To Our Shareholders,

FY2003 was a difficult year for the Group. We faced the unforeseeable outbreak of SARS in March 2003 which had a dramatic effect on all levels of city life. The impact of SARS on the Group was material. The occupancy of our hotels reached a historical low while the number of passengers for both New World First Bus and New World First Ferry (Macau) fell sharply. The value of our properties dropped and our property sales and rental operations also suffered from this incident.

The SARS incident taught us a very important lesson: "Everyone needs to be prepared for the unexpected."

The world is evolving in a rapid pace. No one knows when will be the next SARS outbreak or another Asian financial crisis. Therefore, everybody needs to stay alert, plan ahead and be prepared to weather any sudden turmoil.

Successful Group Reorganisation

On 29 January 2003, we successfully completed the reorganisation of NWS Holdings Limited ("NWSH") (formerly known as Pacific Ports Company Limited), New World Services Limited and New World Infrastructure Limited ("NWI"). The reorganisation unlocked hidden potential of each of the three companies and it created greater business focus, streamlined organisation structure and provided a better alignment of assets, cash flow and liabilities for the Group. The newly "created" NWSH will hold the Group's service, infrastructure and ports businesses and be the vehicle for future investments in these sectors. NWI will adopt a fresh business concentrating on the TMT sectors in Mainland China.

Review of Results

For the year under review, the Group had a loss attributable to shareholders amounted to HK$4,811.5 million. The disappointing results were mainly caused by the declining property market, SARS outbreak in the second quarter of 2003 and the prevailing weak economic environment in Hong Kong. The consequence of the above has increased the provisions against our property projects and other investments and caused the decline in operating results. Loss on property sales and provisions for impairment against the Group's property development and hotel projects amounted to Hk$4,215.0 million. The loss from TMT investments amounted to HK$1,125.0 million was the result of development and marketing expenses and provisions.

Prospects

The Group's operations are primarily located in Hong Kong and Mainland China and its performance is highly correlated with the macro environment of these two regions. Given our extensive investments in Hong Kong and Mainland China, we are now in a position to capitalise on opportunities created by a strong recovery of the Hong Kong economy and the continued growth of the Mainland China economy.

The Hong Kong property market is poised to rebound following the announcement concerning the coordination of land supply from the KCRC and MTRC, freezing of public land auction and the extension of construction period on 15 October 2003 by the Hong Kong Government which further improved market sentiment and stabilised property prices. The Group will benefit from these as we have a number of property sales projects to be launched in the next two years.

Following the recent relaxation in travel restrictions from Mainland China to Hong Kong , we expect visitor numbers to increase substantially. These visitors will bring in fresh cash which Hong Kong needs to revitalise the weak economy and poor market sentiment. With our Group's diversified businesses like hotel, retail, transportation and telecommunications, we are well positioned to capture these business opportunities. We also anticipate an increased competitive advantage for the Group's property, construction, telecommunications, transportation, convention and conference investments following the announcement of Closer Economic Partnership Arrangement ("CEPA").

Another growth area is New World Centre. Following the completion of the shopping arcade renovation last year, the KCR East Rail construction this year, the relocation of the bus terminus from Star Ferry Pier to Tsim Sha Tsui East and the completion of the "Avenue of Star" project next year, New World Centre will transform into a centre in the prime location in Tsim Sha Tsui for both tourists and local population. In order to capitalise on the anticipated growth of tourism industry in Hong Kong, the Group will build a five-star, 60-storey hotel next to the New World Centre in FY2004. The total gross floor area of the hotel is estimated to be about one million square feet.

We also expect our telecommunications businesses to increase their contribution to the Group going forward. Both New World Mobility and New World Telecommunications are launching new and innovative products/services and are significantly increasing their subscriber bases.

With New World China Land well penetrated into major cities of Mainland China, we see an exciting growth potential for the Group as the continuing development of Mainland China cities provides massive business opportunities which the Group will capture and capitalise on. In 2003, the economy of Mainland China continued to grow at an enviable pace when compared to other parts of the world. Its GDP grew by 8.2% in the first half of 2003 despite the outbreak of SARS. We expect the trend of economic growth to continue in the coming year.

Dr. Cheng Kar Shun, Henry
Managing Director
Hong Kong, 16 October 2003