

enewmedia

e-NEW MEDIA COMPANY LIMITED

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

Results Announcement for the Year Ended 31 December 2004

The Board of Directors (the "Board") of e-New Media Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 with comparative figures for last year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 December 2004 (Expressed in Hong Kong dollars)

	Notes	2004 \$'000	2003 \$'000
Turnover	3	221,273	138,600
Cost of sales		(86,694)	(42,848)
Gross profit		134,579	95,752
Other revenue and gains	4	18,610	4,496
Selling and distribution costs		(55,808)	(16,581)
Administrative expenses		(80,548)	(71,535)
Other operating expenses, net		(28,390)	(33,830)
Write-back of deficits on revaluation of properties		35,780	9,699
Profit/(loss) from operating activities	5	24,223	(11,999)
Finance costs	6	(377)	(969)
Share of profits and losses of associates		(5,112)	(19,472)
Profit/(loss) before tax		18,734	(32,440)
Tax	7	159	(111)
Profit/(loss) before minority interests		18,893	(32,551)
Minority interests		(5,277)	(1,518)
Net profit/(loss) from ordinary activities attributable to shareholders		13,616	(34,069)
Earnings/(loss) per share	8		
- Basic		0.8 cents	(2.1) cents
- Diluted		N/A	N/A

Notes:

1 Impact of recently issued Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets and equity investments.

3 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) from operating activities	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Wholesale and retail of fashion wear and accessories	164,250	52,636	13,546	3,745
Telecommunications services*	24,104	50,606	3,820	4,922
Resort and recreational club operations	19,528	20,647	(4,617)	(8,357)
Investments and treasury	13,391	14,711	(22,146)	(19,596)
	221,273	138,600	(9,397)	(19,286)
Unallocated expenses			(2,160)	(2,412)
Write-back of deficits on revaluation:				
- Resort and recreational club properties			35,180	9,699
- Investment properties			600	—
Profit/(loss) from operating activities			24,223	(11,999)
Finance costs			(377)	(969)
Share of profits and losses of associates			(5,112)	(19,472)
Profit/(loss) before tax			18,734	(32,440)
Tax			159	(111)
Profit/(loss) before minority interests			18,893	(32,551)
Minority interests			(5,277)	(1,518)
Net profit/(loss) from ordinary activities attributable to shareholders			13,616	(34,069)

(b) Geographical segments

	Group turnover		2004 \$'000	2003 \$'000
	2004 \$'000	2003 \$'000		
Hong Kong	195,662	82,443		
Mainland China	3,214	2,836		
North America	11,102	35,689		
European Union	6,138	13,396		
Japan	2,573	922		
Other Asia Pacific regions	2,578	3,271		
Others	6	43		
	221,273	138,600		

* Included in turnover from the provision of telecommunications services for the year ended 31 December 2004 is a sum of US\$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.

4 Other revenue and gains

An analysis of other revenue and gains is as follows:

	2004 \$'000	2003 \$'000
Sub-leasing rental income	5,839	1,244
Management fees	3,599	876
Consulting service fees	257	1,015
Gain on disposal of a franchise business	4,519	—
Gain on waiver of other loans	—	600
Commission income	1,131	65
Others	3,265	696
	18,610	4,496

5 Profit/(loss) from operating activities

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

	2004 \$'000	2003 \$'000
Cost of inventories sold	84,017	31,253
Goodwill arising from the acquisition of subsidiaries:		
- Amortisation for the year	622	267
- Impairment arising during the year	1,435	—
Goodwill arising from the acquisition of associates:		
- Amortisation for the year	—	1,815
- Impairment arising during the year	—	14,519
Depreciation	9,217	11,664
Dividend income from listed investments	(5,624)	(4,162)
Dividend income from unlisted investments	—	(3,409)
Interest income	(7,767)	(7,140)
Exchange gains, net	(3,503)	(671)
(Gain)/loss on disposal of fixed assets	(333)	258
Net realised and unrealised gain on investments in other securities	(14,170)	(15,093)
Impairment of long term investment securities	22,988	32,800

6 Finance costs

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

7 Tax

No provision for Hong Kong profits tax at the rate of 17.5% and overseas income tax has been made for the year ended 31 December 2004 (2003: \$3,000) as the Company and its subsidiaries either do not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 \$'000	2003 \$'000
Current — Hong Kong	—	3
Charge for the year	—	—
Current — Overseas	—	115
Charge for the year	—	—
Overprovision in prior years	(42)	(7)
Deferred tax	(117)	—
Total tax (credit)/charge for the year	(159)	111

8 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders for the year of \$13,616,000 (2003: loss of \$34,069,000), and the weighted average of 1,650,658,676 (2003: 1,650,658,676) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2004 and 2003 have not been disclosed as no diluting events existed during these years.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2004. (2003: HK\$Nil).

CHIEF EXECUTIVE OFFICER'S STATEMENT

FINANCIAL REVIEW

The Group reported a turnover of HK\$221,273,000 (2003: HK\$138,600,000) and consolidated profit attributable to shareholders amounted to HK\$13,616,000 (2003: Loss of HK\$34,069,000) for the year ended 31 December 2004. Basic and diluted earnings per share was 0.8 HK cents (2003: Loss of 2.1 HK cents).

Several lines of business contributed to the improvement of the Group's performance. In the Resort and recreational club operations sector, the Clubs experienced a substantial appreciation in capital value for their premises due to current improvement efforts, promising future prospects and improved market conditions, and write backs of certain revaluation deficit are also implemented. In the International Premium Rate Services business, Management was able to successfully collect certain prior years' outstanding debts and recovered several overdue sums. Swank performed satisfactorily amidst the robust retail climate in Hong Kong and recorded improved results. Certain strategic investments that the Group made also appreciated in value.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2004, the Group was in a solid financial position with a cash and deposit holdings of HK\$581,349,000 (2003: HK\$635,058,000). At 31 December 2004, total borrowings stood at HK\$21,308,000 (2003: HK\$61,931,000) with HK\$12,758,000 (2003: HK\$52,787,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with total equity) was 2.3% at the balance sheet date (2003: 6.8%). The current ratio at 31 December 2004 was 6.7 times (31 December 2003: 4.7 times).

At 31 December 2004, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars, United States dollars and Euros 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. During the year, 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\$44,000 (2003: US\$6,110,000) was given to bankers to secure general banking facilities to the extent of US\$44,000 as at 31 December 2004 (2003: US\$6,110,000).

BUSINESS REVIEW

RESORT AND RECREATIONAL CLUB OPERATIONS

Shanghai Hilltop Country Club ("Shanghai Hilltop")

The expansion and upgrade of Shanghai Hilltop progressed on schedule. Upon completion of such works, Shanghai Hilltop will mainly comprise a hotel building, a clubhouse building, other ancillary structures and certain outdoor recreational facilities including a 200-meter golf driving range, tennis courts and outdoor swimming pool. Shanghai Hilltop will be renamed "Vivasha" after completion of the upgrading process.

The hotel building is a four-star resort hotel, which provides around 300 guest rooms. It will be facilitated with Chinese and Western restaurants and multi-purpose conference rooms. The Clubhouse Building will be facilitated with indoor swimming pools, spa, gymnasium, a multi-function sport centre with badminton courts, table-tennis room, chess room and activity centre, etc.

Management expects that Shanghai Hilltop will have a soft opening in mid 2005 and Shanghai Hilltop would become one of the largest and leading Club Resorts in Shanghai in terms of scale and functions provided. Based upon the high occupancy rate in hotels in Shanghai last year, Management believes this trend will continue for the next few years and benefit our new hotel. In addition, Management believes that the current solid demand of quality residential properties in Shanghai is an indication that Shanghai residents are more concerned about living quality than ever, especially given that the expectation for economic growth would remain high in this decade. Consequently, Management is optimistic about the business development of Shanghai Hilltop.

In view of the above factors, Management decided to acquire an additional 15% shareholdings of Shanghai Landis Hospitality Management Co. Ltd, the management company of Shanghai Hilltop, resulting in a total shareholdings of 35% upon completion in February 2005.

Hong Kong Hilltop Country Club ("Hilltop")

Hilltop's performance in 2004 was largely in line with Management's expectation. The accommodation facility performed satisfactorily and recorded a significant increase in revenue, due largely to the influx of tourists from China starting in March. Both the Chinese Restaurant and Banquet and the European Restaurant and Banquet performed below expectation, as the fierce competition and a decrease in meetings and training activities affected the restaurant's performance. Sports and Recreation performed largely in line with Management's expectations.

Hilltop is expected to maintain its competitiveness as a result of the renovation works and dedication to cater to customer's demands. The upgrading of facilities at Hilltop is ongoing in order to keep the facility in good shape.

TELECOMMUNICATIONS

International Premium Rate Services ("IPRS")

The traditional IPRS voice market did not show any signs of recovery in 2004 as market conditions continued to be difficult. One major reason for such steep decline is that U.S. and Japan, two of the biggest IPRS voice markets, have virtually become extinct. The U.S. market was affected by various regulatory issues and Japan was affected by the introduction of other new types of "value added services" (mainly coming from the mobile sector). As a result, both margin and revenue were further reduced.

Growing demand for "infotainment" in China represents a growing demand for premium rate calls. The Group will, in the coming year, begin to look for business opportunities for entering into the market.

Another major task for the coming year is to continue to exercise diligent and unrelenting efforts to collect outstanding and overdue payments from its debtors. In addition, even amidst difficult market conditions and fierce competition, Management is pleased to report that the Group was able to maintain its existing termination points.

Management believes that despite the same difficult trading conditions will remain ahead, it envisages that the opening up of the China market will not only revitalize the premium rate voice services, but will also open doors for the Group to attempt in different areas in the "value added service" sector such as premium data calls, Premium SMS etc.

Wireless Network Card Business

Shanghai ENM Telecom & Technologies Limited ("SENMTT")'s core business is providing wireless internet access services through mobile network and cooperates with China Mobile Shanghai and China Unicom Shanghai to distribute GPRS and CDMA1X network cards in the Shanghai region. SENMTT has developed solid business collaborations with local business partners and operators' retail shops and become one of the major CDMA1X distributors of China Unicom Shanghai. In 2005, Management plans to explore new opportunities to apply the current business model to other consumer products/services.

FASHION RETAIL

The Swank Shop Limited ("Swank")

Swank continued to benefit from the rebound in consumer confidence in Hong Kong. Its business maintained the momentum seen in the first half of 2004 and recorded improved results in 2004.

A total of four new retail outlets with an aggregate floor area of over 6,500 square feet were established in the second half of 2004 and first quarter of 2005: Givenchy at Sogo Department Store, Givenchy at ifc mall, Swank Ladies at Gateway and Kenzo at ifc mall. Swank will also add to its retail network another renowned boutique in the second quarter of 2005, the Roberto Cavalli flagship store in ifc mall. Management believes that the expanded retail portfolio in prime retail locations will further enhance Swank's business and is conducting further studies of expansion plans.

BIO-MEDICAL

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. "Genetaxyl" is an improved version of Paclitaxel (BMS Taxol) developed by Genovate for treatment of breast cancer, and its market share in Taiwan has increased favourably. In addition, two marketed new drugs, Urotrol and Genetaxyl Glusafes, received positive market acceptance in Taiwan. Furthermore, in early 2005, for the first time Taiwan has granted approval for the sale of two "once a day" new drugs, Loxol SR and Diabetrol SR. The drugs are expected to launch shortly in Taiwan. Such flow of new drugs will further strengthen Genovate's sales.

Cardima, Inc. ("Cardima")

Cardima is a public company involved in medical devices for minimally invasive treatment of atrial fibrillation by utilising its Surgical Ablation System ("SAS") during heart surgery. The SAS, a combination of devices including Revelation Tx microcatheter system, has already received marketing clearance through CE Mark approval in Europe. As for the U.S. market, Cardima has yet to secure Pre-Market Approval from the U.S. Food and Drug Administration for SAS to proceed to marketing; to support its efforts, Cardima is exploring various opportunities.

OTHER INVESTMENTS

SinoPay.com Holdings Limited ("SinoPay"), formerly known as ChinaPay.com Holdings Limited

SinoPay's main business is providing B2C electronic payment and intra-bank fund transfer solution services in Mainland China through its Joint Venture (the "JV") in Shanghai with China UnionPay. In June 2004, the JV has completed a capital increase transaction and SinoPay shareholdings in the JV have been reduced from 49% to 40%. The Group's interest in the JV has been diluted from 3.43% to 2.8% accordingly.

In response to the gradual opening of financial services in Mainland China, China UnionPay proposed a new merger transaction between the JV and 廣州好易聯支付網絡公司 ("Easylink"), a counterpart of the JV in Guangdong controlled by China UnionPay at present for higher operating efficiency and market share. After the proposed merger, the two companies may share resources and join forces to further expand into a nationwide interoperable bankcard network and further develop China's bankcard industry. Management believes that the proposed merger between the two companies is highly synergistic and the resulting performance of the JV should have a significant improvement. The proposed merger is targeted to be completed in 2005.

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

Smartdot engages in software development and solutions projects in China and its primary focus is in the area of e-Government projects and office automation systems for the corporate sector. Over the reporting period, Smartdot has set up 2 subsidiaries in Guangdong and Zhejiang to try to capture businesses in other regions.

EMPLOYEE AND REMUNERATION POLICIES

At the date of this announcement, the Group employs a total of 286 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

At 31 December 2004, the Company or the Group had the following significant contingent liabilities:

- The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$3,414,000 (2003: HK\$4,057,000) as at 31 December 2004. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.
- 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 (equivalent to HK\$11,670,000) from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputed traffic volumes generated in the past and claimed to have been underpaid by at least US\$2,736,000 (equivalent to HK\$21,286,000). Management studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary sought to refute most of the allegations and has made a counterclaim of approximately US\$6,215,000 (equivalent to HK\$48,353,000) in September 2002 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. Thereafter, there has been no communication in respect of the mentioned claims between the subsidiary and the content provider. Based on the above, management considers that it is unlikely that any loss will arise and accordingly, no provision has been made in the financial statements.
- During the year ended 31 December 2004, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of HK\$342,000 (2003: HK\$47,536,000) and for rental payable by a subsidiary to the extent of nil (2003: HK\$101,000).

AUDIT COMMITTEE

The Company has an audit committee which was established pursuant to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the one non-executive director and three independent non-executive directors of the Company. The audited financial statements of the Group for the year ended 31 December 2004 have been reviewed by the Audit Committee.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual report, except that the non-executive and independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association. The Code contained in Appendix 14 of the Listing Rules has been replaced by the Code on Corporate Governance Practices (the "New Code") with effect from 1 January 2005 and the New Code will apply for subsequent reporting periods.

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 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, 15 April 2005

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; the Non-executive Director is Mr. Raymond Wai Pun LAU; and the Independent Non-executive Directors are Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN and Mr. Ian Grant ROBINSON.