

The Directors of e-New Media Company Limited (the "Company") announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001, which have been reviewed by the Company's audit committee.

FINANCIAL RESULTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2001 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2001 \$'000	2000 restated \$'000
Turnover	2	267,478	507,952
Cost of sales		<u>(184,893)</u>	<u>(375,143)</u>
Gross profit		82,585	132,809
Other revenue		361	1,180
Other net loss	3	(48,436)	(10,722)
Administrative and selling expenses		(59,289)	(76,358)
Other operating expenses		<u>(18,031)</u>	<u>(22,155)</u>
(Loss)/profit from operations	2	(42,810)	24,754
Finance costs	4	(3,458)	(5,005)
Share of profits less losses of associates		1,719	824
Share of losses of jointly controlled entities		<u>(1,709)</u>	<u>—</u>
(Loss)/profit before taxation	4	(46,258)	20,573
Taxation	5	<u>—</u>	<u>(2,421)</u>
(Loss)/profit after taxation		(46,258)	18,152
Minority interests		<u>—</u>	<u>3,873</u>
(Loss)/profit for the period attributable to shareholders		<u><u>(46,258)</u></u>	<u><u>22,025</u></u>
(Loss)/earnings per share	6		
– Basic		<u><u>(2.80) cents</u></u>	<u><u>1.51 cents</u></u>
– Diluted		<u><u>(2.80) cents</u></u>	<u><u>1.43 cents</u></u>

The notes on pages 6 to 14 form part of this interim financial report.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 June 2001 - unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2001 \$'000	2000 restated \$'000
Exchange differences		(374)	397
Net (losses)/gains not recognised in the profit and loss account		(374)	397
Net (loss)/profit for the period:			
As previously reported			7,232
Prior period adjustment arising from change in accounting policy for goodwill	20		14,793
Net (loss)/profit for the period (2000: as restated)		(46,258)	22,025
Total recognised (losses)/gains		(46,632)	22,422

The notes on pages 6 to 14 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2001 - unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2001		At 31 December 2000	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
- Investment properties		4,000		4,000	
- Other property, plant and equipment		209,571		217,649	
	8		213,571		221,649
Interest in associates		7,312		9,609	
Interest in jointly controlled entities (fully provided for)		—		—	
Investment securities	9	9,437		235,780	
Other investments		9,874		2,481	
			240,194		469,519
Current assets					
Short term investments		285,068		102,892	
Inventories		490		586	
Trade and other receivables	10	91,440		104,679	
Pledged deposits		113,199		109,098	
Cash and bank balances	11	818,099		810,434	
			1,308,296		1,127,689
Current liabilities					
Bank loans and overdrafts, secured		50,964		50,139	
Trade and other payables	12	113,698		115,586	
Current portion of debentures	13	8,500		4,060	
Convertible bonds	14	167,046		167,046	
Other loans, unsecured		5,206		5,198	
Taxation		6,034		6,098	
			351,448		348,127
Net current assets			956,848		779,562
Total assets less current liabilities carried forward			1,197,042		1,249,081

CONSOLIDATED BALANCE SHEET

At 30 June 2001 - unaudited (continued)

(Expressed in Hong Kong dollars)

	Note	At 30 June 2001		At 31 December 2000	
		\$'000	\$'000	\$'000	\$'000
Total assets less current liabilities brought forward			1,197,042		1,249,081
Non-current liabilities					
Debentures	13	10,860		16,270	
Deferred taxation		1,315		1,312	
			12,175		17,582
NET ASSETS			<u>1,184,867</u>		<u>1,231,499</u>
CAPITAL AND RESERVES					
Share capital	15		825,329		825,329
Reserves	16		359,538		406,170
			<u>1,184,867</u>		<u>1,231,499</u>

The notes on pages 6 to 14 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2001 - unaudited

(Expressed in Hong Kong dollars)

	\$'000
Net cash inflow from operating activities	30,356
Net cash outflow from returns on investments and servicing of finance	(3,239)
Tax paid	(75)
Net cash outflow from investing activities	(15,596)
Net cash inflow before financing	11,446
Net cash outflow from financing	(1,279)
Increase in cash and cash equivalents	10,167
Effect of foreign exchange rates	344
Cash and cash equivalents at 1 January 2001	806,885
Cash and cash equivalents at 30 June 2001	<u>817,396</u>
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	818,099
Pledged deposits	46,680
Bank overdrafts and loans repayable within three months from the date of the advance	(47,383)
	<u>817,396</u>

The notes on pages 6 to 14 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

This interim financial report is unaudited and 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 Hong Kong Society of Accountants (“HKSA”) except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31 December 2000 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company’s registered office. The Company’s former auditors have expressed an unqualified opinion on those accounts in their report dated 12 April 2001.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report, except for the change in accounting policy in connection with the adoption of Statement of Standard Accounting Practice 30 “Business combinations” and Statement of Standard Accounting Practice 31 “Impairment of assets” issued by the HKSA. The nature and effects of this change in accounting policy are discussed in note 7 on the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2000 annual accounts.

2 SEGMENTAL INFORMATION

The analysis of the principal activities and geographical location of the operations of the Company and its subsidiaries during the financial period are as follows:

	Group turnover		Contribution to (loss) / profit from operations	
	Six months ended		Six months ended	
	30 June		30 June	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Principal activities				
Provision of telecommunications and data bureau services	228,165	466,244	6,347	51,381
Recreational club operation	13,806	13,282	(5,695)	(13,157)
Investment holding and trading of securities	25,507	28,379	(21,136)	13,226
Provision of e-commerce enabling technologies	–	47	(17,343)	(19,280)
	<u>267,478</u>	<u>507,952</u>	<u>(37,827)</u>	<u>32,170</u>
Other group expenses			(4,983)	(7,416)
			<u>(42,810)</u>	<u>24,754</u>

Group turnover	
Six months ended 30 June	
2001	2000
\$'000	\$'000
267,478	507,952

Geographical location of operations

Hong Kong	38,431	42,552
The People's Republic of China	1,271	1,277
Japan	88,507	164,215
Other Asia Pacific regions	13,514	13,868
Europe	44,688	129,590
North America	72,976	126,997
Others	8,091	29,453
	<u>267,478</u>	<u>507,952</u>

3 OTHER NET LOSS

	Six months ended 30 June	
	2001	2000
	\$'000	\$'000
Net realised and unrealised loss on investments in securities	46,667	15,586
Net loss on disposal of fixed assets	2,058	–
Net exchange (gain)/loss	(289)	2,901
Additional consideration received from disposal of a subsidiary in prior year	–	(7,765)
	<u>48,436</u>	<u>10,722</u>

4 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2001	2000
	\$'000	\$'000
(a) Finance costs:		
Interest on borrowings	<u>3,458</u>	<u>5,005</u>
(b) Other items:		
Cost of inventories sold	2,247	2,404
Depreciation	7,001	13,994
Interest income	(23,650)	(27,003)
Dividend income	<u>(1,882)</u>	<u>(1,809)</u>

5 TAXATION

	Six months ended 30 June	
	2001	2000
	\$'000	\$'000
Hong Kong taxation	–	2,066
Overseas taxation	–	355
	<u>–</u>	<u>2,421</u>

5 TAXATION *(continued)*

No provision for profits tax has been made in the consolidated profit and loss account for the six months ended 30 June 2001 as the Group companies 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.

The provision for Hong Kong Profits Tax in the prior period is calculated by applying the estimated annual effective tax rate of 16% to the profits for the six months ended 30 June 2000. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable to the relevant countries.

6 LOSS/EARNINGS PER SHARE

(a) Basic loss/earnings per share

The calculation of basic loss/earnings per share is based on the loss attributable to shareholders of \$46,258,000 (2000 (restated): profit of \$22,025,000) and the weighted average of 1,650,658,000 ordinary shares (2000: 1,462,804,000 shares) in issue during the period.

(b) Diluted loss/earnings per share

The diluted loss per share for the six months ended 30 June 2001 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.

The calculation of diluted earnings per share for the six months ended 30 June 2000 is based on the profit attributable to shareholders of \$23,690,000 and the weighted average number of ordinary shares of 1,658,325,000 shares after adjusting for the effects of finance cost savings realised on conversion of convertible bonds and all dilutive potential shares.

7 CHANGE IN ACCOUNTING POLICY

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 profit and loss account 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". The Group's results for the six months ended 30 June 2000 are not affected as the directors consider that the impairment arose in the second half of 2000. Accordingly, when the Group presents its accounts for the year ending 31 December 2001, the impairment loss of \$473,061,000 will be reflected in the comparative figures in respect of the year ended 31 December 2000. The Group's net assets at the period end are not affected as the goodwill has already been set-off against reserves in 2000.

8 FIXED ASSETS

The directors consider that there have been no significant changes to the open market values of the land and buildings and investment properties since 31 December 2000.

9 INVESTMENT SECURITIES

During the period, certain investment securities were transferred to short term investments at fair value.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2001 \$'000	At 31 December 2000 \$'000
0 - 1 month	22,066	45,206
2 - 3 months	38,090	27,371
Over 3 months	12,964	53
Total trade receivables	73,120	72,630
Deposits, prepayments and other receivables	18,320	32,049
	<u>91,440</u>	<u>104,679</u>

The Group maintains a defined credit policy for its trade customers.

11 CASH AND BANK BALANCES

	At 30 June 2001 \$'000	At 31 December 2000 \$'000
Deposits with banks and other financial institutions	794,206	783,995
Cash at bank and in hand	23,893	26,439
	<u>818,099</u>	<u>810,434</u>

12 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis:

	At 30 June 2001 \$'000	At 31 December 2000 \$'000
0 - 1 month	22,798	24,697
2 -3 months	10,623	23,705
Over 3 months	50,545	35,489
Total trade payables	83,966	83,891
Other payables	29,732	31,695
	<u>113,698</u>	<u>115,586</u>

13 DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") subject to the Club Rules and By-laws for so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from monthly subscription. At 30 June 2001, the Group's debentures were redeemable as follows:

	At 30 June 2001 \$'000	At 31 December 2000 \$'000
Within one year	8,500	4,060
In the second year	5,760	11,290
In the third to fifth year	5,100	4,980
	<u>19,360</u>	<u>20,330</u>
Current liabilities	8,500	4,060
Non-current liabilities	10,860	16,270
	<u>19,360</u>	<u>20,330</u>

14 CONVERTIBLE BONDS

The convertible bonds carry interest at 2% per annum payable in arrears and carry the right to convert the whole (or any of part in an amount or integral multiple of \$100,000) of the outstanding principal amount of the bonds into the Company's ordinary shares at any time following the date of issue of the bonds at a conversion price of \$1 per share.

The convertible bonds (if not converted into ordinary shares) shall be redeemed at the outstanding principal amount of the bonds together with interest accrued during the period from September to November 2001.

15 SHARE CAPITAL

	No. of shares (<i>'000</i>)	<i>\$'000</i>
Issued and fully paid:		
At 1 January 2001 and 30 June 2001	<u>1,650,658</u>	<u>825,329</u>

At 30 June 2001, the outstanding options were:

Date option granted	Exercise price	Number of options outstanding at the period end
11 October 1999	\$1.528	5,338,000
22 October 1999	\$1.530	300,000
1 December 1999	\$1.804	144,000
20 December 1999	\$2.316	800,000
27 March 2000	\$1.900	1,950,000
1 August 2000	\$0.630	708,000
1 September 2000	\$0.694	50,000
18 September 2000	\$0.670	500,000

These share options are exercisable before 29 December 2007.

16 RESERVES

	Share premium \$'000	Capital redemption reserve \$'000	Exchange reserves \$'000	Goodwill reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2001						
- as previously reported	1,189,721	478	1,029	(503,061)	(281,997)	406,170
- prior period adjustment (note 7)	–	–	–	473,061	(473,061)	–
- as restated	1,189,721	478	1,029	(30,000)	(755,058)	406,170
Exchange differences	–	–	(374)	–	–	(374)
Loss for the period	–	–	–	–	(46,258)	(46,258)
At 30 June 2001	<u>1,189,721</u>	<u>478</u>	<u>655</u>	<u>(30,000)</u>	<u>(801,316)</u>	<u>359,538</u>

No dividends were declared or paid during the current or the prior period.

17 CONTINGENT LIABILITIES

In November 2000, a carrier served a notice of arbitration on a subsidiary requesting for arbitration before the American Arbitration Association under which the carrier alleged that it provided various services for the transit of telecommunications traffic. The carrier claimed for the settlement of outstanding debts of US\$253,750 up to 30 September 2000, additional sums due from the subsidiary from 1 October 2000 through the date of the arbitration award, accrued interest, further costs and attorney's fees. The arbitration hearing has closed but no award has yet been made by the arbitrator. The directors believe that the subsidiary did not receive any services from the carrier during the relevant period and is therefore not liable to settle the above debt and pay the related costs and interest. Accordingly, no provision has been made in the interim financial report in connection with the arbitration.

18 MATERIAL RELATED PARTY TRANSACTIONS

As at 30 June 2001, \$44,704,000 (at 31 December 2000: \$35,123,000) of the Company's outstanding convertible bonds was held by a company controlled by a substantial shareholder of the Company. The interest payable to that company for the six months ended 30 June 2001 amounted to \$443,000 (2000: \$Nil).

During the period, the Company received interest income amounting to \$238,000 (2000: \$499,000) from an associated company in respect of a current account balance which amounted to \$5,806,000 at 30 June 2001 (at 31 December 2000: \$6,365,000).

On 27 April 2001, the Company entered into a tenancy agreement with Hollywood Palace Company Limited ("HPCL") to lease office premises. HPCL is a company controlled by a substantial shareholder of the Company. Rental expense payable to HPCL during the six months ended 30 June 2001 amounted to \$372,000. The terms of the tenancy agreement are on an arm's length basis.

19 POST BALANCE SHEET EVENT

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 \$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.

20 COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of the change in accounting policy referred to in the 2000 annual accounts. As a result of this change in accounting policy in 2000, the Group's profit for the six months ended 30 June 2000 increased by \$14,793,000 and the Group's net assets at 31 December 2000 decreased by \$467,532,000.

Comparative figures for the analysis of expenses, including administrative and selling expenses and other operating expenses, in the consolidated profit and loss account have been reclassified to conform with the classification of expense items in the Company's 2000 annual accounts, and additional line items in respect of other revenue and other net loss have been added.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six month period ended 30 June 2001, the Group recorded a turnover of \$267.5 million and reported a loss of \$46.3 million with the diminution in value of investment securities being the predominant reason for the reported loss augmented by the adverse trading environment in the Telecommunications and Hi-Tech industries.

BUSINESS REVIEW AND PROSPECTS

Telecommunications Including International Premium Rate Services ("IPRS")

The first half of the reporting year continued to be a difficult period for the Telecommunications industry globally. The economic uncertainties in the United States and Japan, by far the two key countries of revenue source for the Group's Telecommunications business, coupled with the aggressive rates reduction in the IPRS sector globally, fuelled the downturn of revenues in terms of reduction in sales receipts and substantial drops in traffic minutes.

In view of the adverse trading environment, management adopts the business policy to focus on selected profitable routings and to develop new routings with existing telecommunications carrier partners. Emphasis is also placed on strengthening the business relationship with information providers and to formulate new reward schemes that will promote long term success of the Telecommunications business.

Despite the difficult circumstances and economic uncertainties, our Telecommunications business retained its footing as one of the world leaders and key players in the IPRS business. The Group's new investments in selected domestic markets will also help to break new ground for furthering the Telecommunications business.

Internet and Digital Technologies

Events unfolded in the global Internet and Hi-Tech markets during the reporting period which reinforced management's decision taken in the latter part of year 2000 to safeguard shareholder assets and to reduce exposure to risk in this market. Management will continue to take a prudent approach in this business and to limit the Group's investment exposure in the Internet market until the trading environment improves.

Club Operations

With measures implemented by management to improve cost control, the Hong Kong Hilltop Country Club achieved a profit growth when compared with the same period last year.

Despite the continuing unsatisfactory operating environment, Shanghai Hilltop Country Club succeeded in reducing the trading deficit in the first half-year of 2001. It is expected that the operating environment in the second half-year will continue to be difficult and management will make on-going assessment and take appropriate measures in controlling the operating expenses.

MATERIAL ACQUISITIONS AND DISPOSALS

In the reporting period, the Group did not acquire or dispose of any investments or business divisions that are material in value.

INVESTMENT PROSPECTS

In light of the prevailing environment in the Telecommunications and Internet industries, the Group is proactively looking for investment projects in other industries with more favorable economic prospects. In particular, the Group identifies Biotechnology as one of its priority areas. Biotechnology today is increasingly applied in a wide range of businesses such as Pharmaceutical, Environmental and Energy industries. The Group initially will focus on the Pharmaceutical industry, primarily in the Greater China Region. In addition, the Group is also considering investments in software, and e-commerce in the China markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to enjoy a position of financial stability with a strong cash holding of \$931.3 million (31 December 2000: \$919.5 million). As at 30 June 2001, the Group's total borrowing stands at \$242.6 million (31 December 2000: \$242.7 million) with \$231.7 million 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 20.5% at the interim period end date (31 December 2000: 19.7%).

In terms of liquidity, the current ratio was 3.7 times, an improvement to that achieved last year i.e. a current ratio of 3.2 times.

As at 30 June 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 accounts of the Group. With the exception of a 2% per annum interest on convertible bonds, the remaining borrowing is 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 deposit of US\$14.5 million and charge over the assets of certain subsidiaries were given to banks to secure short term loans, overdrafts and factoring facilities to the extent of US\$22.5 million.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2001, the Group employs a total of 270 full time staff with its main workforce stationing in the Group's head office in Hong Kong. The Group's remuneration policies are performance based and are in line with the salaries trends in respective regions. In addition to the provident fund scheme and medical insurance, discretionary performance bonus and employee share options are also awarded to employees on performance basis.

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.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2001, the directors and their associates had the following interests in the issued share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance as follows:

	Personal interest	Family interest	Corporate interest	Other interest
Joseph LEUNG Wing-kong	–	–	200,000	–
Cecilia IP Lai-ching	608,000	–	–	–
CHAO Cheng-fen	1,383,920	–	–	–

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

	Date option granted	Number of share options outstanding at end of period	Period during which options exercisable	Exercise price of share options
Cecilia IP Lai-ching	11 Oct 1999	4,300,000	11 Oct 1999 to 29 Dec 2007	\$1.528

Apart from the above, at no time during the period was the Company, or its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the following parties had registered an interest of 10% or more in the share capital of the Company under Section 16(1) of the Securities (Disclosure of Interest) Ordinance.

	Number of shares held	%
Solution Bridge Limited	408,757,642	24.8
Ms Nina Kung (note)	571,642,145	34.6

Note: The interests disclosed under Ms Nina Kung represent her deemed interests in the shares of the Company by virtue of her interest in Solution Bridge Limited and another shareholder.

Save as disclosed above, there were no other parties who were known to the directors to be the registered holders or have any interest or right to subscribe for 10% or more of the issued share capital of the Company at 30 June 2001.

DEALINGS IN THE COMPANY'S SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2001.

COMPLIANCE WITH 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 2001 in compliance 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.

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

Hong Kong, 6 September 2001