NEW WORLD TMT 新世界信息科技有限公司*

New World TMT Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 301)

INTERIM RESULTS ANNOUNCEMENT 2004/2005

The Directors of New World TMT Limited (the "Company" or "NWTMT") announce that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2004 were as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Note	**Unaudited Six months ended 31.12.2004** *HK$'000*	Unaudited Six months ended 31.12.2003 *HK$'000*
Turnover	2	**214,145**	183,153
Other revenue		**3,630**	4,201
Other charges, net	3	**(41,262)**	(58,641)
Staff costs		**(44,506)**	(41,878)
Depreciation and amortization		**(14,370)**	(27,550)
Other operating expenses, net		**(245,624)**	(173,369)
Operating loss	4	**(127,987)**	(114,084)
Finance costs		**(48,598)**	(38,713)
Share of results of			
Associated companies		**(2,822)**	(106,540)
Jointly controlled entities		**(9,276)**	(2,750)
Loss before taxation		**(188,683)**	(262,087)
Taxation	5	**(5,349)**	(490)
Loss after taxation		**(194,032)**	(262,577)
Minority interests		**(2,210)**	(7,613)
Loss for the period		**(196,242)**	(270,190)
Loss per share	7		
Basic		**HK$0.21**	HK$0.28
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004

	Unaudited 31.12.2004 *HK$'000*	Audited 30.6.2004 *HK$'000*
Non-current assets		
Intangible assets	**19,670**	7,539
Fixed assets	**71,949**	74,410
Associated companies	**229,503**	263,190
Jointly controlled entities	**78,700**	64,536
Amount due from a fellow subsidiary	**504,979**	504,979
Loans receivable	**317,823**	317,823
Other investments	**602,358**	605,162
Deposits for proposed investments	**1,563,319**	1,613,451
	3,388,301	3,451,090
Current assets		
Inventories and programmes	**49,291**	70,801
Debtors, deposits and prepayments	**199,883**	194,953
Current portion of loans receivable	**620,000**	620,000
Amount due from a fellow subsidiary	**181,635**	181,635
Pledged deposits	**540,984**	446,940
Bank balances and cash	**190,322**	202,292
	1,782,115	1,716,621
Current liabilities		
Creditors and accruals	**235,618**	176,613
Amounts due to minority shareholders	**44,559**	43,278
Short-term bank loans		
Secured	**374,953**	433,271
Unsecured	**841,121**	813,084
Current portion of bank and other borrowings	**183,174**	183,124
	1,679,425	1,649,370
Net current assets	**102,690**	67,251
Total assets less current liabilities	**3,490,991**	3,518,341
Financed by		
Share capital	**952,180**	952,180
Reserves	**432,877**	629,119
Shareholders' funds	**1,385,057**	1,581,299
Minority interests	**28,122**	14,005
Non-current liabilities		
Bank and other borrowings	**2,077,812**	1,923,037
	3,490,991	3,518,341

NOTES

1. Basis of preparation and accounting policies

The unaudited consolidated condensed interim accounts for the current period (the "interim accounts") are prepared in accordance with Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim accounts should be read in conjunction with the 2004 annual accounts.

The principal accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2004, except that the Group early adopted the accounting standards below with effect from 1 July 2004:

Hong Kong Financial Reporting Standard 3 ("HKFRS3") (issued 2004) Business Combination
Hong Kong Accounting Standard 36 ("HKAS 36") (revised 2004) Impairment of Assets
Hong Kong Accounting Standard 38 ("HKAS 38") (revised 2004) Intangible Assets

The adoption of these standards resulted in changes to certain accounting policies of the Group. The revised policies are:

(i) Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(ii) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The key impacts to the Group are as follows:

– The Group ceased amortization of goodwill from 1 July 2004;

– Accumulated amortization as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– Goodwill is tested annually for impairment, as well as when there are indications of impairment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively.

The early adoption of the above standards has not resulted in any changes to the opening balances as at 1 July 2004 and any significant impact to the results for the six months ended 31 December 2004.

2. **Turnover and Segment Information**

Turnover represents income from advertising, licensing of programme rights and service income from operating contact centre, media or software related services.

	Unaudited Six months ended 31.12.2004 *HK$'000*	Unaudited Six months ended 31.12.2003 *HK$'000*
Advertising income	**201,949**	173,718
Licensing income	**12,363**	1,111
Other service fee income	**4,626**	12,464
	218,938	187,293
Business tax	**(4,793)**	(4,140)
	214,145	183,153

Primary reporting format – business segments

As the Group is principally engaged in telecommunications, media and technology ("TMT") businesses, no analysis of segment by business is presented.

Secondary reporting format – geographical segments

An analysis of the Group's turnover and operating loss by geographical segment is as follows:

	Unaudited Six months ended 31.12.2004		Unaudited Six months ended 31.12.2003	
	Segment revenues *HK$'000*	**Segment results** *HK$'000*	Segment revenues *HK$'000*	Segment results *HK$'000*
China mainland	**209,300**	**(198,350)**	178,920	(70,619)
Hong Kong	**4,845**	**(13,660)**	4,233	(5,526)
North America	**–**	**(163)**	–	1,873
	214,145	**(212,173)**	183,153	(74,272)
Gain in relation to disposal of Wuhan Bridge Construction Co., Ltd. by NWS Holdings Limited ("NWSH")		**154,878**		–
Net unallocated costs		**(70,692)**		(39,812)
Operating loss		**(127,987)**		(114,084)

Segment revenues are based on the country in which the assets are located.

There are no sales or other transactions between the geographical segments. Unallocated costs mainly represent corporate expenses.

3. Other charges, net

	Unaudited Six months ended 31.12.2004 ***HK$'000***	Unaudited Six months ended 31.12.2003 *HK$'000*
Impairment losses on:		
Intangible assets	**(59,025)**	–
Fixed assets	**(1,314)**	–
Other investments	**(2,804)**	–
Provision for:		
Amounts due from a jointly controlled entity	**(30)**	–
Amounts due from associated companies	**(33,939)**	–
Trade and other receivables	**(55,839)**	(4,673)
Deposits for proposed investments	**(35,647)**	(15,146)
Write-down of inventories to net realizable value	**(10,252)**	(41,481)
Loss on disposal of fixed assets	**(66)**	(45)
Write-back of impairment loss on other investments	**–**	2,704
Write-back of provision for amounts due from a jointly controlled entity	**2,776**	–
Gain in relation to disposal of Wuhan Bridge Construction Co., Ltd. by NWSH	**154,878**	–
	(41,262)	(58,641)

4. Operating loss

Operating loss is stated after charging the following:

	Unaudited Six months ended 31.12.2004 ***HK$'000***	Unaudited Six months ended 31.12.2003 *HK$'000*
Amortization of:		
Intangible assets	**637**	227
Cost of programmes	**6,600**	16,542
Auditors' remuneration	**3,305**	1,534
Depreciation	**7,132**	10,781
Rental for leased premises	**6,293**	6,058

5. Taxation

	Unaudited Six months ended 31.12.2004 ***HK$'000***	Unaudited Six months ended 31.12.2003 *HK$'000*
Company and subsidiaries		
PRC income tax	**5,349**	490
Deferred tax	**–**	–
	5,349	490

No Hong Kong profits tax was provided for the six months ended 31 December 2004 as the Group had no estimated assessable profit arising in or deriving from Hong Kong. PRC income tax has been provided on the estimated assessable profits for the period at their prevailing rates of taxation.

6. Interim dividend

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2004 (six months ended 31 December 2003: nil).

7. Loss per share

The calculation of loss per share is based on the loss for the period of HK$196,242,000 (six months ended 31 December 2003: HK$270,190,000) and the weighted average of 952,180,007 (six months ended 31 December 2003: 952,180,007) shares in issue during the period.

Diluted loss per share for the periods ended 31 December 2003 and 2004 is not presented as the Company has no dilutive potential shares at period end.

MANAGEMENT DISCUSSION AND ANALYSIS

In the six-month period ended 31 December 2004 ("the period"), NWTMT continued to restructure its portfolio of telecommunications, media and technology ("TMT") businesses. During this transition period, the new management team started to implement its corporate strategy, portfolio investments underwent an in-depth review, some non-performing projects were divested and provisions were made for other projects. In addition, a more hands-on approach was taken to oversee China investments and cost controls implemented to reduce operating costs at head office.

Financial Review

During the period, the Group registered an increase in turnover of 16.9% to HK$214.1 million, compared to HK$183.2 million for the six-month period ended 31 December 2003 ("the prior period"). Due to this improved performance and a gain relating to the disposal of Wuhan Bridge Construction Co., Ltd. by NWSH, NWTMT registered a net loss of HK$196.2 million, a 27.4% improvement over the net loss of HK$270.2 million for the prior period.

The performance highlight was Beijing Xintong Media & Cultural Development Co. Ltd. ("Xingtong Media"). Xingtong Media accounted for HK$207.6 million of turnover, compare to HK$137.9 million for the prior period. The net increase in the other operating expenses was mainly due to an increase in legal and professional fees and a rise in direct production costs proportionally related to an increase in advertising sales income. Overall, after recognising a gain of HK$154.9 million relating to disposal of Wuhan Bridge Construction Co., Ltd. and recording provisions of some HK$198.9 million in certain projects, the total operating loss was HK$128.0 million with around 12.2% increase from the prior period.

The provisions with total amount of HK$198.9 million included a provision for goodwill in China Aerospace New World Technology Limited ("CANW") of HK$59.3 million, a provision for an educational software project of HK$42.1 million and a provision for receivables due from New QU Energy Ltd. ("New QU") of HK$33.9 million. Other contributors to the loss were HK$44.1 million in head office expenses for legal and professional fees and an increase in finance costs by HK$9.9 million. Attributable debt at 31 December 2004 was increased to HK$2.79 billion from HK$2.67 billion at 30 June 2004.

During the period, NWTMT made progress on legal proceedings to recoup its investments in PrediWave Corporation ("PrediWave") and certain associated companies of PrediWave Group (collectively the "PrediWave Companies"). In May 2004, NWTMT filed complaints in the US against the PrediWave Companies and Mr Tony Qu, the president and founder of the PrediWave Companies. NWTMT invested in PrediWave technology for video-on-demand, digital broadcasting and added value services. The monetary amount sought by NWTMT in the lawsuit exceeds US$700 million (equivalent to some HK$5.46 billion), and the Company has reliable information that US$310 million remained in the PrediWave bank accounts in December 2004. This year the following progress was achieved in the litigation: The Company won a writ of mandate to gain access to PrediWave financial documents; and PrediWave dropped its counter claim in Federal Court against Mr Jimmy Li, a director of NWTMT associated companies and an appointee to the PrediWave board, and Mr Fu Sze Shing, a Non-executive Director of NWTMT and an appointee to the PrediWave board. The legal fees paid to pursue the PrediWave case were a major component of legal and professional fees for the period.

Project Review

NWTMT is in the process of emerging from a difficult restructuring and transition period. Though non-operating factors have had a negative impact on the financial results, most core operating businesses have witnessed an improvement either in contribution to attributable operating profit ("AOP") or in moving towards a sustainable, revenue generating business model.

On the media front, Xintong Media registered steady growth in revenues due to a rise in advertising related business and growth in the TV production division. Meanwhile, CANW is progressing with its rollout of digital media platforms and services in select provinces.

Progress was made in the telecom segment this period. Mtone Wireless Corporation ("MTone"), one of China's leading mobile VAS entertainment and interactive service providers, increased turnover to US$28.7 million as of year ended 31 December 2004, up from US$20.5 million in the previous year, with an increase in its estimated annual average paying subscribers from 1.7 million in 2003 to 2.2 million in 2004. Progress was made in developing business at Sun Long Group ("Sun Long"), which is one of the largest contact center groups in Guangdong with innovative VAS products.

Included in the other investments is an approximately HK$377 million position acquired last year in Intellambda Systems Inc. ("Intellambda"), a company that develops optical transport and switching platforms and provides the optical networking solutions for carriers planning on building or upgrading their metro and regional infrastructures. The Intellambda CEO is Mr Tony Qu, also subject to the litigations with NWTMT as CEO and founder of the PrediWave Companies. Due to the early stage nature of the project, the Group considers that no provision for impairment in the value of the investment is required.

Finally, the Group entered into an option agreement with a PRC entity for the acquisition of an interest in a fibre optic backbone network ("Network"). Some HK$1.531 billion was paid as a deposit for the Network. It was agreed amongst the counterparties during the period that investments, loans and other amounts owing to the Group amounting to HK$2.16 billion would be repaid in November 2004. The transaction has not been completed by the counterparties up to the publishing date of the interim results announcement. The value of the NWTMT investment cost was substantiated in October 2004, when the Network assets were appraised by an independent valuation firm. The assessed value of the Network is slightly higher than the NWTMT investment cost on a pro-rata basis. Presently, it is the priority of the Group to finalize the transfer of the fibre network investment to a third party. Should the transaction cannot be completed for any reason, the Company management will assist the counterparties to seek for another potential buyer. However, NWTMT retains its option to re-enter the project if the network investment is not concluded.

Outlook

The long-term outlook for NWTMT remains promising, despite the difficult transition period. With the restructuring program moving into the final phase, cost controls coming into effect and a reduction in debt financing costs, the results of the Group will improve in terms of revenue generation and AOP. The execution of the corporate strategy by a strong new management team is supported by the solid fundamentals of the telecom and media businesses, the bullish economic performance of China and the improved standard of living of the populace.

On the regulatory front greater opportunities are expected across all businesses due to WTO-inspired liberalization. As a Hong Kong-based enterprise, NWTMT benefits from the introduction of Cooperative Economic Partnership Agreement ("CEPA") in June 2003, a framework that permits a wider array of opportunities in the telecom and media sectors for Hong Kong companies.

In the coming six-month period, the new management team will focus on improving the overall business performance. Cost controls will have an impact, specifically with the reduction in the rental cost for the Hong Kong head office, which amounts to a saving of some HK$250,000 per month. In addition, the now fully operational Beijing Finance & Administration Center will enhance returns from portfolio projects and support the synergies between the Group and China projects. Finally, ongoing debt restructuring will see a decline in interest cost.

The media operation is expected to make gains on the back of opportunities presented by market liberalization. Xintong Media will maintain its fast track growth, thus increasing revenues substantially this fiscal year, with steady growth registered in the TV production area as well as an increase in advertising related revenues. All efforts will be made to resolve the PrediWave dispute.

AOP for the telecom projects will be enhanced as Sun Long drives revenue growth in its value-added services business and through the completion of systems integration contracts. Sun Long will accelerate expansion plans for its South China contact centers in Shenzhen and Xintang. MTone will launch a new series of games and services that will contribute to its valuation as a portfolio investment.

In the coming period, NWTMT will deliver shareholder value by focusing on the fast growing TMT segment and increasing the profitability of existing businesses. A prudent and selective approach to acquisitions of new projects is promoted through the stringent guidelines of the Investment Committee. Only companies that have the potential to be market leaders and that can deliver solid cash flow to the Group fall within these investment parameters and are considered as acquisition candidates.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2004, the cash and bank balances of the Group amounted to HK$731.3 million, compared to HK$649.2 million as at 30 June 2004.

ATTRIBUTABLE DEBT PROFILE
(HK$ million)

TYPE	OUTSTANDING AMOUNT FIXED RATE	OUTSTANDING AMOUNT FLOATING RATE	REPAYMENT Within 1 year	REPAYMENT Between 1 and 2 years	REPAYMENT Onwards
As at 31 December 2004					
Short-term Rmb bank loan facilities	1,216	–	1,216	–	–
Long-term Rmb bank loan facilities	12	–	2	2	8
Other loan	–	1,562	–	1,562	–
Total amount	1,228	1,562	1,218	1,564	8

Attributable Debt (total bank and other borrowings less liabilities undertaken by NWSH) at 31 December 2004 was increased to HK$2.79 billion from HK$2.67 billion at 30 June 2004, with corresponding increase in the gearing ratio (being the ratio of Attributable Debt to equity) to 201% from 169%. The current bank borrowings are all in Rmb at a fixed interest rate and represented 44% of Attributable Debt. The remaining Attributable Debt is in HK$ at floating rates. The borrowings are mainly unsecured, except for HK$387 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 (30 June 2004: HK$687 million) at 31 December 2004, from time to time as they fall due. The loan is secured by NWSH's interests in certain joint ventures in the PRC. Except for certain Rmb bank borrowings are pledged by US$ deposits, the Group did not have any material exposure in exchange risk during the period under review.

Taken into account the existing unsecured revolving credit facilities of HK$2.7 billion granted by a fellow subsidiary, the Group has adequate financial resources to meet its commitments and working capital requirements.

PENDING LIGITATIONS

(a) In May 2004, the Company filed complaints to the Superior Court of the State of California for the County of Santa Clara in the United States of America ("US") ("NWTMT Complaint") against the PrediWave Companies and Mr Tony Qu, the president and founder of the PrediWave Companies. Under the NWTMT Complaint, the Company alleged that, in reliance of the representations given by Mr Tony Qu and PrediWave, the Company entered into various agreements with the PrediWave Companies under which the Group invested in the PrediWave Companies and placed various purchase orders for goods and services relating to the technology (the "Technology") of video-on-demand and other digital broadcasting and related technology and added value services. The Group had paid approximately HK$5 billion to the PrediWave Companies for investments in and loans to the PrediWave Companies, and purchases of goods and services from PrediWave. The Company complained of various breaches, in relation to goods and services relating to the Technology, by Mr Tony Qu and the PrediWave Companies relating to the parties' agreements. Accordingly, the Company claimed damages for an amount to be determined at trial together with interest, rescission of all agreements, restitution of all monies obtained from the Group, punitive and exemplary damages, costs of legal proceedings and other declaratory relief and equitable relief. The total monetary amount sought by the Company in the law suit exceeds US$700 million (equivalent to approximately HK$5,460 million).

The directors have been advised by their external legal counsel that the NWTMT Complaint will not be concluded in a short period of time and the outcome of the NWTMT Complaint is uncertain.

Based on the unaudited management accounts of the PrediWave Companies as at 31 December 2003 which were obtained prior to the commencement of the NWTMT Complaint, there was a balance of approximately US$344 million (equivalent to approximately HK$2,683 million) in their bank accounts.

In June 2004, Mr Jimmy Li and Mr. Fu Sze Shing, the directors nominated by the Group to certain PrediWave Companies sought to exercise the co-signing rights in relation to withdrawals of funds in excess of US$0.5 million from the bank accounts of certain PrediWave Companies. A temporary restraining order was sought from the court. However, such request was denied by the Superior Court of the State of California for the County of Santa Clara in the US.

In August 2004, the Superior Court of the State of California for the County of Santa Clara in the US made an order in favour of Mr Jimmy Li permitting him to inspect all corporate books and records of certain PrediWave Companies. Mr Jimmy Li is assisted by an accounting firm in the US to inspect the books and records and the process is still continuing.

The Company consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies. Notwithstanding that the bank balances of the PrediWave Companies were approximately US$344 million as at 31 December 2003 based on their unaudited management accounts, the directors expect that the utilization of funds for legal costs and other causes beyond their control will be significant throughout the period up to the date when the NWTMT Complaint is concluded. In addition, in the absence of the availability of meaningful and updated financial information on the PrediWave Companies and given the uncertainty of the timing and the outcome of the litigation which would have a consequential effect on the amount of assets recoverable, the directors have concluded that a full provision of HK$3,082 million made against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave is most appropriate for the purpose of the accounts for the year ended 30 June 2004.

(b) In May 2004, PrediWave filed complaints to the Superior Court of the State of California for the County of Los Angeles in the US against the Company (the "PrediWave Complaint"). Under the PrediWave Complaint, PrediWave alleged that the Company had failed to make full payments under three purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology with an outstanding amount of approximately US$59 million (equivalent to approximately HK$459 million). PrediWave claimed damages against the Company in an amount to be proved at trial, but not less than US$58 million (equivalent to approximately HK$452 million) together with interest and costs of legal proceedings, and a declaration that the Company should pay PrediWave the profits PrediWave would have received had the Company performed its obligations under various purchase order and agreements and that PrediWave should be entitled to retain the deposits made by the Company thereunder.

The Directors are of the view that the Company has proper and valid defences to the PrediWave Complaint, and accordingly, no provision for commitment/loss has been accounted for in the accounts.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed shares during the period. Neither the Company nor any of its subsidiaries has repurchased or sold any of the Company's listed securities during the six months ended 31 December 2004.

CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005 except that the Non-executive Directors and the Independent Non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with Article 116 of the Company's Articles of Association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings set out in such code of conduct throughout the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 December 2004.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (i) three Executive Directors, namely Dr Cheng Kar-Shun, Henry, Mr Wong Chi-Chiu, Albert and Dr Wai Fung-Man, Norman; (ii) four Non-executive Directors, namely Mr Wilfried Ernst Kaffenberger (alternate director to Mr Wilfried Ernst Kaffenberger: Mr Yeung Kun-Wah, David), Mr Fu Sze-Shing, Mr Lee Sean, Sammy and Mr Lai Hing-Chiu, Dominic; and (iii) three Independent Non-executive Directors, namely Dr Lam Man-Kit, Dominic, The Honourable Shek Lai-Him, Abraham and Mr Kong Chi-How, Johnson.

Wong Chi-Chiu, Albert
Chief Executive Officer

Hong Kong, 15 March 2005

* *For identification purposes only*

"Please also refer to the published version of this announcement in South China Morning Post"