

Leading-edge Technology

The WTO Challenge

Employee Excellence

Commitment to the PRC

The Next Frontier

The challenge of doing business in China is based on the ability to gain an advantage when new opportunities emerge. NWI has successfully met this challenge time and time again.





This fiscal year posed a number of challenges for New World Infrastructure Limited (NWI). Difficult conditions in the global economy and changes in the Mainland business climate combined to have a negative impact on the NWI financial results.

The financial results in the year ended 30 June 2002 dropped primarily because of certain operational factors. One factor was the decline in Attributable Operating Profit (AOP) across most business segments. The only exception was the segment of cargo handling, which experienced a solid AOP increase as a result of strict cost controls. Another factor in the reduction of AOP was due to the elimination of AOP from previously owned assets that were disposed of in the last fiscal year.

Overall, the net loss increased to HK\$148.4 million, up 58% compared to FY2001. AOP fell to HK\$874.2 million, a decline of 24% compared to HK\$1.16 billion in FY2001. However, there was an improvement in head office items expense. NWI marked a decrease in head office items to HK\$1.02 billion in FY2002, down 18% from HK\$1.25 billion in FY2001. The primary reason was a net gain on disposal of investments of HK\$135.5 million, a rise of 143% over a HK\$315.7 million net loss in FY2001.

Basic Infrastructure

The basic infrastructure segment continues to generate a steady stream of cash flow. In recent years, the basic infrastructure portfolio was restructured to shift focus to those projects that outperform the market. Presently, roads, energy and cargo handling are the key revenue drivers.

NWI has pursued a consolidation policy in the basic infrastructure portfolio over the last three years. However, the Company remains open to new infrastructure projects if returns meet the expectations of a profit-driven management team. Those projects that show promise are supported with additional financial and human resources to strengthen the core business.

TMT Segment

NWI has ventured into a variety of projects in the telecommunications, media and technology segment. The move into new economy infrastructure is important due to opportunities emerging in the post-WTO accession environment. In addition, NWI is a first mover in many areas and this is critical in the

value creation process. With most of the initial phase of investment in place the strategy is to nurture the portfolio and to develop commercial successes. In this regard, NWI invested in an option to own a PRC optical fiber backbone network during the year.

Credit Management

In the area of credit management NWI is in the process of strengthening its balance sheet. NWI has made it a priority to reduce debt and this policy remains in place. However, there was no considerable reduction in debt during the year due to the need to fund opportunities in operational businesses. It was hard to meet these requirements and reduce debt simultaneously. With the latest investment round complete NWI will readjust debt to lower levels, balancing the need for expansion and development with sound financial principles.

Cash Position

NWI continues to hold cash, primarily due to the disposal of assets. This cash position is supported by operational cash flow produced by portfolio investments in the basic infrastructure segment.

Outlook for FY2003

The macro-economic outlook should stabilize in the coming year following the shock of the 9/11 Incident and fall-out related to the Enron Scandal. Market volatility will decrease and investor confidence will return in due course. These positive developments will support economic growth in Greater China. Meanwhile, the Mainland will enter the second year of its WTO experience. This entails a further opening of markets and improved access for foreign enterprises. This combination of macro-economic elements will have a positive impact on the NWI performance.

Basic Infrastructure Outlook

The outlook is for business-as-usual in the basic infrastructure segment. Improvements are expected in AOP contribution and cash flow throughout all segments. Road segment AOP will improve on the back of the performance of flagship projects. The energy segment will benefit from strong power demand in Guangdong. Business in the cargo-handling segment should be boosted by WTO accession, a PRC government policy geared to improved port infrastructure and more solid PRC-Taiwan relations. The water treatment sector will witness the opening of new markets as deregulation comes into play and this will produce a positive effect on revenue streams.

TMT Outlook

The TMT segment serves China with a range of businesses, most of which are on the verge of commercialization. The technology shakeout has had an impact on the segment, but China has weathered the storm and markets are expanding. After the consolidation of the TMT portfolio, only companies with strong profit-generating potential remain in place. Any new acquisition must fall under this profit-oriented focus. In this regard, the newly-acquired option to own a fiber optic backbone network holds tremendous promise in the delivery of telecommunications and multimedia services. In coming years, the TMT businesses are expected to produce solid AOP as well as capital gains.

Impact of Proposed Disposal

Upon shareholders' approval of the proposed asset disposal, a number of factors will have a positive impact on the business. The disposal of the basic infrastructure segment will leave NWI with a clear focus on TMT in terms of future growth and profitability. The Company will be largely debt free, with a net gearing ratio of less than 15%, as compared to the current ratio of 72%. In addition, NWI will have sufficient reserves of cash. This combination of low debt gearing and cash reserves will allow NWI to commercialize the TMT sector. Through this asset disposal, and the distribution of PPC shares, NWI shareholders will have the choice to own stakes in two separate companies.

Corporate Governance

The coming year is important on many fronts. Above all, NWI will work to regain the confidence of its shareholders. We will strengthen fundamentals, maintain an open dialogue with the investment community and pursue a policy of transparency and disclosure.

In addition, NWI pledges to concentrate on the creation of long-term value by maintaining a clear focus and to make sure that all businesses are in line with strict governance policies. In so doing, the Company will reinforce its commitment to the China market. The end result of this reinforcement of the corporate strategy will be a more informed shareholder with a better understanding of the fundamentals that drive future growth.

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