



新世界信息科技有限公司
NewWorldTMT Limited
(incorporated in the Cayman Islands with limited liability)

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	5	(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	6	(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	8		
Basic		HK\$0.21	HK\$0.28
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Non-current assets			
Intangible assets		19,670	7,539
Fixed assets	9	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	10	602,358	605,162
Deposits for proposed investments	11	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	12	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	13	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	14	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	15	952,180	952,180
Reserves	16	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	14	2,077,812	1,923,037
		3,490,991	3,518,341

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Unaudited Six months ended 31.12.2004 HK\$'000	Unaudited Six months ended 31.12.2003 HK\$'000
Net cash used in operating activities	(79,372)	(80,742)
Net cash from/(used in) investing activities	16,341	(248,617)
Net cash from financing activities	51,061	300,162
Net decrease in cash and cash equivalents	(11,970)	(29,197)
Cash and cash equivalents at 1 July	202,292	111,493
Cash and cash equivalents at 31 December	190,322	82,296
Analysis of cash and cash equivalents		
Bank balances and cash	190,322	82,296

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	Unaudited Six months ended 31.12.2004 HK\$'000	Unaudited Six months ended 31.12.2003 HK\$'000
Total equity as at 1 July	1,581,299	7,088,557
Loss for the period	(196,242)	(270,190)
Total equity as at 31 December	1,385,057	6,818,367

NOTES TO THE CONDENSED INTERIM ACCOUNTS

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 (“HKFRS 3”) (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. Finance costs

	Unaudited Six months ended 31.12.2004 HK\$'000	Unaudited Six months ended 31.12.2003 HK\$'000
Interest on bank loans		
Wholly repayable within five years	49,553	53,634
Not wholly repayable within five years	376	145
Interest on other borrowings		
Wholly repayable within five years	17,433	8,196
	67,362	61,975
Less: Reimbursement of interest from NWSH	(18,764)	(23,262)
	48,598	38,713

6. 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.

7. 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).

8. 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.

9. Fixed assets

	Land and buildings HK\$'000	Construction in progress HK\$'000	Machinery and other equipment HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Interactive television network system and equipment HK\$'000	Total HK\$'000
Cost								
At 1 July 2004	38,958	8,575	86,252	9,029	28,981	10,492	619,224	801,511
Additions	–	278	381	934	3,733	1,497	–	6,823
Disposals	–	–	(111)	–	(601)	(2,617)	–	(3,329)
At 31 December 2004	38,958	8,853	86,522	9,963	32,113	9,372	619,224	805,005
Accumulated depreciation and impairment losses								
At 1 July 2004	5,534	7,539	71,998	4,338	12,863	5,605	619,224	727,101
Charge for the period	569	–	2,175	1,101	2,515	772	–	7,132
Impairment losses	–	1,314	–	–	–	–	–	1,314
Disposals	–	–	(14)	–	(416)	(2,061)	–	(2,491)
At 31 December 2004	6,103	8,853	74,159	5,439	14,962	4,316	619,224	733,056
Net book value								
At 31 December 2004	32,855	–	12,363	4,524	17,151	5,056	–	71,949
At 30 June 2004	33,424	1,036	14,254	4,691	16,118	4,887	–	74,410

10. Other investments

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Non-trading securities		
Unlisted shares, at fair value (Note a)	602,358	605,162
Loans to investee companies (Note b)	304,201	304,201
Provision (Note b)	(304,201)	(304,201)
	602,358	605,162

Notes:

- (a) Included in 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.
- (b) Balances represent loans to PrediWave Companies which is the subject of the NWTMT Complaint (Note 17(a)). A full provision of HK\$304,201,000 was made against these assets.

11. Deposits for proposed investments

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Cost less provision		
Deposits for the Network (Note)	1,531,196	1,531,196
Others	32,123	82,255
	1,563,319	1,613,451

Note:

In 2002, the Group entered into an option agreement (the "Option Agreement") with a PRC entity for the acquisition (the "Acquisition") of an interest in a fibre optic backbone network ("Network") in the PRC, and subject to certain conditions as stipulated in the Option Agreement, the Group is entitled to acquire up to 70% interest in the Network within 2 years from the date of the Option Agreement at a consideration of approximately HK\$2,563 million.

As at 31 December 2004, approximately HK\$1,531 million (30 June 2004: HK\$1,531 million) was paid as a deposit for the Acquisition and the counterparties agreed on 3 September 2004 that deposits paid for proposed investments, loans and other amounts owing to the Group totalling HK\$2.16 billion together with interest would be fully repaid to the Group by 30 November 2004. The transaction has not been completed by the counterparties up to the publishing date of the interim accounts. 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. However, NWTMT retains its option to re-enter the project if the network investment is not concluded.

12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade balances due by customers. The Group allows its trade customers a credit period normally ranging from 30 days to 180 days. At 31 December 2004, the ageing analysis of the trade receivables was as follows:

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Current to 30 days	30,746	12,532
31 to 90 days	32,977	13,415
91 to 180 days	10,989	11,113
Over 180 days	20,712	24,735
	95,424	61,795

13. Creditors and accruals

Included in creditors and accruals are trade payables and their ageing analysis of the trade payables was as follows:

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Current to 30 days	10,954	8,342
31 to 90 days	16,085	4,811
91 to 180 days	8,317	4,486
Over 180 days	8,071	9,524
	43,427	27,163

14. Bank and other borrowings

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Loan from a fellow subsidiary (Note a)	1,562,401	1,406,825
Secured bank loans (Note b)	698,585	699,336
	2,260,986	2,106,161
Current portion included in current liabilities	(183,174)	(183,124)
	2,077,812	1,923,037

Notes:

- (a) Loan from a fellow subsidiary is unsecured and bears interest at prevailing market rate. On 11 October 2004, the fellow subsidiary agreed to extend the revolving credit facility to the Company of HK\$2.7 billion to 13 April 2006. Accordingly, the loan from a fellow subsidiary was classified as a non-current liability.

14. Bank and other borrowings (Continued)

(b) Secured bank loans are repayable as follows:

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Within one year	183,174	183,124
Between one and two years	194,542	194,491
Between two and five years	317,501	317,346
After five years	3,368	4,375
	698,585	699,336

NWSH has undertaken to repay the principal and interest outstanding from the Group under certain bank loan, 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.

15. Share capital

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Authorized:		
2,000,000,000 shares of HK\$1 each	2,000,000	2,000,000
Issued and fully paid:		
952,180,007 (30 June 2004: 952,180,007) shares of HK\$1 each	952,180	952,180

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), the Company may grant options to directors and employees of the Company. No option had been granted under the 2001 Share Option Scheme since its adoption. The movements in the number of share options under the 1997 Share Option Scheme during the period and the balance outstanding at 31 December 2004 were as follows:

Exercise price per share HK\$	At 1 July 2004	Exercised during the period	At 31 December 2004
10.20 ^(a)	240,000	–	240,000
12.00 ^(b)	960,000	–	960,000
	1,200,000	–	1,200,000

(a) Exercisable from 1 July 2000 to 1 June 2005.

(b) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.

(c) Number of options exercisable at 31 December 2004 was 1,200,000 (30 June 2004: 1,200,000).

16. Reserves

	Contributed Surplus HK\$'000	Share Premium HK\$'000	Capital Reserve HK\$'000	Accumulated Loss HK\$'000	Investment Revaluation Reserve HK\$'000	Total HK\$'000
At 1 July 2004	2,650,991	660,047	–	(2,681,919)	–	629,119
Loss for the period	–	–	–	(196,242)	–	(196,242)
Transfer to capital reserve account	–	–	3,297	(3,297)	–	–
Net deficit on revaluation of non-trading investments	–	–	–	–	(2,804)	(2,804)
Impairment losses charged to profit and loss account	–	–	–	–	2,804	2,804
At 31 December 2004	2,650,991	660,047	3,297	(2,881,458)	–	432,877

17. Pending litigations

- (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 lawsuit 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, with the objective of preventing improper withdrawals of funds, Mr Jimmy Li, the director 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 by requesting a temporary restraining order 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 but no meaningful financial information has been extracted as at 31 December 2004.

17. Pending litigations (Continued)

As the Directors of the Company were unable to freeze the bank accounts or enforce the co-signing rights, the Directors of 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.

- (c) Up to the date of this interim report, PrediWave dropped its complaints against the Company to the Superior Court of the State of California for the County of Los Angeles. It then filed a counter claim against the Company to the Superior Court of the State of California for the County of Santa Clara.

As at the date of this interim report, the Directors are of the view that the current provision relating to PrediWave should be adequate without making any provision for PrediWave's counter claim against the Company and it is also appropriate not to write back any provision.

18. Commitments

At 31 December 2004, the capital commitments, principally for purchases of fixed assets and other investments were as follows:

	Unaudited 31.12.2004 HK\$'000	Audited 30.6.2004 HK\$'000
Contracted but not provided for	119,169	118,118

The above capital commitments did not include commitments for purchase of fixed assets and intangible assets which are the subject of the PrediWave Complaint (Note 17).

19. Related party transactions

In addition to those transactions with related parties disclosed in Note 14(b), the following significant related party transactions have been entered into by the Group during the period:

	Unaudited Six months ended 31.12.2004 HK\$'000	Unaudited Six months ended 31.12.2003 HK\$'000
Purchases from an associated company (Note a)	–	241,296
Rental expense for leased premises reimbursed from an associated company (Note b)	(600)	(600)
Interest paid to a fellow subsidiary (Note c)	17,379	8,807
Consultancy fee paid to a fellow subsidiary (Note d)	2,623	–

Notes:

- (a) This represented purchases of interactive television network system and equipment which are developed by PrediWave Corporation at prices mutually agreed by both parties.
- (b) This represented the reimbursement of rental from an associated company. The reimbursement was based on the actual office space occupied by the associated company.
- (c) Interest was charged at prevailing market rate.
- (d) This represented consultancy fee paid in respect of consultancy services provided by New World Telecommunications Limited (“NWT”). The consultancy fee was charged based on the number and level of expertise of the NWT personnel deployed to provide the consultancy services and not exceeding HK\$800,000 per month.

20. Comparative figures

Comparative figures for certain items in consolidated profit and loss account have been reclassified to conform with the current period’s presentations.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Review (Continued)

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, Xingtong 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Project Review (Continued)

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 accounts. 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 Closer Economic Partnership Arrangement ("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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Outlook (Continued)

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		REPAYMENT		
	FIXED RATE	FLOATING RATE	Within 1 year	Between 1 and 2 years	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.

CONTINGENCIES

Details of the Group's pending litigations have been set out in Note 17 to the accounts.

DETAILS OF FURTHER ACQUISITION OF A SUBSIDIARY

For the six months ended 31 December 2004, the Group has acquired additional 19% equity interest in 北京信通傳之媒文化發展有限公司.

EMPLOYEES

The Group has approximately 340 employees as at 31 December 2004. Total staff related costs were approximately HK\$44.5 million (six months ended 31 December 2003: HK\$41.9 million). 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 programs are also offered.

ADVANCES TO ENTITIES

In accordance with Rules 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 ("Market Capitalization", basing on the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding 31 December 2004 and 952,180,007 shares of the Company in issue as at 31 December 2004), are as follows:

Name of entity		Amount of advances as at 31 December 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%	on demand	unsecured
New QU Energy Limited (Note 3)	(i)	60,840	LIBOR	on demand	unsecured
	(ii)	62,066	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.
- (2) Advance made to facilitate procurement of investments on behalf of the Company. Details of the investments has been set out in Note 11 to the interim accounts.
- (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\$188,829,000 which exceeds 8% of the Market Capitalization as at 31 December 2004. Details are given in the following table:

Name of affiliated companies	Committed capital injection HK\$'000	Shareholder loan/advance			
		Amount HK\$'000	Interest rate	Repayment term	Collateral
New QU Energy Limited	–	60,840 62,066	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	11,556	interest-free	on demand	unsecured
New C-Tek Limited	–	38	interest-free	on demand	unsecured
Concerto Software New World Limited	–	30	interest-free	on demand	unsecured
Openpark Limited	–	23,100 935	8% interest-free	on demand on demand	unsecured unsecured
Total	30,264	158,565			

In accordance with Rule 13.22 of the Listing Rules, a statement of the indebtedness, contingent liabilities and capital commitments as at 31 December 2004 reported on by the above affiliated companies are presented below:

As at 31 December 2004, the above affiliated companies had a combined indebtedness of approximately HK\$244 million (including amounts owing to the Group). There is no material capital commitment or contingent liability of these affiliated companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' Interests in Securities" below, at no time during the period was the Company or its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable the Directors or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(A) The Company

Long positions in shares

Name of Director	Number of shares held			Approximate percentage of issued share capital of the Company as at 31.12.2004
	Personal interests	Family interests	Total	
Dr Cheng Kar-Shun, Henry	–	1,000,000	1,000,000	0.11
Mr Chan Wing-Tak, Douglas (Note)	1,300,000	400,000	1,700,000	0.18

Note: Mr Chan resigned as director of the Company with effect from 13 July 2004 and the balance of his interests refers to the balance as at his resignation date.

Long positions in underlying shares – share options

Name of Director	Grant date	Exercisable period (Notes)	Number of share options		Exercise price per share HK\$
			Balance as at 1.7.2004	Balance as at 31.12.2004	
Mr Fu Sze-Shing	23 September 1999	(1)	240,000	240,000	10.20
	23 September 1999	(2)	960,000	960,000	12.00
Total			1,200,000	1,200,000	

Notes:

- (1) Exercisable from 1 July 2000 to 1 June 2005.
- (2) Divided into 3 tranches exercisable from 1 July 2001 to 1 June 2005, from 1 July 2002 to 1 June 2005 and from 1 July 2003 to 1 June 2005 respectively.
- (3) The above share options were granted under the share option scheme adopted by the Company on 3 October 1997 and the cash consideration paid by the Director for the grant of the share options is HK\$10.
- (4) No share option of the Company was exercised by the above Director during the period ended 31 December 2004.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(B) Associated Corporations

NWS Holdings Limited ("NWSH")

Long positions in shares of NWSH

Name of Director	Number of shares held			Approximate percentage of issued share capital of NWSH as at 31.12.2004
	Personal interests	Family interests	Total	
Dr Cheng Kar-Shun, Henry	2,000,000	587,000	2,587,000	0.14
Mr Chan Wing-Tak, Douglas (Note)	410,900	–	410,900	0.02

Note : Mr Chan resigned as director of the Company with effect from 13 July 2004 and the balance of his interests refers to the balance as at his resignation date.

Long positions in underlying shares of NWSH – share options

Name of Director	Grant date	Exercisable period (Notes)	Number of share options			Balance as at 31.12.2004	Exercise price per share HK\$
			Balance as at 1.7.2004	Granted during the period	Exercised during the period		
Dr Cheng Kar-Shun, Henry	21 July 2003	(3), (5)	2,000,000	–	(1,000,000)	1,000,000	3.725
Mr Chan Wing-Tak, Douglas (Note 1)	11 May 1999	(2)	1,000,000	–	–	1,000,000	6.93
Mr Wilfried Ernst Kaffenberger	21 July 2003	(3), (4)	600,000	–	–	600,000	3.725
Mr Lai Hing-Chiu, Dominic	21 July 2003	(3), (5)	400,000	–	(200,000)	200,000	3.725

Notes:

- (1) Mr Chan resigned as director of the Company with effect from 13 July 2004 and the closing balance of his interests refers to the balance as at his resignation date.
- (2) These share options were granted under the share option scheme adopted by NWSH on 11 April 1997 and were divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002, 5 May 2003 respectively to 4 November 2004.
- (3) These share options were granted under the share option scheme adopted by NWSH on 6 December 2001. The cash consideration paid by each Director for such options is HK\$10.
- (4) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004, 21 July 2005 respectively to 20 July 2008.
- (5) Divided into 2 tranches exercisable from 21 July 2004 and 21 July 2005 respectively to 20 July 2008.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

(B) Associated Corporations (Continued)

New World China Land Limited ("NWCL")

Long positions in underlying shares of NWCL – share options

Name of Director	Grant date	Exercisable period (Note 1)	Number of share options with exercise price per share of HK\$1.955		
			Balance as at 1.7.2004	Exercised during the period	Balance as at 31.12.2004
Dr Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	–	5,000,000
Mr Chan Wing-Tak, Douglas (Note 2)	12 February 2001	13 March 2001 to 12 March 2006	500,000	–	500,000

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).
- (2) Mr Chan resigned as director of the Company with effect from 13 July 2004 and the closing balance of his interests refers to the balance as at his resignation date.
- (3) The above share options were granted under the share option scheme adopted by NWCL on 18 December 2000 and the cash consideration paid by each Director for each grant of the share options is HK\$10.

Save as disclosed above, as at 31 December 2004, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the SFO) that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate percentage of issued share capital of the Company as at 31.12.2004
	Beneficial interests	Corporate interests	Total	
Chow Tai Fook Enterprises Limited (Note 1)	–	519,919,085	519,919,085	54.60
New World Development Company Limited ("NWD") (Note 2)	–	519,919,085	519,919,085	54.60
Sea Walker Limited ("SWL") (Note 3)	–	516,561,485	516,561,485	54.25
Mombasa Limited	516,561,485	–	516,561,485	54.25
AIG Asian Infrastructure Management II Ltd. as general partner of AIG Asian Infrastructure Management II LP as general partner of AIG Asian Infrastructure Fund II LP	–	96,848,750	96,848,750	10.17

Notes:

- (1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the shares deemed to be interested by NWD.
- (2) This interest represents 516,561,485 shares deemed to be held by SWL and 3,357,600 shares directly held by Financial Concepts Investment Limited ("FCIL"). SWL is a wholly owned subsidiary of NWD and FCIL is a non-wholly owned subsidiary of NWD. NWD is deemed to have interest in the shares held by SWL and FCIL.
- (3) Mombasa Limited is a wholly owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 10% or more of the issued share capital of the Company as at 31 December 2004.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests or short positions of persons (other than Directors or chief executive or substantial shareholders (as defined in the Listing Rules)) in the shares and underlying shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Long positions in shares

Name	Number of shares held			Approximate percentage of issued share capital of the Company as at 31.12.2004
	Beneficial interests	Corporate interests	Total	
Steven Shmuel Gross (Note 1)	–	53,691,200	53,691,200	5.64
World Link Development Limited ("World Link")	41,361,000	12,330,200	53,691,200 (Note 2)	5.64

Notes:

- (1) Steven Shmuel Gross owns 100% interest in World Link and he is accordingly deemed to have an interest in the shares held by World Link.
- (2) This interest represents 41,361,000 shares held by World Link and 12,330,200 shares held by Long Victory Group Limited which is a wholly owned subsidiary of World Link. World Link is deemed to be interested in the shares held by Long Victory Group Limited.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 31 December 2004.

SHARE OPTION SCHEMES

Pursuant to the share option schemes adopted on 3 October 1997 (the "1997 Share Option Scheme") and 6 December 2001 (the "2001 Share Option Scheme"), the Company may grant options to Directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company. No option had been granted under the 2001 Share Option Scheme since its adoption.

(A) Share Options to Directors

Details of the share options granted to Directors under the 1997 Share Option Scheme were disclosed under the section headed "Directors' Interests in Securities" above.

(B) Share Options to Employees

All share options granted under the 1997 Share Option Scheme to employees of the Group lapsed in June 2004.

PURCHASE, SALE OR 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 to 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.

Wong Chi-Chiu, Albert

Chief Executive Officer

Hong Kong, 15 March 2005