

enewmedia

e-NEW MEDIA COMPANY LIMITED

(incorporated in Hong Kong with limited liability)
(Stock Code: 128)

Interim Results Announcement For the six months ended 30 June 2004

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 2004, together with the unaudited comparative amounts for the corresponding period in 2003.

The interim financial report has not been audited, but has been reviewed by the Company's audit committee and the Company's auditors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004 - unaudited
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2004	2003
		\$'000	\$'000
Turnover	2	104,987	54,519
Cost of sales		(41,947)	(16,252)
Gross profit		63,040	38,267
Other revenue	3	11,644	907
Administrative and selling expenses		(67,089)	(33,032)
Other operating expenses, net		(7,370)	(7,349)
Profit/(loss) from operating activities	4	225	(1,207)
Finance costs	5	(227)	(518)
Share of profits less losses of associates		(1,194)	(1,973)
Loss before tax		(1,196)	(3,698)
Tax	6	38	5
Loss before minority interests		(1,158)	(3,693)
Minority interests		(3,454)	19
Net loss attributable to shareholders		(4,612)	(3,674)
Loss per share	7		
- Basic		(0.28) cents	(0.22) cents
- Diluted		N/A	N/A

Notes:

1 Basis of preparation and significant accounting policies

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 and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the interim financial report are consistent with those used in the Group's annual financial statements for the year ended 31 December 2003.

2 Turnover and segmental information

An analysis of the Group's revenue and results by the Group's business segments, and an analysis of the Group's revenue by the Group's geographical segments are as follows:

(a) Business segments

	Group turnover		Contribution to profit/(loss)	
	Six months ended 30 June		from operating activities	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Wholesale and retail of fashion wear and accessories	73,946	—	8,850	—
Telecommunications services*	17,703	39,190	4,247	9,095
Recreational club operation	9,223	10,455	(2,592)	(5,297)
Investment and treasury	4,115	4,874	(9,219)	(4,032)
e-commerce enabling technologies	—	—	—	(34)
	104,987	54,519	1,286	(268)
Unallocated gains and expenses, net			(1,061)	(939)
			225	(1,207)

(b) Geographical segments

	Group turnover		Contribution to profit/(loss)	
	Six months ended 30 June		from operating activities	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	87,245	14,029		
Mainland China	984	1,672		
Japan	743	499		
Other Asia Pacific regions	1,050	1,677		
Europe	4,688	8,638		
North America	10,274	27,969		
Others	3	35		
	104,987	54,519		

* Included in turnover from the provision of telecommunications services for the six months ended 30 June 2004 is a sum of \$10,224,000 (2003: \$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.

3 Other revenue

An analysis of other revenue is as follows:

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Subleasing rental income	3,440	—
Management fees	1,672	—
Consulting services fees	257	513
Gain on disposal of a franchise business	4,519	—
Others	1,756	394
	11,644	907

4 Profit/(loss) from operating activities

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

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Cost of goods sold	37,288	2,048
Amortisation of goodwill	311	938
Depreciation	4,502	5,731
Dividend income	(1,048)	(3,227)
Interest income	(3,067)	(3,826)
Exchange (gains)/losses, net	(2,080)	314
(Gain)/loss on disposal of fixed assets	(328)	8
Net realised and unrealised loss on investments in securities	4,965	658

5 Finance costs

Finance costs represented interest on bank loans wholly repayable within five years.

6 Tax

No provision for Hong Kong profits tax and overseas income tax has been made in the condensed consolidated profit and loss account for the six months ended 30 June 2004 as the Company and its subsidiaries either did not generate any assessable profits for the period or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2003: Nil).

Tax included in the condensed consolidated profit and loss account represents over-provision of overseas profits tax in prior years.

No provision for deferred tax has been made in the condensed consolidated profit and loss account for the six months ended 30 June 2004 as the Company and its subsidiaries had tax losses brought forward which were sufficient to offset the taxable temporary differences as at 30 June 2004.

7 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of \$4,612,000 (2003: \$3,674,000) and the weighted average of 1,650,658,676 (2003: 1,650,658,676) ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share for both periods have not been presented as there were no diluting events during these periods.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group reported a turnover of HK\$104,987,000 (2003: HK\$54,519,000) and consolidated loss attributable to shareholders amounted to HK\$4,612,000 (2003: HK\$3,674,000) for the period ended 30 June 2004. The reported loss represented a 26% increase as compared with that of the trading result of the corresponding period in 2003.

BUSINESS REVIEW

PREMIUM FASHION - THE SWANK SHOP LIMITED ("SWANK")

Swank made marked improvements in its business and recorded positive results for the first half of 2004 due largely to improved cost control and the recovery of the retail sector in Hong Kong. Barring unexpected negative global or local developments, management believes that Swank will continue to achieve positive results through the advancement of its current business and the implementation of its expansion plans in the short and medium terms.

Swank will open multiple mono-label retail outlets bearing prestigious brand names that are consistent with Swank's image in Hong Kong in late 2004. Management believes that such expansion of the retail network will improve Swank's distribution capability and profitability. Swank is also pursuing an aggressive expansion strategy in the PRC and the first Swank retail outlet in the PRC is expected to be opened in the first half of 2005 in Shanghai.

CLUB MANAGEMENT

Shanghai

Started from July 2003, the Club has co-operated with Shanghai Landis Hospitality Management Co. Ltd., a hotel management company based in Shanghai, to turn the Club into a Spa and 4-Star hotel. Progress is on schedule as planned since the Club started its renovation in December 2003. Management expects that the Club will be re-opened by the beginning of 2005.

Hong Kong

Total revenue for the period showed slight improvement as compared with the same period last year. There has been higher demand for services at the Club Lodge, particular in the months of March and April when Hong Kong recorded a higher influx of tourists and downtown hotels experienced high occupancy rates. Restaurants and banquets business continued to be highly competitive; although as a result of higher food costs and improved banquet services, a portion of the profit margin was reduced, which management believes is a necessary outcome because of increased expectation of quality from our patrons.

BIO-MEDICAL

Cardima Inc. ("Cardima")

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

In a 21 May 2004 letter, the US Food and Drug Administration ("US FDA") indicated Cardima's Revelation Tx Microcatheter with Nav Ablator Ablation System was not approvable for the second time. The US FDA stated that concerns which were indicated in its first non-approvable letter remained unresolved. The US FDA suggested Cardima to collect additional clinical trial data using a revised study design to complete the Pre-Market Application Approval.

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 approval letter from the US FDA in August 2002. Subject to successful completion of an ongoing confirmatory clinical trial, the market launch of the product is expected to be in 2005. "Genetaxyl" is an improved version of Paclitaxel (BMS' Taxol) developed by Genovate for treatment of breast cancer. The drug has been launched in Taiwan and market response is favorable. In addition, two drug products have obtained license in early 2004 and launched in Taiwan: "Urotrol", a new drug for treatment of urinary incontinence; and "Glusafe", for the treatment of diabetes.

TELECOMMUNICATIONS

International Premium Rate Services

In the first half of 2004, management continued to focus on opening up new markets for traditional audio-text business. Management was able to secure a number of ventures with favourable potential and anticipates that business volume will increase in a controlled manner in the second half of the year. In addition, management will continue to seek new opportunities in the market with an aim to diversify the existing portfolio of the Group.

The Group continued its success in recovering outstanding and overdue payments from transit carriers. A sum of US\$1.3million was collected in June 2004. Negotiations with other transit carriers are still on-going and the Group will continue its efforts in this direction.

Wireless Network Card Business

The distribution and marketing of CDMA1X network card business in cooperation with China Unicom is growing steadily in the Shanghai market. The Group continues to look for opportunities to promote other telecommunication products with telecom operators under the similar cooperation model with China Unicom.

OTHER INVESTMENTS

ChinaPay.com Holdings Limited ("ChinaPay")

ChinaPay's main business is providing B2C electronic payment and Intra-bank fund transfer solution services in PRC through its Joint Venture, ChinaPay e-Payment Service Company Limited ("ChinaPay e-Payment"), with China UnionPay. In June 2004, ChinaPay entered into a Capital Increase Agreement of ChinaPay e-Payment with China UnionPay and 上海卡友信息服务有限公司 and ChinaPay's shares in ChinaPay e-Payment has been reduced from 49% to 40%.

On 6 August 2004, ChinaPay e-Payment together with Industrial Bank Company Ltd. and six fund management companies publicly announced the completion and launch of the Online Open-end Mutual Fund Transaction System and the debut of Online Open-end Mutual Fund Supermarket business through the System. ChinaPay e-Payment is now planning to increase the number of contracted fund companies from the current 6 to 20 and enlarge the fund products pool to a total of 50 by the end of 2004.

Beijing Smartdot Technologies Co. Ltd. ("Smartdot")

Smartdot is engaged in software development and solution projects in China and its primary focus is in the area of e-government projects and office automation. Though Smartdot did not perform as expected during the reporting period due to the macro-economic control in China in term of revenue, the profit margin has however improved gradually when compared with the same period of last year.

LIQUIDITY AND FINANCIAL POSITION

At 30 June 2004, the Group was in a solid financial position with a cash and deposit holdings of HK\$584,098,000 (31 December 2003: HK\$635,058,000). At 30 June 2004, total borrowings stood at HK\$14,951,000 (31 December 2003: HK\$61,931,000) with HK\$6,047,000 (31 December 2003: HK\$5,787,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with total equity) was 1.6% at the interim period end date (31 December 2003: 6.8%). The current ratio at 30 June 2004 was 7.7 times (31 December 2003: 4.7 times).

At 30 June 2004, 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 borrowings of the Group are either interest free or on a floating rate basis. During the period, the bank loans of HK\$46,680,000 (US\$6,000,000) was repaid in full from its internal resources. Accordingly, pledges of the Company's fixed deposits given to secure such bank loans have been reduced by an equivalent amount.

The Group's imported purchases are mainly denominated in Euros and United States dollars. The Group will from time to time review its foreign exchange position, when it considers appropriate, will hedge its foreign exchange exposure by way of forward foreign exchange contract.

PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of US\$110,000 (31 December 2003: US\$6,110,000) was given to bankers to secure general banking facilities to the extent of US\$110,000 as at 30 June 2004 (31 December 2003: US\$6,110,000).

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 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

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.

AUDIT COMMITTEE

The Group's Audit Committee comprises three 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. The Audit Committee has reviewed the interim financial report for the six months ended 30 June 2004 with the Management and recommended its adoption by the Board.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors are aware of any information that would reasonably indicate that the Company is not or was not for any part of the six months ended 30 June 2004 in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") except that 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 46(1) to 46(6) of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, 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, 20 September 2004

As at the date of this announcement, the Executive Directors are Mr. Joseph Wing Kong LEUNG (Chairman), Mr. James C. NG (Chief Executive Officer), Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG; and the Independent Non-executive Directors are Dr. Jen CHEN, Mr. Raymond Wai Pun LAU and Mr. Ian Grant ROBINSON.