) of Swank. Swank is one of the most prestigious and recognised names in premium fashion retailing to selected loyal customers through a chain of boutiques and counters in major high-end department stores in Hong Kong.

Swank has over 48 years of experience in operating premium retail shops in Hong Kong and the name Swank has become synonymous with luxury and style when it comes to fashion. Currently, Swank carries some of the most sought after brands from Europe and across the world through distribution arrangements, joint ventures and management agreements. Management believes that Swank's valuable experience and assets will take Swank into an even stronger position for future expansion in Hong Kong and the PRC. Currently, management is undertaking studies to pursue retailing venues in the near future in various major cities in the PRC including Beijing, Shanghai and others.

The Group immediately benefited from the positive performance of Swank. Going ahead, the Group believes Swank will enter into a new era with the rebound in consumer confidence in Hong Kong and the influx of Chinese tourists through the Individual Visit Scheme.

##### Club Management

###### Shanghai

During the first half of 2003, the Club experienced a significant drop in sales, largely due to the outbreak of Acute Respiratory Syndrome ("SARS"). Cost-reduction programs were immediately implemented in response. Business started to recover steadily from July with occupancy rate rebounding to 80% by the end of August. Such rebound in occupancy rate has continued since.

Since July, the Club has co-operated with Shanghai Landis Hospitality Management Co. Ltd. ("SLHM"), a hotel management company based in Shanghai in which the Group has a 20% interest, to convert the Club into a Spa and 4-Star Hotel. The Club was temporarily closed in December for major renovations, with the expectation from SLHM that work will be completed by the end of 2004. The Club is forecast to contribute to the Group's profit within one year after re-opening.

###### Hong Kong

The impact of SARS reduced member patronage to less than half its normal level during March and April to such an extent that the Western Restaurant's evening service was suspended. Normal business momentum gradually returned during the latter part of the year. A variety of sales promotion and marketing activities were introduced to boost trading in the intensely competitive environment brought about by reduced demands, together with stringent cost controls and an improvement in the number of visitors to Hong Kong later in the year contributed to a reasonably satisfactory result by the year-end.

##### Bio-Medical

###### Cardima Inc. ("Cardima")

Listed on NASDAQ and based in California, Cardima is developing an innovative micro-catheter, Revoluta, a catheter system for treatment of atrial fibrillation (irregular heartbeat) which affects an estimated 4.5 million individuals worldwide.

In a meeting in May 2003, the US Food and Drug Administration's ("US FDA") Circulatory System Device Panel ("Panel") provided Cardima and the US FDA with several suggestions on how to re-examine existing data and on the collection of additional data on existing patients, allowing a Pre-Market Approval ("PMA") application to be recompiled and resubmitted in January 2004, which management feels is a very positive development.

###### Genovate Biotechnology Company Limited ("Genovate")

Genovate (founded in Taiwan in 1993 by Genelabs Technologies, Inc. of the USA) is a fully integrated pharmaceutical company, encompassing in its operation: new drug development and new formulation capability; clinical trials for local and international pharmaceutical companies; drug manufacturing; drug marketing and distribution in Taiwan.

Genovate has a range of new drug products in the pipeline. The newly developed drug "Prestara", co-developed by Genelabs Technologies and Genovate for treatment of lupus, received an approvable letter from the US FDA in August 2002. Subject to a successful confirmatory clinical trial, the market launch of the product is expected to be some time in 2004. "Genetaxyl" is an improved version of Paclitaxel (BMS' Taxol) developed by Genovate for treatment of breast cancer. The drug received an approval licence in Taiwan in January 2003. In addition, two drug products have completed clinical studies in Taiwan: "Urotrol", a new drug for treatment of urinary incontinence; and "Glusafe", for the treatment of diabetes.

In 2003, Genovate made a strategic investment, becoming one of the founding shareholders of Pharmassentia Corp. ("PME"). PME, based in Taiwan, was founded by a group of scientists having a recognised capability in drug research and development in the Taiwan pharmaceutical industry. The investment is aimed at providing Genovate with access to a continuum of new drug products for future growth.

##### Telecommunications

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

Trading conditions of the telecommunications market worldwide continued to be sluggish in 2003. As a result, traffic volume as well as revenue were further reduced. While the US IPRS market proved to be suffering a longer-term recession than most had originally anticipated, Japan and some major European markets were also dampened by a general trend of tariff reduction, thus affecting profitability on the whole.

To reverse this downward trend, management has taken an active course of action and revamped the existing business model using a more proactive and coordinated approach with its chain of suppliers. Management anticipates that traffic volume, payment rates and payment quality will be improved by securing these new business arrangements. As a result, management believes that improvements in several markets should be forthcoming.

Notwithstanding the current difficult market conditions, the Group maintained some of the investments made in what management believed to be the strategic locations for IPRS service. Given the cyclical nature of the IPRS business, management had reasons to believe a number of these strategic locations will be due for recovery in the short to medium term; and by maintaining our presence, the Group will be leading ahead of the market as well as the competition when the situation turns around.

Management is also pleased to report that the Group has continued to maintain excellent relationships with major carriers in the world. While further steps have been taken to fortify the relationships with these long term partners, management is reaching out to the world concentrating on acquiring new carrier partners with an aim to provide our customers with innovative and reliable services.

Despite the extremely difficult circumstances affecting the telecommunications industry in 2004 and in particular the IPRS market, management took significant and effective action to improve business performance, reduce redundant overhead and provide for a more flexible base to respond and adapt more effectively to market changes.

###### Wireless Network Card Business

Shanghai ENM Telecom & Technologies Limited ("ENMTT") commenced operations in July by marketing and distributing GPRS network cards with China Mobile Shanghai. In October, ENMTT expanded its business by cooperating with China Unicom Shanghai for its CDMA1X network cards under the same business model. In 2004, Management plans to further expand the business in Shanghai and explore new opportunities in the Guangdong area.

##### Other Investments

###### ChinaPay.com Holdings Limited ("ChinaPay")

ChinaPay's main business is providing B2C electronic payment and Intra-bank fund transfer solution services in the PRC through its Joint Venture, ChinaPay e-Payment Service Company Limited ("ChinaPay e-Payment"), with China UnionPay. Although as projected ChinaPay e-Payment activities did not contribute to ChinaPay's bottom line in 2003, there was significant improvement in its revenue performance during the year as a result of the introduction of on-line mutual fund investment transaction services. In 2004, ChinaPay e-Payment plans to expand its business to other major cities in the PRC from its hub in Shanghai.

###### Beijing Smartdot Technologies Company Limited ("Smartdot")

Smartdot's operations were significantly impacted in a number of ways by the outbreak of SARS, and it also faced strong competition in the software development market in the PRC, resulting in a deficit result for 2003. However, during the last quarter of 2003, Smartdot managed to secure a number of contracts/projects and it is expected that its performance will improve in 2004. However, under the Group's conservative policy, management decided to write off the goodwill in this investment, amounting to approximately HK\$14.5 million.

##### LIQUIDITY AND FINANCIAL POSITION

At 31 December 2003, the Group was in a solid financial position with a cash and deposit holdings of HK\$635,058,000 (2002: HK\$621,112,000). At 31 December 2003, total borrowings stood at HK\$61,931,000 (2002: HK\$63,651,000) with HK\$52,787,000 (2002: HK\$56,427,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with total equity) was 6.8% at year-end (2002: 6.7%). Current ratio at 31 December 2003 was 4.7 times (2002: 5.4 times).

At 31 December 2003, 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 audited financial statements. All 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

Pledges of the Company's fixed deposits of US\$6,110,000 (2002: US\$6,110,000) were given to banks to secure short term loans and other related items. Management considers that it is unlikely that any loss will arise and accordingly, no provision has been made in the financial statements.

##### EMPLOYEE AND REMUNERATION POLICIES

At the date of this announcement, the Group employs a total of 274 full time staff with its main workforce stationed in the Group's office 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 2003, there were contingent liabilities in respect of the following:

(a) 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 has studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary has sought to refute most of the allegations and has made a counterclaim of US\$6,214,708 for the return of sums advanced on account to the content provider due to uncollectibles, discrepancies arising on reconciliation of traffic volumes and other related items. Management considers that it is unlikely that any loss will arise and accordingly, no provision has been made in the financial statements.

(b) During the year ended 31 December 2003, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of US\$6,110,000 (2002: US\$6,110,000) and for rental payable by a subsidiary to the extent of HK\$101,000 (2002: HK\$264,000).

##### AUDIT COMMITTEE

The Group's Audit Committee comprises two independent non-executive directors and 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 (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year except that the independent non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

##### 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 Listing Rules 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, 30 March 2004