

Chairman's Statement

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To build a profitable and successful business in the Mainland China telecom, media and technology (TMT) market takes commitment and perseverance. An intensely competitive landscape ruled by a shifting regulatory regime in a sensitive sector calls for a flexible investment policy and business model. The prize for navigating properly in this dynamic environment is the opportunity to serve the world's fastest growing TMT market, an industry where success is measured in the tens of millions of customers.

New World TMT has both the commitment and perseverance to stay the course in the developing TMT markets of Greater China. Over the last two years, this has called for an aggressive repositioning of the business and the introduction of a new TMT management team capable of seizing the opportunities that lie ahead. While the greater part of this repositioning is now complete, the process is ongoing, led by the pace of liberalization and the changing demands of consumers going through a revolutionary lifestyle change.

A clear road map is emerging for New World TMT. This new economy business model is based on building an enterprise around the convergence of telecom and media applications and services, what we refer to as the telemedia marketplace. We have set a strategy in the telemedia segment that focuses on generating revenues in niche markets that are now open to foreign involvement. Beijing Xintong Media & Cultural Development Co Ltd (Xintong Media), a multimedia advertising and content producer, and Mtone Wireless Corp (Mtone), a mobile VAS provider, are examples of enterprises that generate a substantial revenue contribution in relatively open markets.

At the same time, we have developed leading-edge businesses and applications to lead the way in markets that have great long-term potential. Digital Bus Stop, a logistics and outdoor advertising application, China Aerospace New World Technology Ltd, a satellite TV service, and New World ZGM Ltd, a heat transfer technology, are all cases of enterprises at the cutting-edge of their respective fields. Other similar projects and portfolio companies are coming to the fore and will contribute to the long-term viability and growth of our enterprise.

The development of the New World TMT business mix has taken many years of planning, investment and implementation. We have certainly been frustrated and disappointed by some results, exhilarated and excited by others. This is to be expected in an explosive market like TMT. However, as we move into the commercialization phase, many of our projects will begin to be important contributors to the profit picture and we are ready to support the roll-out of these businesses in the coming years.

We understand that this is not an easy time for our shareholders and we appreciate your loyalty to a vision that we strongly believe will drive shareholder value to new heights.

Dr Cheng Kar-Shun, Henry
Chairman