

infrastructure

Basic Infrastructure

In the financial year ended 30 June 2002, New World Infrastructure Limited ("NWI"), affected mainly by the following two factors, recorded a loss of HK\$148.4 million as compared to the prior year's HK\$94.1 million (as restated due to the impairment loss on goodwill previously written-off to reserves now adjusted in the profit and loss account).

Firstly, Attributable Operating Profit ("AOP") decreased by HK\$283.6 million to HK\$874.2 million. The reduction in AOP came mainly from the Bridge segment and the Energy segment, which accounted for HK\$404.4 million of the AOP as compared to HK\$618.9 million in FY2001. The attributable operating loss of the Telecommunications, Media and Technology ("TMT") segment amounted to HK\$102.4 million, an increase of HK\$69.1 million over FY2001.

Secondly, non-recurring items comprising mainly impairment losses and provision for diminution in value of certain investments amounted to HK\$331.1 million. The total non-recurring losses were offset by the profit on disposal of a 9.75% effective interest in Asia Container Terminals Limited, the joint developer of Container Terminal No. 9, amounting to HK\$135.5 million.

Cargo Handling

Cargo Handling segment AOP increased by 27% to HK\$306.7 million, compared to HK\$242.4 million in FY2001.

The throughput volume of Xiamen Xiangyu Container Terminal and Sea-Land Orient (Tianjin) Container Terminals Co. Ltd. continued to grow in the prevailing difficult operating conditions by 52% and 15% respectively compared to the prior corresponding year. The AOP of these two PRC port projects increased a total of HK\$5.9 million.

In Hong Kong, the AOP of Container Terminal No. 3 increased to HK\$121.0 million from HK\$92.7 million despite the decrease in throughput volume of 21%. As a large part of this drop in throughput involved low-margin traffic overflow to other terminals, the decrease in operating profit was only modest and was in fact ultimately reversed by a significant reduction in overheads.

ATL Logistics Centre's average occupancy rate was steady at 93.6%. AOP for the year was HK\$142.4 million, compared to HK\$141.1 million in FY2001.

Left: CSX World Terminals operates Berth 3, one of the world's most productive terminals, at Kwai Chung Container Port, Hong Kong.

ATL Logistics Centre is the world's first and largest intelligent multi-storey drive-in cargo facility.



Road and Bridge

The AOP of the Road and Bridge segment for the year was HK\$242.3 million, a decrease of 42% as compared to HK\$418.5 million for FY2001.

In Southern Guangdong, the average daily traffic flow of Guangzhou City Northern Ring Road ("GNRR") was affected by the diversion effect of the Guangyuan East Road. GNRR traffic flow decreased 8% to 120,556 vehicles from 130,747 vehicles per day resulting in AOP contribution reduction of HK\$58.7 million, while the Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) experienced a 17% growth in average daily traffic flow and contributed HK\$14.1 million more in AOP. Performance of most of the road projects in Western Guangdong was stable with traffic growth of 3% to 5% in FY2002. For the road projects in Northern Guangdong, although traffic flow was stable, results were affected by the operating losses of Roadway 1906 (Qingcheng Section) during its first year of operation. Shenzhen-Huizhou Roadway and Expressway in Eastern Guangdong experienced an increase in average daily traffic flow of 5% and 16% respectively. The AOP contribution from the Hui-Ao Roadway however decreased

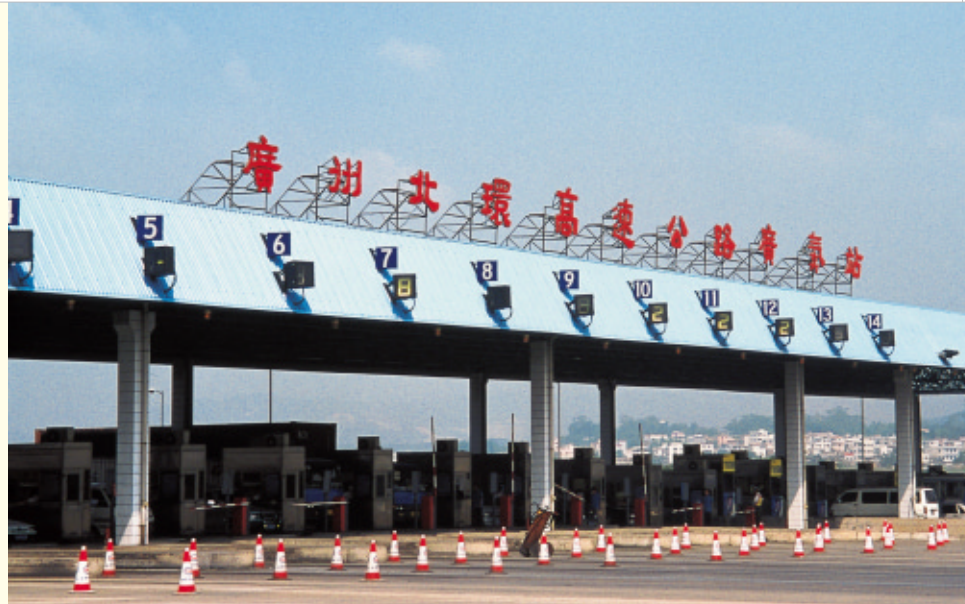
by HK\$20.2 million mainly due to the finance costs and overheads incurred since the operation of the Hui-Ao Section in October 2000.

There was no significant fluctuation in the traffic flow of the Guangxi road network, while the performance of the Shanxi road network was satisfactory. Other roadways like the Wuhan Airport Expressway in Wuhan and the Tangjin Expressway in Tianjin, both recorded increases of over 15% in average daily traffic flow.

Loss of AOP contribution from the Guangzhou Three New Bridges after their disposal in January 2001 caused a decrease in the AOP of the Road and Bridge segment of HK\$104.5 million. Of the remaining four bridge projects in this segment, three witnessed improvement in traffic flow. Only the traffic flow of the Yonghe Bridge was reduced and this was due to the opening of the Tangjin Expressway Section II.

Average daily traffic flow of Wuhan Bridges in FY2002 grew by 12%. However, a one time provision for legal claim and staff welfare fund decreased current year's AOP by HK\$14.5 million. In September 2002, the Wuhan City Government announced that the toll collection right of five bridges in Wuhan, including Yangtze Bridge No.2, would be ceased with

Guangzhou City Northern Ring Road connects the Guangzhou-Foshan Expressway in the west and the Guangzhou-Shenzhen-Zhuhai Superhighway in the east.



effect from 1 October 2002. The Government has undertaken to compensate investors on mutually acceptable terms. Although it is difficult to estimate the outcome of the subsequent negotiation with the Government, it is expected that there should not be any material adverse impact to the Group.

Energy and Water Treatment

The AOP of the Energy and Water Treatment segment decreased 19% to HK\$427.6 million from HK\$530.4 million for FY2001. A significant part of this decrease was due to the disposal in February 2001 of the investment in Beijing Datang Power Generation Co. Ltd., which contributed HK\$64.6 million in AOP for the first half of FY2001 prior to its disposal.

Operationally, Zhujiang Power Station Phase I and II ("Zhujiang I" and "Zhujiang II") continued to perform well. Together they experienced an increase of 4% in electricity sales in FY2002. The combined AOP of Zhujiang I and II increased by 15% to HK\$267.7 million mainly as a result of an increase in the guaranteed profit margin of Zhujiang I.

The operating results of Shunde De Sheng Power Plant showed steady signs of improvement with 4% growth in electricity sales on a year-on-year basis. AOP for FY2002,

the first reporting period after the joint venture resumed operating the power plant upon the expiry of a five-year plant lease to Shunde Electric Power Group Co., decreased by 63% or HK\$78.1 million, reflecting the change to equity accounting from the fixed-return basis adopted previously.

AOP contribution from Sino-French Holdings (Hong Kong) Ltd. ("Sino-French") remained consistent at HK\$128 million. Power generation at the Macau Power Plant rose 5.6%, while the water treatment segment recorded lower profit due to higher interest charges as a result of increased long term bank loans.

TMT

The TMT segment will become a critical contributor to AOP over the near term and long term, thus bringing value to all shareholders. NWI has ventured into projects in the telecommunications, media and technology segments. The move into new economy infrastructure is important given 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 investment in place, the strategy is to focus on nurturing the portfolio and developing commercial successes.