



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: 0301)

ANNUAL RESULTS ANNOUNCEMENT 2004/2005

The board (the "Board") of directors (the "Directors") of New World TMT Limited (the "Company" or "NWTMT") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2005 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2	353,774	368,847
Other revenue	2	38,884	7,254
Other charges, net	4	(460,912)	(5,105,902)
Staff costs		(76,066)	(82,769)
Depreciation and amortization		(23,438)	(41,961)
Other operating expenses, net		(420,763)	(451,979)
Operating loss	5	(588,521)	(5,306,510)
Finance costs		(106,302)	(82,875)
Share of results of			
Associated companies		(107,373)	(123,875)
Jointly controlled entities		(74,876)	(13,869)
Loss before taxation		(877,072)	(5,527,129)
Taxation	6	(4,164)	(737)
Loss after taxation		(881,236)	(5,527,866)
Minority interests		15,012	20,608
Loss attributable to shareholders		(866,224)	(5,507,258)
		HK\$	HK\$
Loss per share	7	(0.91)	(5.78)

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Intangible assets		14,883	7,539
Fixed assets		66,110	74,410
Associated companies		191,252	263,190
Jointly controlled entities		72,600	64,536
Amount due from a fellow subsidiary		312,065	504,979
Loans receivable		193,125	317,823
Other investments		139,202	605,162
Deposits for proposed investments		37,977	1,613,451
		<u>1,027,214</u>	<u>3,451,090</u>
Current assets			
Inventories and programmes		50,442	70,801
Debtors, deposits and prepayments	9	149,816	194,953
Deposits for proposed investments		1,531,196	–
Current portion of loans receivable		719,855	620,000
Amounts due from fellow subsidiaries		232,064	181,635
Pledged deposits		360,664	446,940
Bank balances and cash		155,589	202,292
		<u>3,199,626</u>	<u>1,716,621</u>
Current liabilities			
Creditors and accruals	10	229,481	176,613
Amounts due to minority shareholders		44,525	43,278
Short-term bank loans			
Secured		348,385	433,271
Unsecured		28,037	813,084
Current portion of bank and other borrowings		194,497	183,124
		<u>844,925</u>	<u>1,649,370</u>
Net current assets		<u>2,354,701</u>	<u>67,251</u>
Total assets less current liabilities		<u>3,381,915</u>	<u>3,518,341</u>
Financed by			
Share capital		952,180	952,180
Reserves		(240,162)	629,119
Shareholders' funds		712,018	1,581,299
Minority interests		10,853	14,005
Non-current liabilities			
Bank and other borrowings		2,659,044	1,923,037
		<u>3,381,915</u>	<u>3,518,341</u>

NOTES

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention as modified by the revaluation of non-trading securities.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively the "HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. In preparing these accounts, the Group early adopted the following HKFRS and HKASs:

HKFRS 3	Business Combination
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

Following the adoption of HKFRS3, HKAS36 and HKAS38, the Group ceased amortization of goodwill on acquisitions of subsidiaries, associated companies and jointly controlled entities from 1 July 2004 but tested it for impairment annually. Any impairment loss recognized during the year is charged to the consolidated profit and loss account. Accumulated amortization as at 1 July 2004 has been eliminated with a corresponding decrease in the cost of goodwill.

The early adoption of the above standards has not resulted in any changes to the opening reserves as at 1 July 2004 and does not have any significant impact to the results for the year ended 30 June 2005.

The Group has not early adopted the other new HKFRSs in the accounts for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these other new HKFRSs but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2. Turnover and other revenue

	2005	2004
	HK\$'000	HK\$'000
Turnover		
Advertising	317,984	333,622
Programme distribution	17,908	28,398
Other service fee	21,822	13,033
	357,714	375,053
Business tax	(3,940)	(6,206)
	353,774	368,847
Other revenue		
Bank and other interest	38,884	7,254
	392,658	376,101

The Group is principally engaged in telecommunications, media and technology ("TMT") businesses.

3. Segment information

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

The Group focuses in TMT business. No analysis of the Group's segment information by business segments is presented as all the Group's activities and operations are attributable to the TMT segment.

In respect of geographical segment reporting, turnover, total assets and capital expenditure are where the assets are located. There are no sales or other transactions between the geographical segments. Segment assets consist primarily of fixed assets, receivables and operating cash. Capital expenditure comprises additions to fixed assets, intangible assets, including additions resulting from acquisitions through purchases of subsidiaries.

An analysis of the Group's segment information by geographical segments is as follows:

	Revenues <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
2005			
China mainland	342,789	2,076,671	8,426
Hong Kong	10,985	16,524	159
Overseas	–	46,922	–
	<u>353,774</u>	<u>2,140,117</u>	<u>8,585</u>
Associated companies		191,252	
Jointly controlled entities		72,600	
Unallocated assets		1,822,871	
Total assets		<u>4,226,840</u>	
2004			
China mainland	359,457	2,113,699	289,989
Hong Kong	9,390	65,027	43,504
Overseas	–	596,998	–
	<u>368,847</u>	<u>2,775,724</u>	<u>333,493</u>
Associated companies		263,190	
Jointly controlled entities		64,536	
Unallocated assets		2,064,261	
Total assets		<u>5,167,711</u>	

4. Other charges, net

	2005 HK\$'000	2004 HK\$'000
Impairment losses on:		
Intangible assets	(4,138)	(401,232)
Fixed assets	(1,314)	(663,663)
Other investments	(512,881)	(2,272,361)
Provision for:		
Amounts due from jointly controlled entities	(1,394)	(14,469)
Amounts due from associated companies	(4)	(113,040)
Other receivables	(77,071)	(29,246)
Deposits for proposed investments	(28,858)	(81,281)
Deposits for purchase of fixed assets	–	(843,869)
Loans receivable	(6,542)	(99,806)
Loans to investee companies	–	(304,201)
Write-down of inventories to net realizable value	(12,955)	(291,406)
(Loss)/gain on disposal of:		
Fixed assets	(2,638)	58
Other investments	–	3,876
Gain in relation to disposal of Wuhan bridges by NWS Holdings Limited	154,878	–
Write-back of impairment loss on other investments	–	4,738
Write-back of provision for amounts due from associated companies	32,005	–
	<u>(460,912)</u>	<u>(5,105,902)</u>

5. Operating loss

Operating loss is stated after charging the following:

	2005 HK\$'000	2004 HK\$'000
Amortization of:		
Intangible assets	1,274	903
Programmes	14,194	18,533
Depreciation	14,171	22,525
Reimbursement from NWPCS and NWT	(6,201)	–
	7,970	22,525

Depreciation above is stated net of reimbursement from New World PCS Limited (“NWPCS”) and New World Telecommunications Limited (“NWT”) in respect of call centre management services provided to NWPCS and NWT.

6. Taxation

	2005 HK\$'000	2004 HK\$'000
Company and subsidiaries		
PRC income tax	4,164	714
Deferred tax	–	23
	<u>4,164</u>	<u>737</u>

No Hong Kong profits tax was provided for the year 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 year at the prevailing rate of taxation.

7. Loss per share

The calculation of loss per share is based on the loss for the year of HK\$866,224,000 (2004: HK\$5,507,258,000) and 952,180,007 (2004: 952,180,007) shares in issue during the year.

Diluted loss per share is not presented as there is no dilutive potential share in issue.

8. Dividend

The board of directors does not recommend the payment of a dividend for the year ended 30 June 2005 (2004: Nil).

9. Debtors, deposits and prepayments

Debtors, deposits and prepayments include trade balance due by its customers. The Group allows its trade customers a credit period normally ranging from 30 days to 180 days. The ageing analysis of the trade receivables is as follows:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Current to 30 days	33,494	12,532
31 to 90 days	15,776	13,415
91 to 180 days	10,937	11,113
Over 180 days	25,994	24,735
	<hr/> 86,201 <hr/>	<hr/> 61,795 <hr/>

10. Creditors and accruals

Creditors and accruals include trade payables and the ageing analysis of which is as follows:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Current to 30 days	26,949	8,342
31 to 90 days	5,363	4,811
91 to 180 days	9,228	4,486
Over 180 days	10,945	9,524
	<hr/> 52,485 <hr/>	<hr/> 27,163 <hr/>

QUALIFIED AUDITORS' REPORT

The Directors would like to draw to your attention to the fact that the auditors' report on the annual accounts of the Group for the year ended 30 June 2005 has been qualified. The relevant parts of the auditors' report that dealt with the qualification as well as the relevant note to the accounts to which the auditors' report are quoted as follows:

AUDITORS' REPORT

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. However, the evidence available to us was limited as set out below.

Fundamental uncertainty and limitation of audit scope relating to pending litigations

As described in note 29 to the accounts, the Company commenced litigations against PrediWave Corporation ("PrediWave") and certain companies associated with PrediWave (collectively the "PrediWave Companies") and Mr Tony Qu, the president and founder of the PrediWave Companies. The Company was seeking recovery of various investments in and other payments made by the Group to the PrediWave Companies (the "NWTMT Complaint"). On the other hand, PrediWave also commenced a counter claim against the Company (the "PrediWave Cross-Complaint"), under which PrediWave alleged that the Company had failed to make full payments under certain purchase orders and an agreement totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against the Company in an amount to be proved at trial.

As more fully described in note 29 to the accounts, the directors, in preparing the accounts, have concluded that a full provision amounting to HK\$3,082 million made in the accounts for the year ended 30 June 2004 against the Group's investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave (collectively the "PrediWave Assets"), remains most appropriate for the purpose of the accounts for the year ended 30 June 2005. In addition, the directors have not made any provision for any commitment and/or loss under the PrediWave Cross-Complaint in the accounts as they are of the view that the Company has proper and valid defences to the PrediWave Cross-Complaint.

As a result of the uncertainty of the timing and the outcome of the litigations which would have a consequential significant effect on the amount of assets recoverable, as well as the lack of updated meaningful financial information on the PrediWave Companies, the evidence available to us for assessing the carrying values of the PrediWave Assets, the propriety of the provisions made against the PrediWave Assets and any provision for any commitment and/or loss under the PrediWave Cross-Complaint was limited. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying values of the PrediWave Assets, the propriety of the provisions made against the PrediWave Assets and any provision for any commitment and/or loss under the PrediWave Cross-Complaint. Any adjustments to the carrying values of the PrediWave Assets or provision for any commitment and/or loss under the PrediWave Cross-Complaint that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group at 30 June 2005 and the loss of the Group for the year then ended.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Qualified opinion: Disclaimer on view given by the accounts

Because of the significance of the possible effect of the limitation in evidence available to us concerning the pending litigations referred to in the preceding paragraphs, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 or of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the matters described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

NOTE TO THE ACCOUNTS

29 Pending litigations

- (a) In May 2004, the Group 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 Group 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 (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.

As the directors of the Company consider that they cannot effectively monitor the utilization of funds by the PrediWave Companies, they 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 significant effect on the amount of assets recoverable, the directors have concluded that a full provision of HK\$3,082 million made in the accounts for the year ended 30 June 2004 against the Group’s investments in the PrediWave Companies, loans to the PrediWave Companies and deposits paid to PrediWave remains most appropriate for the purpose of the accounts for the year ended 30 June 2005.

- (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 (collectively the “PrediWave Complaint”). In January 2005, PrediWave dropped the PrediWave Complaint and filed a counter claim against the Company to the Superior Court of the State of California for the County of Santa Clara (the “PrediWave Cross-Complaint”). Under the PrediWave Cross-Complaint, PrediWave alleged that the Group had failed to make full payments under four purchase orders and one agreement for goods and services delivered or licenses granted by PrediWave to the Group relating to the Technology totalling approximately US\$72 million (approximately HK\$564 million). As a result, PrediWave claimed damages against the Company in an amount to be proved at trial, together with interest and costs of legal proceedings, restitution of the reasonable value of goods delivered to the Company and a declaration that PrediWave should be entitled to retain the deposits made by the Company under various purchase orders and agreements.

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

MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year ended 30 June 2005, the Group focused on the ongoing launch of its TMT (telecom, media and technology) initiative. The management team repositioned the investment portfolio to address explosive growth in the core media market in Mainland China. This was accomplished by strengthening management at existing portfolio investments, divesting non-performing projects and setting the foundation for future growth in key TMT segments. The Group believes this repositioning is essential to the creation of shareholder value in the development of a TMT business.

The Group registered a net loss of HK\$866.2 million, a decrease of HK\$4,641 million compared to HK\$5,507 million in the prior year. In the last financial year major provisions were made for investments in the interactive digital cable TV business, all of which are currently the subject of PrediWave litigations.

Turnover for the current year was HK\$353.8 million, a decrease of HK\$15 million compared to HK\$368.8 million in the prior year. The decrease was due to a slight drop in revenue from the advertising business and content distribution.

Net other charges were HK\$460.9 million, compared to HK\$5,105.9 million in the prior year. Net other charges for the current year included certain provisions, such as HK\$376.9 million for investment in Intellambda Systems Inc. ("Intellambda"), a telecom optics equipment maker controlled by PrediWave management, HK\$70.3 million for investment in Mtone Wireless Corp. ("Mtone"), a mobile VAS entertainment and interactive service provider in Mainland China, HK\$62.2 million for an investment in LinkAir Communications, Inc., a developer of LAS-CDMA technology, and HK\$42.1 million for development costs in an educational software project. Net other charges also included a gain of HK\$154.9 million relating to disposal of Wuhan Bridge Construction Company Limited by NWS Holdings Limited ("NWSH"), a fellow subsidiary.

Other operating expenses of HK\$420.8 million for the current year included cost of sales related to the advertising business of HK\$283.3 million and legal costs of HK\$73.9 million, compared to HK\$8.7 million last year, in connection with PrediWave litigations.

The PrediWave case continued into its second year and the legal team prepared for the start of proceedings in June 2006. Management stands by the merits of the case and is confident that the judicial system will see its argument in a positive light. This year, management spent time to plan the case and to provide depositions.

In assessing the carrying value of the investment in Intellambda, the Directors have taken into account the latest financial information of Intellambda, advice received from an industry expert during the year, future funding requirements for Intellambda and expected returns from launching products. Based on the above, a full provision of HK\$376.9 million was made against this investment for the financial year.

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 two years from the date of the Option Agreement at a consideration of approximately HK\$2,563 million. The Group had paid in aggregate approximately HK\$1,531 million (2004: HK\$1,531 million) as deposits for the Acquisition. On 23 June 2004, the Group requested to withdraw from the Acquisition and the counterparties agreed on 3 September 2004 that these deposits for the Network, loans and other amounts owing to the Group totaling HK\$2,160 million together with interest would be fully repaid to the Group by 30 November 2004. As of 30 June 2005, these amounts remained outstanding and unpaid. Pursuant to the agreement on extension of repayment entered into between the Company and the counterparties, the counterparties agreed to (i) repay the deposits for the Networks, loans and other amounts owing to the Group totaling HK\$2,160 million together with interest by 30 November 2005; (ii) pledge the 70% interest in the Network as a security to secure for their repayment; and (iii) allow the Group to retain its option to re-enter the project if the repayment is not made in accordance with the agreement. Having considered the legal advice from the Group's legal counsel, valuation on the Network performed by an independent professional valuer, the security obtained and the option available to the Group to re-enter the project, the Directors are of the view that the deposits for the Network, loans and other amounts owing to the Group are fully recoverable.

Operational Review 2005

The Group is focused on TMT, a sector marked by the convergence of telecom and media services as well as the confluence of voice, IP and multimedia. Convergence in the form of networks (fixed and IP), services (voice, video and data) and access (fixed and wireless) create a variety of TMT opportunities. As the TMT investment arm of the New World Group, the Group is in advantageous position due to its experience in this market.

Currently, the revenue contribution from portfolio companies is largely media related. Leading the way in this segment is Xintong Media. Due to rapid economic growth and consumer spending, the market attaches a high value to the conventional advertising business model. Overall, Xintong Media's revenues increased to HK\$331.7 million from HK\$321.2 million in the previous year.

Xintong Media continues its transformation from a traditional advertising agency to a multimedia advertising and content provider. This year, Xintong TV and Film Control Center, a division of Xintong Media, produced a 30-part dynasty TV series for the national network, sponsored by white liquor producer Jian Nan Chun. Jindun Xintong Movie & TV Culture Company, a Xintong Media subsidiary specialized in police movies, followed its 2004 critical acclaim with the production of its first non-police movie.

With over 4.5 million mobile subscribers spread across Mainland China, Mtone performed well in the competitive mobile VAS market. However, revenue dropped to HK\$174 million from HK\$218 million in the prior year, due to changes in the product mix offering and the revenue sharing landscape with Mainland China mobile telecom operators. The highlight of the Mtone year was the launch of China's first fantasy sports game towards the end of the financial year. Through a strategic alliance with the National Basketball Association (NBA) and China Mobile Communications Corp., Mtone released *Fantasy NBA 2005 Pick n' Win*. In addition, Mtone established the Msport and Mmusic services and entered into marketing co-operations with Coca-Cola and McDonald's.

China Aerospace New World Technology Limited ("CANW") is a joint venture with Hong Kong-listed China Aerospace International Holdings Limited ("CASIL"), a subsidiary of China Aerospace Science and Technology Corp. ("China Aerospace"). CANW is positioned as the key support to China Aerospace's bid to be a Direct-to-Home ("DTH") satellite TV service provider. This year regulators discussed the role which China Aerospace will assume in the broadcast component of a DTH business to be launched in 2006.

This year, the Group tested the Digital Bus Stop ("DBS") in Beijing. DBS is a real time information system that consists of an electronic kiosk installed at bus stops, a data collection and communication system installed on buses as an onboard unit and an information management centre. The kiosk and information system are designed to attract commercial outdoor advertising. The Group expects to roll-out its DBS prior to the 2008 Olympics.

New World ZGM Limited ("NWZGM"), a 65% owned subsidiary to commercialize a unique superconductivity technology by producing heat transfer equipment in the thermal transfer field. With patent applications pending in China, Taiwan and the US, NWZGM prepared to produce domestic heating systems and component parts to house heat transfer technology for heat dissipation in computers. In addition, a wholly-owned subsidiary of NWZGM was set up to handle the research and development for the product line.

Other notable events included the acquisition of a minority stake in eBank Corp. ("eBank") for HK\$46.9 million. Founded in Japan in 2000, eBank holds a Japanese banking license and is one of the top Internet-only banks with 1.2 million customers. eBank provides payment/settlement and related bank depository services over the Internet. eBank is exploring business opportunities in Mainland China in conjunction with NWTMT.

Headway was made by Sunlong Group ("Sunlong") on the telecom front, which holds a number of licenses and marketing right for telecom VAS in Mainland Chinese cities. Sunlong enhanced its leading position as a call centre in South China and looked to expand in Beijing and Shanghai. In addition, Apex-Pro Systems Limited ("Apex-Pro"), a subsidiary of NWTMT focused on ERP solutions, joined forces with NWT, 100% owned by New World Development Company Limited, to serve the Mainland China enterprise market.

Outlook 2006

The outlook for the coming year is influenced by the ongoing development and commercialization of TMT services and technologies. On the macro front, the Mainland China economy is expected to register solid growth, though estimates are for slower expansion due to a stronger currency and pressures affecting the global economy. All TMT markets are expected to expand and the competitive environment will intensify as more players enter the sector. For Hong Kong and global investors, the liberalization of the telecom and media sectors will open more markets to more investment, and this is beneficial to NWTMT.

Progress is expected to be made on a number of fronts. Xintong Media will intensify its drive into the multimedia advertising and content provision space. The content production arm is expected to register ongoing growth in revenues as the level of production moves past 300 episodes a year to serve the demanding entertainment needs of hundreds of millions of cable subscribers and TV viewers. Regulations are expected to allow foreign entities to own up to 100% of Mainland advertising business in 2006, up from the current 70%.

Based on WAP and 2.75G technology, Mtone will build on its NBA relationship into 2006 with a more advanced service and strategic alliances with other global franchises and multinationals will come into play. Msport and Mmusic will generate revenues as well. The regulatory landscape will stabilize for Mtone and revenue generation will improve in a bullish mobile VAS environment. Opportunities for expansion abound in a market that claims over 300 million nationwide mobile subscribers as its customer base.

CANW is entering into a critical year of operations. In 2006 China Aerospace is expected to launch its DTH satellite and the government will be motivated to approve the satellite TV business, an important platform in its digital media, pay TV and Olympic broadcast initiatives. Given this development, the role of China Aerospace as a satellite network operator and a VAS service provider will likely be clarified. This is expected to create significant market opportunities for CANW, as some one million DTH subscribers are targeted for 2006, rising to 20 million by 2010 and 40 million by 2015. The China Aerospace brand name and status in China will allow the CANW venture to explore VAS business opportunities.

DBS will experience a watershed year with the finalization of a project in Beijing. Through government relationships and technological strength, the Group looks to capture a stake in the outdoor advertising market, based on a model that has been successfully implemented by other Nasdaq and Hong Kong listed media companies.

NWZGM is one step closer to commercialization its heat transfer technology and the first market to benefit from this heat transfer product roll-out will be China. However, NWZGM plans to extend its marketing focus to the international arena in search of strategic partners and alliances.

Contributions from eBank may be forthcoming as the Group works with eBank to market an ebanking platform in China and eBank moves toward a planned IPO in 2006. On other fronts, the relationship with NWT will be further pursued, expanding inroads made by Apex-Pro. This strategic partnership with NWT is important as the Group focuses more on convergence of telecom and media in the development of its TMT portfolio of companies.

SUBSEQUENT EVENT

On 4 October 2005, the Group entered into an equity transfer agreement with Golden Strength Inc. in connection with the transfer of the entire equity interest in Dalian Shang Li De Heat Conduction Technology Co., Limited by Golden Strength Inc. to the Group in exchange for NWTMT's rights, title and interests in the loan in an aggregate amount of US\$8.5 million due from Sunnet International Corporation. Upon completion of the transfer, NWTMT will become the indirect sole owner of Dalian Shang Li De Heat Conduction Technology Co., Limited.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2005, the cash and bank balances of the Group amounted to HK\$516.3 million, compared to HK\$649.2 million in 2004.

Attributable debt profile

(HK\$ million)

Type	Outstanding amount		05/06	Repayment 06/07	Onwards
	Fixed rate	Floating rate			
As at 30 June 2005					
Short-term Renminbi bank loan facilities	376	–	376	–	–
Long-term Renminbi bank loan facilities	11	–	8	–	3
Other loan	–	2,337	–	2,337	–
Total amount	<u>387</u>	<u>2,337</u>	<u>384</u>	<u>2,337</u>	<u>3</u>

Attributable Debt (being total bank and other borrowings less liabilities undertaken by NWSH) at 30 June 2005 increased to HK\$2.72 billion from HK\$2.67 billion as at 30 June 2004, with corresponding increases in the gearing ratio (being the ratio of Attributable Debt to equity) to 383% from 169%. The existing bank borrowings are all in Renminbi at a fixed interest rate and represented 14% of Attributable Debt. The remaining Attributable Debt is in Hong Kong dollars at floating rates. The Attributable Debt is mainly unsecured, except for HK\$360 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\$505 million (2004: HK\$687 million) at 30 June 2005, from time to time as they fall due. The loan is secured by NWSH's interests in certain joint ventures in the Mainland China. Subsequent to the year-end date, the Group has repaid HK\$339 million equivalent short-term Renminbi bank loans before the appreciation of Renminbi on 21 July 2005. As most of the Renminbi borrowings were repaid, the management considered that the Group did not have a material exposure in exchange rate risk.

Taking into account the increase of existing unsecured revolving credit facilities granted by a fellow subsidiary from HK\$2.7 billion to HK\$3.53 billion with approximately HK\$1.12 billion undrawn at 30 June 2005, 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 the extracts of note 29 to the accounts shown above.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 360 employees as at 30 June 2005. Total staff related costs were approximately HK\$76.1 million (2004: HK\$82.8 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 employee taking job-related courses. Periodic in-house training programs are also offered.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has repurchased or sold any of the Company's listed securities during the year ended 30 June 2005.

CODE OF BEST PRACTICE

The Company has complied throughout the financial year ended 30 June 2005 with the Code of Best Practice as previously set out in Appendix 14 (which was applicable during the year) to the Listing Rules 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.

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 annual results for the year ended 30 June 2005.

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, 6 October 2005

** For identification purposes only*

"Please also refer to the published version of this announcement in The Standard"