A Conversation with the Managing Director

What are the income and cash drivers for the Group in the next few years?

Services will grow, given the nature of our businesses, which are relatively immune to volatility in the economic environment. Rental is likely to improve following the completed renovation of the New World Centre Shopping Mall. We also have more properties available for sale in Hong Kong and China, which will contribute more cash flow to the Group. Our telecommunications division achieved a more positive EBITDA figure this year and is heading towards breakeven level. As for the Group's hotels, they are having a difficult time after the September 11 terrorist attacks in the US, but the sale of the Regent hotel will generate profits in the coming year. One-off losses on the sale of H-shares by NWI will re-establish NWI on a steady income-earning basis. As its e-infrastructure projects unfold, the values of New World Infrastructure will begin to materialise.

Where do you think you will be allocating more capital resources? What is the investment rationale behind them?

Discipline is behind our investment rationale, the discipline to generate positive cash flow for the coming year. In terms of Property, we have 20 projects with an attributable GFA of 4.1 million sq.ft. to be completed in the next three years in Hong Kong. In China, we have about 26 projects with more than 36 million sq.ft coming on line in the next three years. The projections of when and how much cash flow we can generate from these projects are extremely clear. But before they are completed, they require financial resources to finance construction. In Telecommunications, we will dedicate extra investment, if necessary, to build the broadband IP network and services provisioning side of the 3G business. As for Infrastructure, the commercialisation of our e-infrastructure projects will take place in the coming year, with significant implications for our place in the market. Overall, we believe our capital structure is well founded, given our HK$10 billion cash in hand, our undrawn facilities and our recurrent cash flow.

Given the current operating environment in Hong Kong and uncertainties in the global economy, what can be done operationally and strategically to moderate the impact?

We believe in three strategic drivers: Rationalisation. Service Integration. Value Creation. At various levels of the Group, these drivers have become key management priorities and objectives. Strategically, our well-diversified income base has proved its ability to produce profit growth in businesses such as New World Services and New World China Land throughout periods of economic volatility. We will continue to focus on our four core divisions in order to unlock the Group’s values and to deliver sustainable and visible earnings growth in the future.