Financial review

In the fiscal year ended 30 June 2003, the Group recorded a loss of HK$4,811.5 million as compared to prior year's HK$1,275.4 million profit. The 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. Loss on property sales and provisions for impairment against the Group's property development and hotel projects of 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.

Consolidated Profit and Loss Account

	FY2003 HK$m	FY2002 HK$m
Total turnover	**21,056.3**	22,874.6*
Cost of sales	**(16,912.8)**	(15,623.7)
Gross profit	**4,143.5**	7,250.9
Other revenues	**36.6**	93.4
Other (charge)/income	**(4,778.9)**	(774.2)
Administrative and other operating expenses	**(3,412.3)**	(3,467.5)
Operating (loss)/profit before financing income and costs	**(4,011.1)**	3,102.6
Financing income	**337.9**	615.1
Financing costs	**(1,824.1)**	(2,017.7)
Share of results of associated companies & JCE	**306.4**	565.1
(Loss)/Profit before taxation and minority interests	**(5,190.9)**	2,265.1
Taxation	**(401.6)**	(524.7)
Minority interests	**781.0**	(465.0)
(Loss)/Profit attributable to shareholders	**(4,811.5)**	1,275.4

* Including the disposal of the Regent Hotel

Turnover - Breakdown by Business Segment

Following the completion of reorganisation of certain subsidiary companies in January 2003, we have adopted a new presentation of business segment to give the shareholders a better and clearer understanding of the Group.

	FY2003 HK$m	FY2002 HK$m
Rental income	**983.5**	1,070.4
Property sales	**761.8**	4,308.6*
Contracting	**8,570.7**	6,881.2
Provision of service	**3,521.6**	3,408.5
Infrastructure operations	**494.7**	676.1
Telecommunication services	**2,712.4**	2,554.8
Department store operations	**2,673.3**	2,128.5
Hotel and restaurant operations	**1,151.8**	1,368.6
Others	**186.5**	477.9
Total Turnover	**21,056.3**	22,874.6

* Including the disposal of the Regent Hotel

In FY2003, the Group reported a drop of 8% in turnover to HK$21,056.3 million. With a continuing weak Hong Kong economy and the outbreak of SARS in March 2003, the property markets of both Hong Kong and Mainland China were very sluggish. Rental revenue decreased 8% to HK$983.5 million. It was mainly due to the rent concession granted during the SARS period and a falling market rate, especially retail space. Property sales revenue decreased 82% to HK$761.8 million. It was because the Group disposed the Regent Hotel in FY2002 and the outbreak of SARS in March 2003 further hampered the market sentiment and disrupted the Group's property sales programs in Hong Kong and Mainland China.

Contracting and Provision of service revenue increased 18% to HK$12,092.3 million. The increase mostly came from the Contracting Division as several major contracts were completed during this fiscal year.

Infrastructure revenue decreased 27% to HK$494.7 million. The decrease was mainly caused by the de-consolidation of Xiamen Xiang Yu Quay Co., Ltd., following the merger with Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. and Xiamen Xiangyu Free Port Developing Co., Ltd.. The newly merged company became a jointly controlled entity of NWSH. Moreover, new government policy resulted in the cessation of the toll collection right at Yangtze River Bridge No. 2 as of 1 October 2002.

Telecommunications revenue increased 6% to HK$2,712.4 million. It was the result of an increase in the number of subscribers and provision of more customer-oriented services during the year under review.

Department stores revenue increased 26% to HK$2,673.3 million. The increase was mainly due to the opening of a new store in Dalian and an improving consumer confidence and spending in Mainland China.

Hotel and restaurant revenue decreased 16% to HK$1,151.8 million mainly caused by the SARS outbreak during the second quarter of 2003 which led to an acute decline of tourist patronage and social activities. During the SARS attack months, our hotels' occupancy rate dropped substantially.

Analysis of segment results (including share of results of associated companies and jointly controlled entities)

	FY2003 HK$m	FY2002 HK$m
Property investment and development	**(194.2)**	2,604.5*
Service	**584.7**	1,086.3
Infrastructure	**1,352.3**	1,187.3
Telecommunications	**221.8**	23.7
Department stores	**40.2**	16.1
Others	**(450.6)**	9.7
Segment results	**1,554.2**	4,927.6

* Including the disposal of the Regent Hotel

Property investment and development

Property investment and development segment recorded a loss of HK$194.2 million. Property Investment segment contribution dropped to HK$574.5 million due to the ample supply of office, declining economy and the SARS outbreak. Though the Group managed to maintain the occupancy rates for most of our investment properties, the leasing rate was under pressure.

Property development segment recorded a loss of HK$768.7 million in FY2003 reflecting the deflationary environment and the over-supply situation. Although, during the period under review, the Group sold 2,528 units in Hong Kong against 837 units in FY2002, the segment performed far worse than FY2002 mainly because there was a one-time gain on disposal of the Regent Hotel.

Service

Service segment made a contribution of HK$584.7 million, down 46% year on year. The decrease mainly came from a drop in the profit margin of construction contracts; a decrease in the number of passengers of the Transport operations during the SARS period; the competition from the MTR Tseung Kwan O line which started operations in this fiscal year; the postponement and cancellation of exhibitions and banquets due to the SARS outbreak.

Infrastructure

Infrastructure segment had a growth of 14% to contribute HK$1,352.3 million for the period under review. This segment was the prime beneficiary of the traffic growth in expressway projects due to the strong economic growth in Mainland China. Currently, the 69 mature projects provide a steady recurring income to the Group.

Telecommunications

Telecommunications segment continued to improve it's performance with a contribution of HK$221.8 million to the Group, representing a growth of 836% year on year. Both the NWT and NWM substantially increased their subscriber base and introduced new customer-oriented services to capture new income streams while maintaining stringent cost control.

Others

The loss of HK$450.6 million from the Others segment mainly came from losses in certain TMT ventures, hotels operations and certain industrial projects in Mainland China.

The three hotels in Hong Kong were severely affected by SARS with occupancy dropped to single digit during those months.

Finance Costs

Given the prevailing low interest environment, finance costs were down 10% to HK$1,824.1 million in FY2003.

Provisions and Other Charges

FY2003 was a difficult year. Hong Kong economy continued to be weak and the unforeseeable outbreak of SARS in March 2003 had a dramatic effect on all levels of city life. The impact of SARS on the Group's was material. The occupancy rate of our hotels dropped to a historical low, the number of passengers for both NWFB and NWFF(M) fell sharply, rental rate dropped and property value fell. We suffered significant losses in our hotels and restaurants, property investment and property sales businesses, mostly due to a further drop of property value from last fiscal year. Due to the decline of the property market and weak economy throughout FY2003, we made net provisions of $4,779 million mainly against our investments and trading property portfolios and our TMT investments.

Breakdown of Net Other Charges	HK$ m
Properties of NWD	2,363
Properties of NWCL	1,036
TMT investments	964
Reorganisation dilution & expenses and Others	416
	4,779

Following a further deterioration of property prices in Hong Kong over the last year, we saw a significant gap in the current market value of our property portfolio and the current book value of these assets. Therefore, HK$2,363 million of provisions and net other charges was made against the Group's property portfolio, such as Black's Link Development, Kennedy Town Redevelopment and Discovery Park Shopping Mall.

Furthermore, the Group also recorded provisions and net other charges of HK$1,036 million for the property portfolio of NWCL.

Provisions and net loss in disposals amounted to HK$964 million was made or incurred for TMT investments reflecting the disposal of the Group's position in Chinadotcom and the results of revaluation of investments made. In addition, an amount of HK$416 million was charged which relates to the Group reorganisation and other investments.

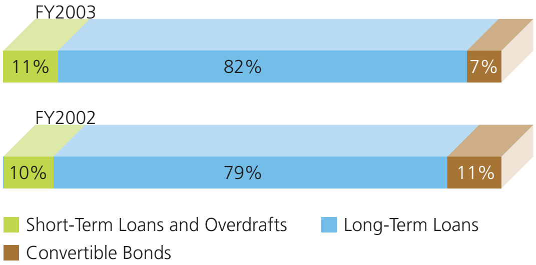
In addition to the charges made against profit and loss statement, HK$1.7 billion was charged against revaluation reserve for the revaluation deficits of the Group's investment and hotel properties so as to reflect the significant fall in property value over the past year.

Shareholders' funds for the Group as at 30 June 2003 was down to HK$46.1 billion against HK$53.6 billion as at the end of last fiscal year.

Liquidity and capital resources

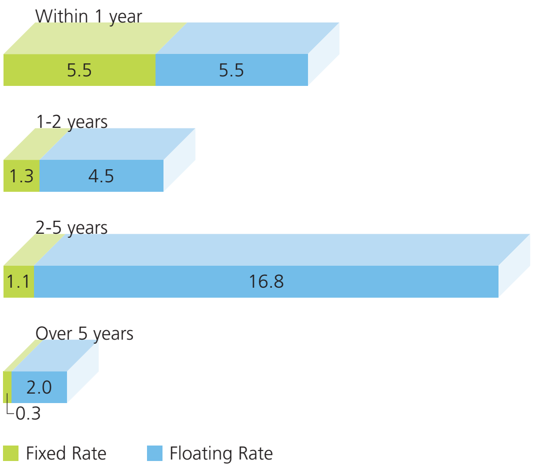
As at 30 June 2003, the Group's cash and bank balances decreased from last year's HK$7,093.9 million to HK$5,825.1 million. Its consolidated net debt amounted to HK$31,231.5 million (FY2002: HK$30,135.0 million), an increase of approximately 3.6% as compared with FY2002. Gearing ratio increased from 56% as at 30 June 2002 to 68% as at 30 June 2003. The increase was mainly due to net loss for the year and investment and hotel properties revaluation deficit for the year which resulted in a reduction of shareholders' funds from HK$53,599.9 million as at 30 June 2002 to HK$46,136.2 million as at 30 June 2003. Total Capitalisation of the Group amounted to HK$85,507.3 million (FY2002: HK$93,375.4 million). Total Debt to Capitalisation ratio of approximately 43% (FY2002: 40%).

Source of Borrowings

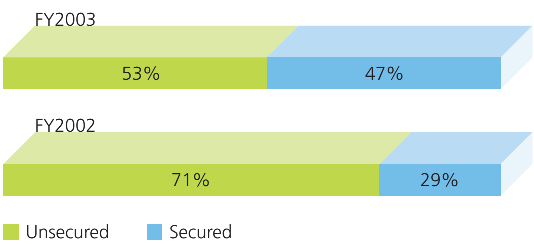


Interest Rate and Maturity Profile

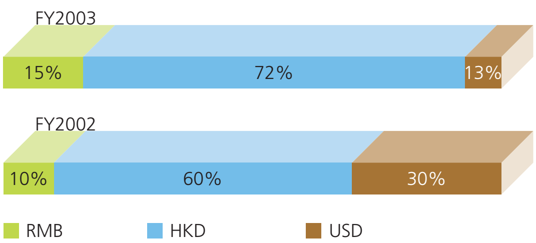
HK$ Billion



Nature of Debts



Currency Profile of Borrowings



Gross Debts	FY2003 HK$m	FY2002 HK$m
Consolidated gross debts	**37,056**	37,229
— New World Infrastructure	**2,412**	10,436
— New World China Land	**6,452**	5,468
— New World Services	**na**	2,751
— NWS Holdings	**9,441**	na
Gross debts excluding listed subsidiaries	**18,751**	18,574

Net Debts	FY2003 HK$m	FY2002 HK$m
Consolidated net debts	**31,231**	30,135
— New World Infrastructure	**1,838**	8,641
— New World China Land	**5,122**	4,017
— New World Services	**na**	112
— NWS Holdings	**6,893**	na
Net debts excluding listed subsidiaries	**17,378**	17,365

The Group maintained a balanced debt profile with adequate risk diversification through specifying the preferred mix of fixed and floating rate debt.

Nature of Debt

As at 30 June 2003, less than half of the total outstanding loans were secured by the Group's assets.

Interest Rate and Maturity Profile

Amount of debts due within the FY2004 amounts to HK$11,001.8 million. Our cash on hand as of 30 June 2003 was HK$5,825.1 million.

The operating cash inflow in the coming year together with the undrawn facilities and the renewal of existing banking facilities, should enable the Group to satisfy its commitments and working capital requirements.

Approximately 78% (FY2002: 77%) of the Group's total debts are on a floating rate basis, whilst fixed rate borrowings mainly related to the RMB loan facilities and convertible bonds.