NEW WORLD TMT

Interim Report 2004 中 期 報 告

The Directors of the Company announce that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2003 were as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Note	**Unaudited Six months ended 31.12.2003 HK$'000**	Unaudited Six months ended 31.12.2002 (Restated) HK$'000
Turnover	*2*	**183,153**	296,145
Other operating income	*4*	**7,505**	153,140
Operating costs	*5*	**(304,742)**	(588,684)
Operating loss before financing	*2*	**(114,084)**	(139,399)
Finance costs	*6*	**(38,713)**	(381,153)
Share of results of associated companies		**(106,540)**	105,383
Share of results of jointly controlled entities		**(2,750)**	430,142
(Loss)/profit before taxation		**(262,087)**	14,973
Taxation	*7*	**(490)**	(78,394)
Loss after taxation		**(262,577)**	(63,421)
Minority interests		**(7,613)**	(38,981)
Loss for the period		**(270,190)**	(102,402)
Loss per share	*9*		
Basic		**HK$0.28**	HK$0.11
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003

	Note	Unaudited 31.12.2003 HK$'000	Audited 30.6.2003 HK$'000
ASSETS			
Current assets			
Inventories		364,913	404,800
Debtors, deposits and prepayments	10	265,665	181,130
Current portion of loans receivable		746,690	70,784
Amount due from a fellow subsidiary		103,537	103,537
Pledged deposits		446,940	362,483
Bank balances and cash		82,296	211,177
Total current assets		2,010,041	1,333,911
Non-current assets			
Associated companies		2,689,013	2,513,856
Jointly controlled entities		20,118	18,948
Amount due from a fellow subsidiary		686,623	686,623
Loans receivable		242,248	930,330
Other investments		564,390	596,835
Deposits for purchase of fixed assets		785,708	936,546
Deposit for proposed investments		1,752,393	1,699,872
Intangible assets		409,345	401,232
Fixed assets	11	630,825	455,154
		7,780,663	8,239,396
Total assets		9,790,704	9,573,307

	Note	Unaudited 31.12.2003 HK$'000	Audited 30.6.2003 HK$'000
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Creditors and accruals	*12*	**109,875**	42,509
Amounts due to minority shareholders		**30,396**	30,399
Short-term bank loans			
Secured		**430,280**	314,018
Unsecured		**710,280**	785,047
Current portion of bank and other borrowings	*13*	**104,735**	104,687
Taxation		**190**	–
Total current liabilities		**1,385,756**	1,276,660
Long-term liabilities			
Bank and other borrowings	*13*	**1,544,357**	1,208,090
Total liabilities		**2,930,113**	2,484,750
Equity			
Capital and reserves			
Share capital	*14*	**952,180**	952,180
Reserves	*15*	**5,866,187**	6,136,377
		6,818,367	7,088,557
Minority interests		**42,224**	–
Total equity and liabilities		**9,790,704**	9,573,307

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Unaudited Six months ended 31.12.2003 HK$'000	Unaudited Six months ended 31.12.2002 (Restated) HK$'000
Net cash used in operating activities	**(80,742)**	(215,525)
Net cash (used in)/from investing activities	**(248,617)**	828,406
Net cash from financing activities	**300,162**	274,969
Net (decrease)/increase in cash and cash equivalents	**(29,197)**	887,850
Cash and cash equivalents at 1 July	**111,493**	817,623
Cash and cash equivalents at 31 December	**82,296**	1,705,473
Analysis of cash and cash equivalents		
Bank balances and cash	**82,296**	1,705,473

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

	Unaudited Six months ended 31.12.2003 HK$'000	Unaudited Six months ended 31.12.2002 (Restated) HK$'000
Total equity as at 1 July (as previously reported)	**7,088,557**	11,962,644
Effect of adopting SSAP 12 (note 1)	**–**	(544,398)
Total equity as at 1 July (as restated)	**7,088,557**	11,418,246
Exchange difference arising on translation of a subsidiary	**–**	(390)
Net deficit on revaluation of non-trading investments	**–**	(37,467)
Net losses not recognized in the profit and loss account	**–**	(37,857)
Loss for the period (as previously reported)	**(270,190)**	(98,165)
Effect of adopting SSAP 12 (note 1)	**–**	(4,237)
Loss for the period (as restated)	**(270,190)**	(102,402)
Investment revaluation deficit from previous years realized upon disposal	**–**	220,344
Total equity as at 31 December	**6,818,367**	11,498,331

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Principal accounting policies

These unaudited condensed interim accounts (the "interim accounts") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those in the annual financial statements for the year ended 30 June 2003, except that the Group has changed certain of its accounting policies following the adoption of SSAP 12 (Revised) "Income Taxes" which became effective during the current accounting period.

The change to the Group's accounting policies and the effect of adopting the new policy is set out below:

(a) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantially enacted by the balance sheet date are used to determined deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the timing difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profits as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives represented have been restated to conform to the changed policy.

As detailed in the Consolidated Statement of Changes in Equity, reserves at 1 July 2002 have been reduced by HK$544,398,000 which represents the unprovided deferred tax liabilities. Loss for the six months ended 31 December 2002 have been increased by HK$4,237,000.

2. Turnover and segment information

Turnover for the period ended 31 December 2003 represents income from advertising, billboard distribution, cultural activities and public relations consulting services, net of business tax where applicable. Turnover for the prior period represented income from the operation of toll roads and bridges, income from cargo and container handling and storage, interest income from joint ventures, net of business and withholding taxes, where applicable.

2. Turnover and segment information (Continued)

The Group focused in telecommunications, media and technology ("TMT") segment after the completion of the Reorganization as further described in note 3. Previously, the Group operated in four other main business segments including energy and water treatment, toll roads, toll bridges (collectively the "Infrastructure Assets") and cargo handling.

In respect of geographical segment reporting, segment revenues are based on the country in which the investments/operating assets are located.

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

Primary report format – business segments

	Six months ended 31 December 2003					
	Energy and water treatment HK$'000	Toll roads HK$'000	Toll bridges HK$'000	Cargo handling HK$'000	TMT HK$'000	Group HK$'000
Segment revenues	–	–	–	–	183,153	183,153
Segment results	–	–	–	–	(74,272)	(74,272)
Net unallocated costs						(39,812)
Operating loss before financing						(114,084)
Finance costs						(38,713)
Share of results of						
Associated companies	–	–	–	–	(106,540)	(106,540)
Jointly controlled entities	–	–	–	–	(2,750)	(2,750)
Loss before taxation						(262,087)
Taxation						(490)
Loss after taxation						(262,577)
Minority interests						(7,613)
Loss for the period						(270,190)

2. **Turnover and segment information** (Continued)

Primary report format – business segments (Continued)

	Six months ended 31 December 2002						
	Energy and water treatment	Toll roads	Toll bridges	Cargo handling	TMT	Others	Group (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenues	2,058	225,201	59,639	9,222	25	–	296,145
Segment results	(4,161)	127,899	4,284	(46,825)	(155,124)	1,402	(72,525)
Net unallocated costs							(66,874)
Operating loss before financing							(139,399)
Finance costs							(381,153)
Share of results of							
Associated companies	–	–	–	150,414	(45,031)	–	105,383
Jointly controlled entities	230,073	104,916	3,750	111,868	(20,465)	–	430,142
Profit before taxation							14,973
Taxation							(78,394)
Loss after taxation							(63,421)
Minority interests							(38,981)
Loss for the period							(102,402)

Secondary reporting format – geographical segments

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

	Six months ended 31.12.2003		Six months ended 31.12.2002	
	Segment revenues	**Segment results**	Segment revenues	Segment results
	HK$'000	**HK$'000**	HK$'000	HK$'000
China mainland	**178,920**	**(70,619)**	291,064	101,575
Hong Kong	**4,233**	**(5,526)**	5,081	51,616
Overseas	**–**	**1,873**	–	(225,716)
	183,153	**(74,272)**	296,145	(72,525)
Net unallocated costs		**(39,812)**		(66,874)
Operating loss before financing		**(114,084)**		(139,399)

3. Discontinued operations

As part of the New World Group reorganization (the "Reorganization"), which was completed on 29 January 2003, the Company disposed of its investments in the Infrastructure Assets to NWS Holdings Limited ("NWSH"). In addition, the Company distributed all the NWSH ordinary shares then held by the Group to the shareholders of the Company. After the Reorganization, the Group focuses on the TMT businesses.

The financial information of the Infrastructure Assets and cargo handling segments was as follows:

	Six months ended 31.12.2002		
	Infrastructure Assets (Restated) HK$'000	Cargo handling (Restated) HK$'000	Total HK$'000
Turnover	286,898	9,222	296,120
Other operating income	2,233	–	2,233
Operating costs	(176,623)	(56,047)	(232,670)
Operating profit/(loss) before financing	112,508	(46,825)	65,683
Finance costs	(55,096)	–	(55,096)
Share of results of associated companies	–	150,414	150,414
Share of results of jointly controlled entities	338,739	111,868	450,607
Profit before taxation	396,151	215,457	611,608
Taxation	(49,421)	(28,920)	(78,341)
Profit after taxation	346,730	186,537	533,267
Minority interests	(1,451)	(40,966)	(42,417)
Profit for the period	345,279	145,571	490,850

	Six months ended 31.12.2002		
	Infrastructure Assets HK$'000	Cargo handling HK$'000	Total HK$'000
Cash inflow/(outflow) in respect of:			
Operating activities	184,881	(61,739)	123,142
Investing activities	61,330	148,427	209,757
Financing activities	(60,931)	–	(60,931)
Net cash inflow	185,280	86,688	271,968

4. Other operating income

	Six months ended 31.12.2003 HK$'000	Six months ended 31.12.2002 HK$'000
Gain on disposal of subsidiaries	–	15,514
Gain on disposal of unlisted investment	–	118,541
Write-back of impairment loss on other investments (note 15)	2,704	1,402
Interest income	4,201	13,221
Others	600	4,462
	7,505	153,140

5. Operating costs

	Six months ended 31.12.2003 HK$'000	Six months ended 31.12.2002 HK$'000
Advertising agency fee	123,466	–
Production cost for media program and cultural activities	21,396	–
Impairment losses on other investments	–	179,997
Impairment losses on fixed assets	–	35,000
Provision for deposits for proposed investments	15,146	–
Provision for doubtful debts	4,673	–
Provision for an amount due from a jointly controlled entity	1,047	–
Provision for payments on account of proposed joint ventures	–	18,677
Write-down of inventories to net realizable value	41,481	–
Depreciation	10,781	118,407
Loss on disposal of non-trading securities listed outside Hong Kong	–	41,749
Management fees paid in connection with toll collection, maintenance and management services	–	28,831
Auditors' remuneration	1,534	3,559
Rental for leased premises	6,058	6,723
Loss on disposal of fixed assets	45	118
Amortization of goodwill	227	–
Amortization of cost of investment in co-operative joint ventures	–	8,929
Staff costs	39,770	60,500
Retirement benefit costs	2,108	2,172
Other operating costs	37,010	84,022
	304,742	588,684

6. Finance costs

	Six months ended 31.12.2003 HK$'000	Six months ended 31.12.2002 HK$'000
Interest on convertible bonds	–	6,635
Interest on bank and other borrowings		
Wholly repayable within five years	38,568	215,287
Not wholly repayable within five years	145	32,183
Amortization of deferred expenditure	–	10,822
Provision for premium on redemption of convertible bonds	–	116,226
	38,713	381,153

7. Taxation

	Six months ended 31.12.2003 HK$'000	Six months ended 31.12.2002 (Restated) HK$'000
Company and subsidiaries		
PRC income tax	490	8,019
Deferred tax	–	(7,126)
	490	893
Associated companies		
Hong Kong profits tax	–	24,367
PRC income tax	–	27
Deferred tax	–	(820)
	–	23,574
Jointly controlled entities		
Hong Kong profits tax	–	15,519
Macau income tax	–	12,009
PRC income tax	–	13,637
Deferred tax	–	12,762
	–	53,927
	490	78,394

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 31.12.2002: 16%) on income assessable to Hong Kong profits tax. PRC and Macau income tax have been provided on the estimated assessable profits for the period at their prevailing rates of taxation.

8. Dividend

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2003 (six months ended 31.12.2002: nil).

9. Loss per share

The calculation of loss per share is based on the loss for the period of HK$270,190,000 (six months ended 31.12.2002: HK$102,402,000) and the weighted average of 952,180,007 (six months ended 31.12.2002: 952,180,007) shares in issue during the period.

The diluted loss per share for the period is not presented as the Company has no dilutive potential shares at period end (six months ended 31.12.2002: n/a).

10. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade balance due by its customers. The Group allows its trade customers a credit period normally ranging from 30 days to 180 days. The aged analysis of the trade debtors at the reporting date is as follows:–

	31.12.2003 HK$'000	30.6.2003 HK$'000
Current to 30 days	**31,246**	570
31 to 90 days	**8,847**	140
Over 90 days	**35,468**	147
	75,561	857

11. Fixed assets

	Land and buildings HK$'000	**Machinery and other equipment** HK$'000	**Interactive television network system and equipment** HK$'000	**Set-top boxes** HK$'000	**Others** HK$'000	**Total** HK$'000
Cost						
At 1 July 2003	70,039	77,278	331,479	–	28,442	507,238
Additions	1,921	4,949	150,909	12,574	6,808	177,161
Disposals	–	(460)	–	–	(150)	(610)
Acquisition of subsidiaries	4,277	–	–	–	7,462	11,739
At 31 December 2003	**76,237**	**81,767**	**482,388**	**12,574**	**42,562**	**695,528**
Accumulated depreciation and impairment losses						
At 1 July 2003	15,546	23,727	–	–	12,811	52,084
Charge for the period	1,010	6,304	–	–	3,467	10,781
Disposals	–	(388)	–	–	(42)	(430)
Acquisition of subsidiaries	73	–	–	–	2,195	2,268
At 31 December 2003	**16,629**	**29,643**	**–**	**–**	**18,431**	**64,703**
Net book value						
At 31 December 2003	**59,608**	**52,124**	**482,388**	**12,574**	**24,131**	**630,825**
At 30 June 2003	54,493	53,551	331,479	–	15,631	455,154

12. Creditors and accruals

Included in creditors and accruals are trade payables and their ageing analysis is as follows:

	31.12.2003 **HK$'000**	30.6.2003 HK$'000
Current to 30 days	**10,576**	–
31 to 90 days	**4,993**	–
Over 90 days	**20,037**	299
	35,606	299

13. Bank and other borrowings

	Unaudited **31.12.2003** **HK$'000**	Audited 30.6.2003 HK$'000
Loan from a fellow subsidiary (note a)	**849,825**	513,000
Secured bank loans (note b)	**799,267**	799,777
	1,649,092	1,312,777
Current portion included in current liabilities	**(104,735)**	(104,687)
	1,544,357	1,208,090

(a) Loan from a fellow subsidiary is unsecured, bears interest at prevailing market rate and is wholly repayable on 14 April 2005 (30.6.2003: 16 May 2005).

(b) Long-term bank loans are repayable as follows:

	Unaudited **31.12.2003** **HK$'000**	Audited 30.6.2003 HK$'000
Within one year	**104,735**	104,687
Between one and two years	**182,902**	182,852
Between two and five years	**509,229**	509,082
After five years	**2,401**	3,156
	799,267	799,777

14. Share capital

	Unaudited 31.12.2003 HK$'000	Audited 30.6.2003 HK$'000
Authorized:		
2,000,000,000 shares of HK$1 each	**2,000,000**	2,000,000
Issued and fully paid:		
952,180,007 (30.6.2003: 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 2003 were as follows:

Exercise price per share HK$	At 1 July 2003	Exercised during the period	At 31 December 2003
10.20[(a)]	962,800	–	962,800
10.20[(b)]	240,000	–	240,000
12.00[(c)]	4,190,000	–	4,190,000
12.00[(d)]	960,000	–	960,000
	6,352,800	–	6,352,800

(a) Exercisable from 1 July 1999 to 1 June 2004.

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

(c) Divided into 3 or 5 tranches exercisable from 1 July 1999 to 1 June 2004, from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004, from 1 July 2002 to 1 June 2004 and from 1 July 2003 and 1 June 2004 respectively.

(d) 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.

(e) Number of options exercisable at 31 December 2003 was 6,352,800 (30.6.2003: 5,928,000).

15. Reserves

	Contributed surplus HK$'000	Share premium HK$'000	Retained profit HK$'000	Investment revaluation reserve HK$'000	Total HK$'000
At 1 July 2003	2,650,991	660,047	2,825,339	–	6,136,377
Loss for the period	–	–	(270,190)	–	(270,190)
Net surplus on revaluation of non-trading investments	–	–	–	2,704	2,704
Write-back of impairment loss transferred to profit and loss account (note 4)	–	–	–	(2,704)	(2,704)
At 31 December 2003	**2,650,991**	**660,047**	**2,555,149**	**–**	**5,866,187**

16. Contingencies

The Wuhan government required five bridges in Wuhan, including Yangtze Bridge No.2, a toll bridge operated by a then subsidiary of the Group (the "Wuhan Bridge"), to cease toll collection with effect from 1 October 2002. The Wuhan government had undertaken to compensate the investors on mutually acceptable terms. As part of the Reorganization, NWSH has acquired the interest in Wuhan Bridge from the Company at the book value as at 30 June 2002 of approximately HK$751 million (the "Book Value"), subject to adjustment depending on the net cash consideration which may be received by NWSH as compensated by the Wuhan government and/or the proceeds, if any, from the sales of the effective interest in Wuhan Bridge to the Chinese shareholders or the Wuhan government (the "Compensation Amount").

If the Compensation Amount exceeds the Book Value, NWSH will pay to the Company an amount equivalent to half of the amount by which the Compensation Amount exceeds the Book Value. If the Compensation Amount is less than the Book Value, the Company will pay to NWSH an amount equivalent to the amount by which the Book Value exceeds the Compensation Amount. On 12 December 2003, NWSH reached an agreement with Wuhan City Construction Fund Management Office for the disposal of Wuhan Bridge at a consideration of Rmb1.18 billion (equivalent to approximately HK$1.1 billion). Subject to the finalization of the Compensation Amount (which is equal to the actual net proceeds), the Company is expected to receive approximately HK$150 million from NWSH. The directors consider there should be no material adverse impact to the Group.

17. Commitments

(a) At 31 December 2003, the capital commitments for purchases of fixed assets and acquisition of licenses were as follows:

	Unaudited 31.12.2003 HK$'000	Audited 30.6.2003 HK$'000
Contracted but not provided for	**244,633**	246,739
Authorized but not contracted for	**257,400**	–
	502,033	246,739

18. Related party transactions

The following is a summary of significant related party transactions during the period carried out in the normal course of the Group's business:

	Six months ended 31.12.2003 HK$'000	Six months ended 31.12.2002 HK$'000
Interest income from jointly controlled entities (gross of withholding tax) (note a)	**–**	(22,329)
Management fee received from a jointly controlled entity (note b)	**–**	(4,462)
Management fee received from an associated company (note c)	**(600)**	–
Purchases from an associated company (d)	**241,296**	–
Rental for leased premises to a fellow subsidiary (note e)	**–**	4,082
Interest expense charged by a fellow subsidiary (note f)	**8,087**	23,162

Notes:

(a) This represented interest income in respect of loan financing provided to jointly controlled entities. These loans were unsecured, carried interest at Hong Kong prime rate or at fixed rates ranging from 10% to 15% per annum and had repayment terms as specified in the respective joint venture agreements.

(b) This represented management fee income in respect of management and administrative services rendered by the Company to a jointly controlled entity. The management fee was charged at a fixed annual amount as specified in the management and administrative services agreement.

(c) This represents management fee income in respect of management and administrative services rendered by the Company to an associated company. The management fee is charged at a fixed monthly amount.

(d) This represents purchases of set-top boxes, interactive television network system and equipment which are developed by an associated company at prices mutually agreed by both parties.

(e) The rental was charged at fixed monthly fees as specified in the tenancy agreements.

(f) The interest is charged at prevailing market rate.

(g) The Group has also obtained an unsecured revolving facility of HK$1.5 billion from a fellow subsidiary which expires in April 2005. As at 31 December 2003, the amount drawn under the facility was approximately HK$850 million.

19. Comparative figures

Interest income on bank deposits of HK$13,221,000 for the period ended 31 December 2002 has been reclassified from turnover to other operating income to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

In the six month period ended 31 December 2003 ("the period'), New World TMT Limited ("NWTMT") completed its evolution from an infrastructure company to a new economy telecommunications, media and technology ("TMT") enterprise. The shareholders approved the Company's name change to New World TMT Limited at the Annual General Meeting held on 28 November 2003, which reflects the acceptance of the new corporate strategy. Armed with a clear focus, the NWTMT task is to take full advantage of its significant technology investments to develop opportunities in the telecom and media sectors in concurrence with regulatory guidelines established by the People's Republic of China.

With the disposal of infrastructure and cargo handling assets ("discontinued operations") in January 2003, Group activities in the period focused on the TMT Segment, whereas financial results for the six months ended 31 December 2002 ("the prior period") reflected activities in the TMT Segment as well as discontinued operations.

Beijing Xintong Media & Cultural Investment Co. Ltd. ("Xintong"), the financial results of which were consolidated for the first time in the period, accounted for most of the Group's HK$183.2 million turnover. That compared to the prior period when turnover from the TMT Segment was insignificant and discontinued operations accounted for a turnover of HK$296.1 million.

Group operating costs, even with the added costs of HK$154.1 million from Xintong, decreased to HK$304.7 million from HK$588.7 million. In the prior period, operating costs included HK$232.7 million from discontinued operations. In addition, impairment losses from TMT investments were reduced to HK$56.6 million this period, compared to HK$198.7 million in the prior period.

Operating loss before financing reached HK$114.1 million, down from HK$139.4 million in the prior period. This period loss comprised almost entirely of the operating results of the TMT Segment and corporate overheads of some HK$39.8 million. The key component of TMT Segment results included the operating profit of Xintong, the operating loss of Sun Long Group ("Sun Long") and a provision for inventory of HK$41.5 million. This compared to HK$65.7 million in operating profit of discontinued operations and a HK$155.1 million operating loss of the TMT Segment, less corporate overheads of some HK$66.9 million in the prior period. The main components of the TMT operating loss in the prior period include a loss of HK$191.4 million in respect of chinadotcom corporation, which was partly offset by gains of HK$118.5 million on the disposal of certain PRC investments.

Financing costs reduced significantly to HK$38.7 million, as average debt decreased to HK$1.86 billion after disposal proceeds of discontinued operations were used to repay borrowings. The finance costs in the prior period amounted to HK$381.2 million, reflecting a much higher average debt of HK$11.48 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Most Group investments in TMT associated companies and jointly controlled entities were in the pre-commercialization phase. This is the primary reason that the TMT Segment registered a loss of HK$109.3 million in terms of associated companies and jointly controlled entities. The comparable share of results from the TMT Segment was a loss of HK$65.5 million in the prior period. However, a HK$601.0 million share of profit from discontinued operations led to a total profit of HK$535.5 million for associated companies and jointly controlled entities in the prior period.

The net loss for the Group was HK$270.2 million, compared to a loss of HK$593.3 million (net loss of HK$102.4 million less HK$490.9 million profit of discontinued operations) in the prior period. The drop in the net loss was mainly the result of reduced finance costs of HK$287.3 million (excluding the amount allocated to discontinued operations) and less corporate overheads.

Strategy

The NWTMT strategy is to deliver Personal Digital Services ("PDS") at an affordable price, on an anytime on-demand basis, to any person, household or group, at any place where they may be located, with any content.

NWTMT made significant and concerted investments in technology to fulfill its PDS vision, particularly in the area of digitalized content delivery systems for cable and satellite TV. The NWTMT anchor digital technologies are critical to secure market share in a range of PDS deployments in China, and these technologies are the foundation of the strategic plan.

Over the next few years, PRC regulatory conditions progressively favor investment in the TMT sector. As the regulatory process evolves and the TMT market is liberalized, NWTMT is positioned to create business opportunities in various areas. These projects will allow the Group to collect market intelligence to improve its invested technologies as well as to produce attractive product and service offerings that secure market share in target businesses.

Recent regulatory changes have opened the door in the Media Sector. NWTMT invested media companies are maturing in terms of revenue generation models and the potential for an exit exists in certain cases. In parallel, NWTMT will expand marketing and turnkey solution application efforts in the Telecom Sector. The Group believes its telecom projects provide marketability for the proprietary technology solutions it possesses.

Project Review

On the media front, MTone Wireless Corp., a leading mobile information service provider, is growing at double-digit rates, reaching five million paid subscribers this period. Xintong witnessed a jump in its revenues and attributable operating profit ("AOP") over the period due to the success of its expansion plans.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Progress was made in telecom related applications and services in the period. Sun Long and General Wireless Technologies Inc. ("GWTec") commenced deployment of wireless fire detection systems in Shanghai. Based on GWTec's two-way wireless technology, Sun Long is also installing e-Bus Stops in Beijing and Shenzhen and an e-Kiosk project in Wuhan. In addition, Sun Long began to integrate VoIP into its core call center business in an initiative designed to strengthen its telecom VAS product offerings. Sun Long is one of the largest commercial call center groups in Guangdong with over 600 agents.

PrediWave Corp. ("PrediWave") focuses on interactive and Pay TV technology, TV broadcasting, telecom and related ventures. PrediWave worked with multimedia content arm New World Allmedia Services Ltd. to launch digital TV operations in Fujian Province, with business development setting the stage for similar projects in Guangzhou and Hebei Province.

This period NWTMT signed a strategic alliance agreement with China Aerospace International Holdings Ltd. ("CASIL"), the listed arm of Beijing-based CASIL Group, to engage in the manufacturing, sales and operations in businesses related to interactive TV and satellite digital broadcasting through China Aerospace New World Technology Ltd. ("CANW"). According to the terms of the strategic alliance agreement, NWTMT would at a cash consideration of HK$150 million subscribe for 51% shareholding in CANW with CASIL owning the other 49%. NWTMT and CASIL subsequently agreed that they would each hold 50% shareholding in CANW and NWTMT needs only to pay in full the cash consideration within one year of the date of the shareholders' agreement of CANW. The issued share capital of CANW after issuance of shares to NWTMT would be HK$30 million instead of HK$300 million which was mentioned in the Company's announcement of 28 October 2003.

Outlook

With the restructuring program complete, the TMT focus will reward shareholders in the longer term. The media operation is expected to benefit on the back of opportunities presented by market liberalization and the Group will seek to realize its investment in mature operations. Xintong will maintain growth, increasing revenues this fiscal year. Along with the introduction of VoIP value-added services, Sun Long will open a third call center in Guangzhou (after Shenzhen and Xintang) this year.

The Group will continue to work on PrediWave rollout as planned in Fujian, Guangzhou and Hebei, with forays planned for Taiwan. NWTMT will pursue partnerships with TMT players in the global and China market to leverage technology and portfolio investments. With the digitalization process driving the cable and satellite TV business (30 million digital TV users by 2005), the catalyst of Olympic Games coverage in HDTV and changes in consumer behavior, Prediwave is positioned for launch.

Positive company specific factors are supported by macro developments. The China economy will continue to grow at a steady pace, and that bodes well for TMT products and services. The TMT sector has witnessed exponential jumps as China takes top rank in such areas as mobile subscribers, cable TV viewers and Internet users. The growth rate of the telecom industry is an example of the potential. Telecom revenues will reach Rmb730 billion by 2007, expanding at a compound annual growth rate of 12.2%. Of telecom revenues, some 49% will be delivered by the mobile sector, with 419 million mobile users out of 785 million total phone users by 2007. Meanwhile, China's data service revenues will increase from Rmb23 million in 1999 to an estimated Rmb47 billion by the end of 2005, led by the boom in SMS messaging.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

A more open regulatory framework enhances TMT opportunities. The telecom sector is generally controlled by state-owned enterprises, but the VAS market is opening at a rapid rate. By 2004, there will be a complete lifting of geographic limitations on the delivery of VAS, mainly in the mobile communications, paging and Internet service fields. In addition, the ceiling for overseas equity ownership in telecom VAS will be boosted to 50% from 30% by 2005.

The liberalization process is impacting content delivery. With over 1 billion viewers, China's TV industry is the world's largest. However, the industry is too fragmented. To consolidate the industry and upgrade standards, the State Administration of Radio, Film and TV plans to transform the TV network into digital form. With publication of digital TV standards in 2003, the government expects to launch digital broadcasts in select cities by 2005. By 2008, digital commercial broadcasts will be launched in major cities and by 2015 the government will switch off the analog system. The introduction of CEPA (Cooperative Economic Partnership Agreement) in June 2003 permits greater opportunities in the telecom and media sectors for Hong Kong-based companies, such as NWTMT.

The more liberal regulatory climate with regards to the TMT sector combines with a strong macro environment to present opportunities for a focused and motivated TMT business eager to deliver shareholder value. With technology investments in place and a diverse portfolio of TMT companies, NWTMT is prepared to make its mark in the PRC.

Liquidity, Financial Resources and Capital Structure

The cash and bank balances of the Group amounted to HK$529.2 million at 31 December 2003, compared to HK$573.7 million at 30 June 2003. Debt (total borrowings less liabilities undertaken by NWS Holdings Limited ("NWSH")) at 31 December 2003 increased to HK$2.0 billion from HK$1.62 billion at 30 June 2003 with corresponding increase in gearing ratio (being the ratio of Debt to equity) to 29% from 23%. Approximately 57% of the Debts were bank borrowings in Rmb at a fixed interest rate. The remaining debt is in HK$ at floating rates. The Debts are mainly unsecured, except for HK$439.4 million, which is secured by pledged deposits and fixed assets. The Company has undrawn facilities to meet its commitments and working capital requirements.

EMPLOYEES

Number of employees maintained at 73 employees as at 31 December 2003. Remuneration policy is reviewed regularly and employees may be granted share options under the Company's share option scheme based on individual performance and market practices. Education subsidies will be granted to employees taking job-related courses.

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 2003, the interests of the Directors and their associates 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 were as follows:–

(A) The Company

Long positions in shares

	Number of shares held			Approximate percentage of issued share capital of the Company
Name of Director	Personal interests	Family interests	Total	as at 31.12.2003
Dr. Cheng Kar-Shun, Henry	–	1,000,000	1,000,000	0.11
Mr. Chan Wing-Tak, Douglas	1,300,000	400,000	1,700,000	0.18

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(A) The Company (Continued)

Long positions in underlying shares – share options

Name of Director	Grant date	Number of share options: Balance as at 1.7.2003	Number of share options: Balance as at 31.12.2003	Exercise price per share HK$	Note
Dr. Cheng Kar-Shun, Henry	2 December 1998	600,000	600,000	10.20	*(1)*
	2 December 1998	2,400,000	2,400,000	12.00	*(2)*
Mr. Chan Wing-Tak, Douglas	26 November 1998	320,000	320,000	10.20	*(1)*
	26 November 1998	1,280,000	1,280,000	12.00	*(2)*
Mr. Fu Sze-Shing	23 September 1999	240,000	240,000	10.20	*(3)*
	23 September 1999	960,000	960,000	12.00	*(4)*
Total		5,800,000	5,800,000		

Notes:

(1) Exercisable from 1 July 1999 to 1 June 2004.

(2) Divided into 3 tranches exercisable from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004 and from 1 July 2002 to 1 June 2004 respectively.

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

(4) 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.

(5) 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 each Director for each grant of the share options is HK$10.

(6) No share option of the Company was exercised by the above Directors during the period ended 31 December 2003.

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: Personal interests	Family interests	Total	Approximate percentage of issued share capital of NWSH as at 31.12.2003
Dr. Cheng Kar-Shun, Henry	–	587,000	587,000	0.03
Mr. Chan Wing-Tak, Douglas	410,900	–	410,900	0.02

Long positions in underlying shares of NWSH – share options

Name of Director	Grant date	Number of share options outstanding at 31.12.2003 with exercise price per share of HK$6.93 (Note 1)	HK$3.725 (Note 2)
Dr. Cheng Kar-Shun, Henry	21 July 2003	–	3,000,000
Mr. Chan Wing-Tak, Douglas	11 May 1999	1,000,000	–
Mr. Wilfried Ernst Kaffenberger	21 July 2003	–	600,000
Mr. Lai Hing-Chiu, Dominic	21 July 2003	–	600,000

Notes:

(1) 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.

(2) These share options were granted under the share option scheme adopted by NWSH on 6 December 2001 and were divided into 3 tranches exercisable from 21 January 2004, 21 July 2004, 21 July 2005 respectively to 20 July 2008. The cash consideration paid by each Director for such options is HK$10.

(3) No share option of NWSH was exercised by the above Directors during the period.

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 outstanding at 31.12.2003 with exercise price per share of HK$1.955
Dr. Cheng Kar-Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000
Mr. Chan Wing-Tak, Douglas	12 February 2001	13 March 2001 to 12 March 2006	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 years.

(2) 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.

(3) No share option of NWCL was exercised by the above Directors during the period.

Save as disclosed above, as at 31 December 2003, none of the Directors, chief executive or any of their associates 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 Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests or short positions of substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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 Beneficial interests	 Corporate interests	 Total	Approximate percentage of issued share capital of the Company as at 31.12.2003
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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (Continued)

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 2003.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2003, 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 31.12.2003
	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 2003.

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

The Company had granted options under the 1997 Share Option Scheme to employees of the Group (the "Employees"). The movements in the aggregate number of the share options granted to the Employees during the period and balance outstanding at 31 December 2003 were as follows:

	Number of share options				
Grant date	**Balance as at 1.7.2003**	**Exercised or lapsed during the period**	**Balance as at 31.12.2003**	**Exercise price per share** HK$	Note
18 November 1998 to 16 December 1998	42,800	–	42,800	10.20	*(1)*
18 November 1998 to 16 December 1998	510,000	–	510,000	12.00	*(2)*
Total	552,800	–	552,800		

Notes:

(1) Exercisable from 1 July 1999 to 1 June 2004.

(2) Divided into 3 or 5 tranches exercisable from 1 July 1999 to 1 June 2004, from 1 July 2000 to 1 June 2004, from 1 July 2001 to 1 June 2004, from 1 July 2002 to 1 June 2004 and from 1 July 2003 to 1 June 2004 respectively.

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 2003.

CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the 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 unaudited interim accounts for the six months ended 31 December 2003.

Chan Wing-Tak, Douglas
Managing Director

Hong Kong, 18 March 2004

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

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