enewmedia

e-New Media Company Limited

(incorporated in Hong Kong with limited liability)

Results Announcement for the Year Ended 31 December 2002

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 2002.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

(Expressed in Hong Kong dollars)

	Note	**2002** **$'000**	**2001** *$'000*
Turnover	1	**193,359**	419,450
Cost of sales		**(85,751)**	(291,552)
Gross profit		**107,608**	127,898
Other revenue	2	**1,539**	10,709
Other net loss	2	**(90,113)**	(177,154)
Administrative and selling expenses		**(77,134)**	(107,439)
Other operating expenses		**(27,956)**	(41,824)
Loss from operations		**(86,056)**	(187,810)
Finance costs	3(a)	**(1,253)**	(5,486)
Share of profits less losses of associates		**(1,792)**	405
Share of losses of jointly controlled entities		**—**	(6,427)
Impairment loss on goodwill		**(30,000)**	—
Loss from ordinary activities before taxation	3	**(119,101)**	(199,318)
Taxation	4	**(334)**	1,622
Loss attributable to shareholders		**(119,435)**	(197,696)
Loss per share	5		
- Basic and diluted		**(7.2) cents**	(12.0) cents

Notes

1. **Segmental information**

	Group turnover		Profit/(Loss)	
	2002	**2001**	**2002**	**2001**
	$'000	*$'000*	***$'000***	*$'000*
Principal activities				
Telecommunications and data bureau services	**117,735**	349,980	**(2,341)**	(5,305)
Recreational club operation	**24,351**	26,937	**(9,138)**	(13,123)
Treasury and investment	**51,273**	42,533	**(56,120)**	(137,974)
e-commerce enabling technologies	**—**	—	**(428)**	(11,934)
	193,359	419,450	**(68,027)**	(168,336)
Other group expenses			**(2,991)**	(3,016)
Deficit on revaluation of land and buildings			**(15,038)**	(16,058)
Deficit on revaluation of investment properties			**—**	(400)
Loss from operations			**(86,056)**	(187,810)
Finance costs			**(1,253)**	(5,486)
Share of profits less losses of associates			**(1,792)**	405
Share of losses of jointly controlled entities			**—**	(6,427)
Impairment loss on goodwill			**(30,000)**	—
Taxation			**(334)**	1,622
Loss attributable to shareholders			**(119,435)**	(197,696)

	Group turnover	
	2002	**2001**
	$'000	*$'000*
Geographical location of operations		
Hong Kong	**72,865**	70,679
The People's Republic of China (excluding Hong Kong)	**4,042**	2,583
Japan	**29,128**	139,371
Other Asia Pacific regions	**6,759**	29,783
Europe	**50,813**	104,229
North America	**24,414**	64,698
Others	**5,338**	8,107
	193,359	419,450

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

	2002	2001
	$'000	*$'000*
Other revenue		
Consulting services fees	**1,043**	10,000
Others	**496**	709
	1,539	10,709
Other net loss		
Net realised and unrealised loss on investments in securities	**90,057**	174,797
Net loss on disposal of fixed assets	**56**	2,409
Others	**—**	(52)
	90,113	177,154

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

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

		2002	2001
		$'000	*$'000*
(a)	Finance costs:		
	Interest on bank loans and overdrafts	**1,253**	2,826
	Factoring fees	**—**	191
	Interest on convertible bonds	**—**	2,469
		1,253	5,486
(b)	Other items:		
	Cost of inventories sold	**3,982**	3,757
	Depreciation	**13,077**	13,961
	Amortisation of goodwill included in share of profits less losses of associates	**1,815**	—
	Interest income	**(10,577)**	(35,877)
	Dividend income from listed investments	**(40,696)**	(6,656)

4. **Taxation**

	2002	2001
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**3**	—
Under/(over)-provision of Hong Kong Profits Tax in respect of prior years	**1**	(373)
	4	(373)
Overseas taxation	**307**	215
Under/(over)-provision in respect of prior years	**1**	(244)
Deferred taxation	**(7)**	(1,220)
Share of associates' taxation	**29**	—
	334	(1,622)

The provision for Hong Kong Profits Tax is calculated at 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) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to shareholders of $119,435,000 (2001: $197,696,000) and the 1,650,658,000 ordinary shares in issue during both years.

(b) *Diluted loss per share*

The diluted loss per share for the years ended 31 December 2002 and 2001 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.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2002 (2001: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group recorded turnover of HK$193,359,000 for the year and reported an after-tax loss of HK$119,435,000. The reported loss represents a 40% decrease when compared with the trading result of 2001 resulting from improvement in unrealised loss on investments and continued cost cutting discipline.

Overall Summary

Management has continued in its efforts to improve the operations of the two recreational clubs. The club in Shanghai showed substantial improvement in turnover. After year-long negotiations, joint venture partners have been identified to turn the Shanghai club premises into a spa resort hotel that will position itself to service a more affluent customer base. Turnover of the Club in Hong Kong was affected by local market conditions, though its operation remained satisfactory through streamlining of costs.

After an initial investment in Cardima, a medical device company engaged in the research, development and commercialisation of equipment for treatment of a type of irregular heartbeat disease, this bio-medical direction was reinforced through an investment in Genovate, a Taiwan-based pharmaceuticals manufacturer. Management intends to expand bio-medical investment in the Greater China area through its excellent referrals network.

The International Premium Rate Services (“IPRS”) business continued to stagnate. This business is recognised for having dramatic cyclical trends. While having ventured into some resurgent areas, the cost base is being continually restructured to achieve scalability in line with market conditions.

Overall, some selective investments have been made over the last two years. However, being cognizant of the high multiples often used in the valuation of high-tech companies, preservation of liquidity has been a primary consideration. This has proven to be a prudent policy. In the coming fiscal year, management will continue its efforts to identify value-added investment opportunities.

Recreational Club

Shanghai

Following a series of cost reduction and sales promotion programmes, the performance of Shanghai Hilltop Country Club ("Club") has improved with around 60% increase in sales revenue compared to 2001.

In order to cope with the needs and tastes generated by the influx of foreign businessmen as well as the increase in high-end consumers in Shanghai, the final stage has been reached in negotiations with strategic partners to collaborate in turning the Club into a spa resort with a 4-Star hotel complex. These partners include Chinese and Taiwanese parties which have significant experience in managing spas, health clubs and hotels. Such transformation should enable the Club to attract Taiwanese expatriate customers, as well as affluent members of Shanghai's indigenous population and, at the same time, prepare the Club for the coming Shanghai World Expo in 2010.

Hong Kong

Hong Kong's economy was seriously impacted by the global slowdown of 2002. However, despite the unfavourable economic environment, the Hong Kong Hilltop Country Club performed satisfactorily compared to the previous year. While the economic climate is likely to remain unchanged for the first half of 2003, the management objective is to maintain the customer base and increase the usage of club facilities for meetings, seminars, association gatherings, festive programmes, family sports, entertainment, social activities and restaurant & catering services.

Bio-Medical

Cardima Inc ("Cardima")

This California-based medical device company, listed on the US NASDAQ, is developing an innovative micro-catheter for the treatment of atrial fibrillation (irregular heartbeat), which afflicts an estimated 4.5 million individuals worldwide. Cardima has completed its Phase III clinical trial under the US FDA regulations, the preliminary results of which have demonstrated safety and promising efficacy. On 20 September 2002, Cardima submitted Pre-Market Application ("PMA") to the US FDA and is now awaiting approval.

Under a private placement, a further 694,444 newly issued shares of Cardima were acquired at US$0.72 per share in August 2002. Together with shares previously held, the holding in Cardima is approximately 8%.

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 operations: new drug development and new formulation capability; clinical trials for local and international pharmaceutical companies; drug manufacturing with a plant that meets the US FDA standards for current Good Manufacturing Practice; marketing and distribution network in Taiwan; and cost-competitive custom services such as formulation design, development and manufacture for clients such as BMS, Abbott, Roche and others. In addition, the newly developed drug "Prestara", co-developed by Genelabs Technologies and Genovate for anti-lupus treatment, received an approvable letter from the FDA in August 2002. Subject to a successful confirmation clinical trial, the market launch of the product is expected to be in 2004.

In December 2002, 12 million newly issued ordinary shares of Genovate, representing 14.4% of the enlarged total issued share capital, were subscribed for at a consideration of NT$120 million (approximately HK$26,801,000).

Telecommunications including International Premium Rate Services ("IPRS")

The difficult trading conditions reported in the 2001 Annual Report continued throughout the current 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 financial difficulties of major US listed telecommunications companies. Similar problems were faced by many of the major European telecommunications companies. The dissolution of various joint ventures, formation of new joint ventures, consolidation and acquisitions amongst major carriers have, to some degree, added a different dynamic to business relationships.

Nevertheless, there remain pockets of opportunity which the Group is keen to exploit. One example is a collaborative venture entered into with an established operator in the IPRS business. At the time of reporting, it has commenced operation and is generating a satisfactory traffic volume.

Within this business environment, management has undertaken further major actions to contain costs, particularly in relation to significant fixed-overhead reductions in infrastructure (telecommunication switch installations, leased lines, call centres 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.

While generally the Short Message Services ("SMS") business in China has been successful, our SMS operation in Hong Kong market has not taken off as expected. Compared to China, the low in-payment rate of calls and the high cost of SMS transmission charged by local mobile carriers have hindered the growth of the business in Hong Kong. Management has decided to withdraw from the Group's SMS business in Hong Kong and look for SMS business opportunities in China.

Other Investments

The following summary provides an update on other major investments made or committed to so far:

ChinaPay.com Holdings Limited ("ChinaPay")

ChinaPay is a 49% shareholder of ChinaPay E-Payment Service Company Limited ("ChinaPay E-Payment"), which is China's premier On-line Payments Service Provider. With the support of China UnionPay ("YinLian"), the other 51% shareholder, ChinaPay E-Payment was established with the goal of building a unified, national payment system for China. The system allows for payments to be made instantaneously from and to any bank anywhere in the country. It provides payment and money transfer services for consumers and business, as well as between consumers and merchants in a convenient, safe, and fast manner. ChinaPay E-Payment's offerings fill a market void left open by inadequate traditional payment options.

By the summer of 2000, ChinaPay E-Payment's predecessor has begun providing payment services in the Shanghai region in conjunction with Shanghai's SNET Golden Card Network that was established by the Shanghai branch of the People's Bank of China and the local branches of China's 14 banks with the goal of facilitating ATM & POS inter-operability and transaction clearing between all participant banks. In future, ChinaPay E-Payment will broaden its revenue and customer base by focusing on two main developments: the expansion of its coverage to all major cities and the addition of new applications to its offerings targeted at different customer segments such as payment through mobile phone and telephone.

A Purchase Agreement was signed to acquire 666,667 Series B Convertible Preference Shares for the amount of US$1,000,000, representing 7% of total shares issued by ChinaPay. US$1,000,000 was deposited in an escrow account, the completion of the purchase is subject to a satisfactory due diligence investigation and other closing conditions. The due diligence exercise is being conducted through the end of the current reporting period, with the completion date for closing rescheduled to the first half of 2003.

Beijing Smartdot Technologies Company Limited ("Smartdot")

Despite a highly competitive environment in the software development market in the PRC, Smartdot managed to generate revenue growth of around 35% in 2002. It is expected that in 2003, Smartdot will see solid expansion due to the strong demand in e-government projects, office automation systems for the corporate sector, and intranet systems for schools, in the PRC.

Wireless Telecommunication Project

A wholly-owned subsidiary has entered into an acquisition agreement with a company in Shanghai ("the Seller"), whereby the Seller's wireless telecommunication business in the PRC will be purchased and injected into a wholly foreign owned enterprise to be established in Shanghai. The total acquisition consideration is (a) RMB800,000 of which RMB 200,000 was deposited with the Seller in February 2003; and (b) 25% of the shares of the subsidiary up to US$150,000. Payment of the balance is subject to fulfillment of the closing conditions under the terms of the agreement.

Lesen Technologies Limited ("Lesen")

In 2001, a 10% shareholding was acquired by the group in Lesen, an anti-forgery business based on technology invented in Japan. Due to a dispute among shareholders, the operations of Lesen did not progress as projected in 2002. Legal advice has been retained to examine the position, but as a prudent policy it was decided to fully provide for the HK$30,000,000 investment. Efforts will be continued to revitalise the project.

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$808,822,000 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

Prudent treasury policies continued to safeguard the Group's cash resources and with a cash holding of HK$621,112,000, the Group maintained financial stability. As at 31 December 2002, the Group's total borrowing stood at HK$63,651,000 (2001: HK$69,853,000) with HK$56,427,000 (2001: 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 6.7% (2001: 6.8%). The current ratio at 31 December 2002 was 5.4 times (2001: 5.7 times).

As at 31 December 2002, 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 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.

PLEDGE OF ASSETS

Pledges of the Company's fixed deposits of US$6,110,000 (2001: US$6,110,000) were given to bankers to secure short term loans and other general banking facilities to the extent of US$6,110,000 (2001: US$11,600,000).

EMPLOYEE AND REMUNERATION POLICIES

As of the date of this announcement, the Group employs a total of 224 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 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 2002, 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 raised 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. In the meantime, no provision has been made in the financial statements in connection with these claims.

(b) During the year ended 31 December 2002, 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 (2001: US$11,600,000) and for rental payable by a subsidiary to the extent of HK$264,000 (2001: HK$Nil).

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, 10 April 2003

Please also refer to the published version of this announcement in The Standard.