

## FINANCIAL REVIEW

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>		
	2004 HK\$'000	2003 HK\$'000 (Restated)
① Turnover	368,847	383,461
Other revenue	7,254	34,700
② Other charges, net	(5,105,902)	(444,173)
Staff costs	(82,769)	(105,467)
Depreciation and amortization	(41,961)	(155,210)
③ Other operating expenses, net	(451,979)	(193,243)
Operating loss	(5,306,510)	(479,932)
④ Finance costs	(82,875)	(638,980)
⑤ Share of results of		
Associated companies	(123,875)	15,534
Jointly controlled entities	(13,869)	516,110
Loss before taxation	(5,527,129)	(587,268)
Taxation	(737)	(64,212)
Loss after taxation	(5,527,866)	(651,480)
Minority interests	20,608	(39,188)
Loss for the year	(5,507,258)	(690,668)

For the financial year ended 30 June 2004, the Group registered a net loss of HK\$5,507 million, increased by HK\$4,816 million compared to a net loss of HK\$691 million in the previous year. The loss was mainly due to a major provision in respect of investments in the interactive digital cable TV business for an aggregated amount of approximately HK\$4,392 million. The provision was necessary as a result of the litigation against the PrediWave Companies as described in note 29 to the accounts.

- ① Turnover decreased slightly by HK\$15 million for the year ended 30 June 2004. However, turnovers for the two years were not comparable having come from totally different business segments. The current year's turnover was mainly derived from advertising and licensing income of Xintong whereas turnover for the previous year was derived from toll income and cargo, container handling and storage income of discontinuing operations.
- ② Please refer to the table following.
- ③ Included in net other operating expenses were approximately HK\$303 million of advertising agency fee and production costs for media programme and cultural activities of Xintong (which were newly consolidated in the current year). Benefiting from a programme to streamline operations, head office costs were reduced to HK\$92 million from HK\$131 million in the previous year.
- ④ Subsequent to the Reorganization of the Group, finance costs were reduced to HK\$83 million, compared to HK\$639 million in the previous year. The reduction in finance costs mainly resulted from the decrease in weighted average borrowing from the previous year of HK\$7.69 billion by 71% to HK\$2.21 billion for the current year after the Reorganization.
- ⑤ In the current year, the Group has recorded share of losses of HK\$138 million from associated companies and jointly controlled entities mainly from PrediWave Companies, biotech projects, New Qu Energy Limited and Openpark Limited which are under TMT sector. The previous year's amount included HK\$719 million profits from discontinuing operations.

## 2 Other charges, net

		<b>2004</b>	<i>Interactive digital cable TV related provisions in 2004</i>	2003
		<b>HK\$'000</b>	HK\$'000	HK\$'000 (Restated)
Impairment losses on:				
Intangible assets	a	(401,232)	(401,232)	–
Fixed assets	b	(663,663)	(619,224)	(45,002)
Other investments	c	(2,272,361)	(1,933,894)	(21,349)
Provision for:				
Amounts due from jointly controlled entities		(14,469)	–	(158,559)
Amounts due from associated companies		(113,040)	–	–
Other receivables		(29,246)	–	(39,180)
Deposits for proposed investments		(81,281)	–	(122,445)
Deposits for purchase of fixed assets	d	(843,869)	(843,869)	–
Loans receivable		(99,806)	–	–
Loans to investee companies		(304,201)	(304,201)	–
Payments on account of proposed joint ventures		–	–	(111,635)
Write-down of inventories to net realizable value		(291,406)	(289,626)	(458,362)
Gain from the Reorganization		–	–	512,637
Gain/(loss) on disposal of:				
Fixed assets		58	–	(3,551)
Subsidiaries		–	–	84,127
Other investments		3,876	–	(201,367)
Unlisted investment		–	–	118,541
Write-back of impairment loss on other investments		4,738	–	1,972
		<b>(5,105,902)</b>	<b>(4,392,046)</b>	<b>(444,173)</b>

a Impairment losses on billing management and conditional access software and licenses of PrediWave interactive digital cable television system.

b Mainly represented impairment losses on interactive digital cable television system and equipment purchased from PrediWave and the investment in the e-Bus Stop projects held by Sunlong.

c In addition to the provision in respect of the PrediWave Companies, provision was made against the investment in Mtone, for an amount of approximately HK\$298.9 million, to reflect its current estimated valuation. Several lesser provisions were also taken for other investments.

d Provision was mainly for deposits paid to PrediWave for purchase of set top boxes.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2004, the cash and bank balances of the Group amounted to HK\$649.2 million, compared to HK\$573.7 million in FY2003.

ATTRIBUTABLE DEBT PROFILE (HK\$ million)					
TYPE	OUTSTANDING AMOUNT		REPAYMENT		
	FIXED RATE	FLOATING RATE	04/05	05/06	Onwards
	As at 30 June 2004				
Short-term RMB					
Bank loan facilities	1,246	-	1,246	-	-
Long-term RMB					
Bank loan facilities	13	-	1	2	10
Other loan	-	1,407	-	1,407	-
Total amount	1,259	1,407	1,247	1,409	10

Attributable Debt at 30 June 2004 was increased to HK\$2.67 billion from HK\$1.62 billion at year-end FY2003 and with the impact of the significant loss for the current year on the equity at 30 June 2004, the gearing ratio (being the ratio of Attributable Debt to equity) increased to 169% from 23%. The current bank borrowings are all in RMB at a fixed interest rate and represented 47% of Attributable Debt. The remaining Attributable Debt is in HK\$ at floating rates. The borrowings are mainly unsecured, except for HK\$446 million, which is secured by pledged deposits and fixed assets. In addition, NWSH has undertaken to repay the principal and interest of a bank loan of the Group, of approximately HK\$687 million (2003: HK\$790 million) at 30 June 2004, from time to time as they fall due. The loan is secured by NWSH's interests in certain joint ventures in China.

Taking into account the increase of existing unsecured revolving credit facilities granted by a fellow subsidiary from HK\$1.5 billion to HK\$2.7 billion with approximately HK\$1.27 billion undrawn at 30 June 2004, the Group has adequate financial resources to meet its commitments and working capital requirements.

## CONTINGENCIES

As part of the Reorganization, NWSH has acquired the interest in Wuhan Bridge Construction Co Ltd ("WBC"), a then subsidiary, from the Company at the book value as at 30 June 2002 of approximately HK\$751 million (the "Book Value"), subject to adjustment depending on the net cash consideration which may be received by NWSH as compensated by the Wuhan government and/or the proceeds, if any, from the sales of the effective interest in WBC to the Chinese shareholders or the Wuhan government (the "Compensation Amount").

If the Compensation Amount exceeds the Book Value, NWSH will pay to the Company an amount equivalent to half of the amount by which the Compensation Amount exceeds the Book Value. If the Compensation Amount is less than the Book Value, the Company will pay to NWSH an amount equivalent to the amount by which the Book Value exceeds the Compensation Amount. On 12 December 2003, NWSH reached an agreement in principle with Wuhan City Construction Fund Management Office for the disposal of WBC at a consideration of RMB1.18 billion (equivalent to approximately HK\$1.10 billion). Subject to the finalization of the Compensation Amount (which is equal to the actual net proceeds), the Company is expected to receive approximately HK\$150 million from NWSH. As at 30 June 2004, the Company received HK\$30 million (2003: nil) from NWSH.

Details of the Group's pending litigations have been set out in note 29 to the accounts.

## EMPLOYEES

The Group has 330 employees as at 30 June 2004, as compared to 229 as at 30 June 2003. Remuneration policy is reviewed yearly. Remuneration, bonus and share options may be granted to employees based on individual performance and market practices. Education subsidies will be granted to employees taking job-related courses. Periodic in-house training programmes are also offered.

## ADVANCES TO ENTITIES

In accordance with Rule 13.13 and 13.20 of the Listing Rules, the details of advances provided by the Group to entities, which individually exceeds 8% of the Company's market capitalization of approximately HK\$754 million ("Market Capitalization", based on the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding 30 June 2004 and 952,180,007 shares of the Company in issue as at 30 June 2004), were as follows:

Name of entity		Amount of advances as at 30 June 2004 HK\$'000	Interest rate	Repayment term	Collateral
Zhuhai Municipal Government (Note 1)		287,823	prime	semi-annually until 30.9.2008	unsecured
中廣媒體傳播有限公司 (Chinacable Allmedia Co., Ltd.) (Note 2)		600,000	3%	wholly repayable on 30.11.2004	unsecured
New QU Energy Limited (Note 3)	(i)	60,840	LIBOR	on demand	unsecured
	(ii)	59,007	interest-free	on demand	unsecured

### Notes:

- (1) Advance made to facilitate discussion to acquire infrastructure projects. Repayment with interest by instalments was agreed upon cessation of the discussion in 2002. together with full refund of deposits from the withdrawal of proposed investment in the Network. The counterparties have agreed to fully repay by 30 November 2004.
- (2) Advance made to facilitate procurement of investments on behalf of the Company. The Company has requested full repayment of the loan,
- (3) Advance to provide for working capital.

## FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

In accordance with Rule 13.16 of the Listing Rules, the amount of financial assistance to affiliated

companies of the Group is approximately HK\$268,638,000 which exceeds 8% of the Market Capitalization as at 30 June 2004. Details are given in the following table:

Name of affiliated companies	Committed capital injection HK\$'000 (Note)	Shareholder loan/advance			
		Amount HK\$'000	Interest rate	Repayment term	Collateral
New QU Energy Limited	–	60,840 59,007	LIBOR interest-free	on demand on demand	unsecured unsecured
上海新世界基因技術開發有限公司 (Neworgen Limited)	30,264	14,470	interest-free	on demand	unsecured
Concerto Software New World Limited	–	22	interest-free	on demand	unsecured
Openpark Limited	–	23,100 935	8% interest-free	on demand on demand	unsecured unsecured
China Aerospace New World Technology Limited	80,000	–	–	–	–
<b>Total</b>	<b>110,264</b>	<b>158,374</b>			

Note: The committed capital injection will be funded by internal resources or utilization of credit facility.

In accordance with Rule 13.22 of the Listing Rules, a statement of the indebtedness, contingent liabilities and capital commitments as at 30 June 2004 reported on by the above affiliated companies are presented below:

As at 30 June 2004, the above affiliated companies had a combined indebtedness of approximately HK\$250 million (including amounts owing to the Group). There is no material capital commitment or contingent liability of these affiliated companies.