

TURNAROUND PLAN UNVEILED

The financial results for the fiscal year ended 30 June 2004 for NWTMT largely reflected the large provisions made for the interactive digital cable TV business. In response, the focus of NWTMT shifted to the execution of the business strategy and commercialization of existing portfolio investments. A new management team was brought onboard to reinforce financial controls, re-evaluate the portfolio and maximize returns on investment with a preference for cash flow producing projects that can deliver profitability.

During the year, NWTMT developed a new corporate strategy to put its business back on the road to profitability. The new management team wasted little time in enacting this strategy. Companies that did not fit the cash flow oriented vision of the Company were divested to increase cash positions. Those investments that did fit into the business vision were supported with new capital and guidance. In the core divisions of telecom and media, revenue-generating strategies were enhanced as joint ventures were solidified. In addition, synergies with New World Group companies, specifically in the core telecom division, were explored.

FINANCIAL REVIEW

NWTMT registered a net loss of HK\$5.507 billion this year, compared to a net loss of HK\$691 million in the previous year. The loss was mainly due to a provision in respect of investments in the interactive digital cable TV business. Such investments included equity interests in PrediWave Corp (PrediWave) and certain companies associated with PrediWave (PrediWave Companies), loans to PrediWave Companies and amounts paid for purchases of set top boxes (STBs), headend servers, inventories, other equipment and software applications.

Litigation with the PrediWave Companies made it necessary to make provisions for the entire equity position in and loans to PrediWave Companies along with deposits made on STBs for use in China. NWTMT could not launch its digital media platform with the PrediWave system and the failure of PrediWave to deliver an interactive digital TV platform as per agreement led to litigation. Consequently, purchased equipment, software applications, inventories and investments in Fujian Province cable TV content and service companies were provided for.

Other significant provisions were made for the investment in mobile VAS content provider Mtone Wireless Corporation (Mtone) and the investment in the e-Bus Stop projects held by Sunlong Group (Sunlong). Several lesser provisions were taken for other investments.

Subsequent to the NWTMT reorganization, finance costs reduced to HK\$83 million, compared to HK\$639 million in the previous year, as weighted average borrowing lowered by 71% to HK\$2.21 billion for the year from HK\$7.69 billion for the previous year. Benefiting from a programme to streamline operations, head office costs reduced to HK\$92 million, compared to HK\$131 million in the previous year.

OPERATIONAL OVERVIEW

NWTMT is the telecom, media and technology investment arm of New World Group. NWTMT invests in telecom and media opportunities through three divisions: TMT Telecom, TMT Media and TMT Ventures. Portfolio holdings range from telecom business to joint venture digital media companies and stakes in promising new technologies. As a whole, these ventures drive the ambitions of New World Group in the world's largest telecom and media market.

TMT TELECOM

TMT Telecom is composed of Infrastructure and Basic Services & VAS businesses. Sunlong, the operational arm of the Basic Services & VAS business is enabled by Group technologies and holds a number of licenses and marketing rights in Chinese cities that permit VAS product development. The Sunlong contribution currently comes from its role as one of South China's largest contact centres and in this regard Sunlong opened a second contact centre in Guangzhou.

NWTMT holds an investment in Mtone, one of China's leading mobile VAS entertainment and interactive service providers. This year, Mtone's total subscribers rose to 4.5 million, almost double the previous year. Mtone's revenue surpassed the US\$28 million mark in 2004.

TMT MEDIA

TMT Media invests in media platforms that combine infrastructure solutions and content aggregation for satellite, cable and television network operators. TMT Media also owns a majority stake in an advertising business.

A joint venture was established between Hong Kong-listed China Aerospace International Holdings Ltd (CASIL), a subsidiary of China Aerospace Science & Technology Corp and NWTMT during the year. NWTMT took a 50% interest in China Aerospace New World Technology Ltd (CANW). CANW focuses on interactive cable and satellite digital TV. The joint venture is in the initial stage and no revenue was registered this year.

The top contributor to attributable operating profit is advertising agency Beijing Xintong Media & Cultural Development Co Ltd (Xintong), a 51% owned subsidiary acquired by NWTMT during the year. Xintong operates and invests in media interests, with conventional advertising as the backbone of its business. Xintong's turnover increased from HK\$89 million in the year ended 30 June 2003 to almost HK\$326 million in the year ended 30 June 2004. Net profit followed suit with an almost 175% rise from HK\$4 million to HK\$11 million.

OUTLOOK 2005

NWTMT expects an improved performance for the coming year. The Company will benefit from the expanding Chinese economy, improved quality of life on the Mainland, ongoing deregulation of telecom and media businesses and significant expansion in its core markets. For a complete understanding of the TMT opportunity and a comprehensive overview of operations, please refer to the "New World TMT Review" publication that accompanies the 2004 Annual Report.

Sunlong revenues and contribution are expected to increase on expansion of contact centres and systems integration business. Sunlong will deliver Virtual Private Network (VPN) and Next Generation Network (NGN) services, starting with the clients of New World Group telecom businesses located on the Mainland. The VPN rollout will commence in the Pearl River Delta, Yangtze River Delta and Beijing region. This year, development work will be completed on an NGN platform for China.

Mtone expects to maintain its fast track growth in the mobile VAS market, substantially increasing its subscriber base and revenues. This investment may soon be mature enough to spin off in a public offering.

CANW is expected to increase its revenue generating power through the rollout of STBs and the marketing of satellite TV to three-star hotels and above, high-end residential complexes, institutions and universities. CANW will increase its operating scope with a focus on pay TV, VOD, stock market data, e-commerce and distance education.

TMT Media will establish equity partnerships with digital platforms and entities with regional broadcasting rights. This includes provision of Direct-to-Home TV to deliver digital services across China. TMT Media is finalizing an agreement with a licensed operator to provide Global Positioning System (GPS) services in major cities and management plans to establish ventures with digital TV technology providers.

Xintong forecasts turnover and profit to grow satisfactorily this year. An aggressive business model is in place to generate revenues. Xintong plans to expand its own media channels to create profit centres and increase its focus on developing business in TV series production, Internet and mobile handset services as well as through contracts associated with the Beijing 2008 Olympics.

A FINAL WORD

NWTMT is ready to rise above the difficult times experienced in the digital media business last year to execute an exciting corporate strategy. Riding high on the growing legion of telecom and media customers and the liberalization of markets post-WTO accession, NWTMT is positioned to capture the growth opportunity in this watershed period. In the year ahead, our new management team and an expanding group of employees with TMT backgrounds will push the corporate strategy to the limits to build sustainable shareholder value.

Wong Chi-Chiu, Albert
Chief Executive Officer