Financial review

For the year under review, Hong Kong and Mainland China economy recovered soon after walking out of the tremor of SARS. Most of the Group's operations (property sales, rental, service and infrastructure, department stores and hotels) achieved either a turnaround or strong growth. The Group made provisions for investments in and loans to PrediWave Companies, video-on-demand set-top boxes, software licences and spare parts in aggregate of HK$4,392.0 million incurred by the Group's subsidiary, New World TMT Limited. For the financial year ended 30 June 2004, the Group recorded a loss of HK$976.2 million. However, if stripping out the provisions for PrediWave related investments and assets, the Group should have made a profit of approximately HK$1.4 billion.

Consolidated Profit and Loss Account

	FY2004 HK$m	FY2003 HK$m (as restated)
Turnover	**25,653.0**	21,056.3
Cost of sales	**(20,151.5)**	(16,912.8)
Gross profit	**5,501.5**	4,143.5
Other revenues	**48.3**	36.6
Other (charge)/income	**(4,787.2)**	(4,732.6)
Administrative and other expenses	**(3,740.6)**	(3,412.3)
Operating loss before financing costs and income	**(2,978.0)**	(3,964.8)
Financing costs	**(1,022.7)**	(1,824.1)
Financing income	**230.4**	337.9
Share of results of associated companies & JCE	**2,341.3**	306.4
Loss before taxation and minority interests	**(1,429.0)**	(5,144.6)
Taxation	**(980.2)**	(317.4)
Minority interests	**1,433.0**	754.3
Loss attributable to shareholders	**(976.2)**	(4,707.7)

Turnover - Breakdown by Business Segment

	FY2004 HK$m	FY2003 HK$m
Rental	**965.9**	983.5
Property sales	**5,629.1**	761.8
Contracting	**6,144.2**	8,570.7
Service	**4,674.1**	3,521.6
Infrastructure	**374.9**	494.7
Telecommunications	**2,623.8**	2,712.4
Department stores	**3,254.3**	2,673.3
Hotel and restaurant	**1,495.0**	1,151.8
Others	**491.7**	186.5
Total	**25,653.0**	21,056.3

In FY2004, the Group reported a growth of 21.8% in turnover to HK$25,653.0 million. The property market in Hong Kong rebounded in the fourth quarter of 2003. Since then, both volume and pricing recorded a solid growth. Rental turnover dropped 1.8% to HK$965.9 million. The rental rate of the tenancy agreements renewed in 2003 were generally lower than the pre-SARS level. Property sales revenue surged 638.9% to HK$5,629.1 million as the Group had more properties for sale and price increase in FY2004. In addition, the Group's development projects in Mainland China have completed a record year in both area completion and area sold.

Contracting turnover decreased 28.3% to HK$6,144.2 million resulted from the lagging property construction market activities and intense competition among major players.

Service turnover increased 32.7% to HK$4,674.1 million. HKCEC achieved an encouraging result mainly due to the fast track economic recovery in tourism, retail, and consumer related businesses, as well as from the spill-over effect of the post-SARS business rescheduling of many exhibitions and conventions. Property management produced a satisfactory result. As at 30 June 2004, Urban Property Management managed a total of 20 million sq. ft. of commercial/industrial areas, 180,000 residential flats, and 33,000 car park spaces. Kiu Lok achieved sound results, mainly attributable to the improved activities in the Mainland China agency and property management businesses.

Infrastructure turnover decreased 24.2% to HK$374.9 million. The drop was mainly caused by the cessation of toll collection right at Wuhan Bridge as of 1 October 2002 and the disposal of 13 Zhaoqing toll road projects in FY2004.

Telecommunications turnover dropped 3.3% to HK$2,623.8 million. The drop was mainly due to the intense competition in the Hong Kong IDD market.

Department stores turnover grew 21.7% to HK$3,254.3 million. The growth was mainly due to the opening of two new stores in Shanghai Hongkou and Kunming in FY2004, and the full contribution from the store in Dalian opened in FY2003.

Hotel and restaurant turnover surged 29.8% to HK$1,495.0 million. Hong Kong premium hotels have improved significantly in both occupancy and average room rate after SARS.

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

	FY2004 HK$m	FY2003 HK$m (as restated)
Property sales	**1,577.4**	(770.6)
Rental	**725.3**	576.4
Service	**945.6**	584.7
Infrastructure	**1,353.1**	1,352.3
Telecommunications	**53.1**	221.8
Department stores	**103.5**	40.2
Others	**(102.6)**	(450.6)
Total	**4,655.4**	1,554.2

Property sales

Property sales segment contributed HK$1,577.4 million against a loss in last year. The Group had more properties for sale at a higher price in FY2004 during a property market upturn. The Group sold 1,136,977 sq. ft. in Hong Kong comparing to 660,341 sq. ft. in FY2003. In FY2004, the Group has completed the development of No. 2 Park Road and Bon-Point at the Mid-Levels of Hong Kong Island; Parc Palais, Sky Tower and Kingsford Terrace in Kowloon.

Rental

Rental segment contributed HK$725.3 million. The Group's Mainland China investment portfolio expanded to 1,199,521 sq. m. after the completion of the Grade A office building Shanghai Hong Kong New World Tower at the city centre of Shanghai.

Service

Service segment made a contribution of HK$945.6 million, up 61.7% year on year. The average occupancy of the HKCEC for the year was comparable to those previous years when mega functions such as ITU — Telecom Asia were held. Sky Connection Limited, which has exclusive right to retail duty free liquor and tobacco, delivered satisfactory results. The Group's transport operations have yet to regain their profitability back to the pre-SARS level.

Infrastructure

Infrastructure segment contributed HK$1,353.1 million, almost the same level as last year. Growing contributions from the power plants and water treatment operations were dragged by the business downturn of the Group's ports operations at Kwai Chung. CSX World Terminals Hong Kong Limited lost one major client in FY2004.

Telecommunications

Telecommunications segment dropped 76.1% to HK$53.1 million. New World Mobility maintained its profitability even under the intense competition of the Hong Kong mobile market. Mobile subscriber base grew to 1.25 million as at 30 June 2004. New World Telecommunications, the Group's fixed-line operating arm, had a substantial retreat in earnings due to the plunge in IDD rate.

Department stores

Department stores segment surged 157.5% to HK$103.5 million. The Group's operations captured the growing consumer market. The Group opened two stores in Shanghai Hongkou in October 2003 and Kunming in June 2004.

Others

The loss of HK$102.6 million from the Others segment mainly came from the loss in certain TMT ventures and certain industrial projects in Mainland China. The Group's hotel operations regained their profitability back to the pre-SARS level.

Finance Costs

The Group has reduced almost HK$10 billion debt and refinanced certain debts with lower interest costs. Consequently, the net finance costs were down 46.7% to HK$792.3 million.

Provisions and Other Charges

Hong Kong property had a sharp rebound in the fourth quarter of 2003. Since then, the volume and pricing of Hong Kong property both grew firmly. HK$1,160.2 million of previous provisions made against the Group's property portfolio, such as Kennedy Town and Black's Link, were written back due to the remarkable improvement in the property market in Hong Kong.

Provisions and Other Charges		**HK$m**
HK property		
Provisions written back:	Kennedy Town	538.5
	Black's Link	386.4
	Others	235.3
		1,160.2
NWCL		
Provisions written back:	Hotels	213.4
Provisions made:	Properties	(154.6)
		58.8
NWTMT		
Provisions:	PrediWave related	(4,392.0)
	Other investments	(757.2)
		(5,149.2)
NWT: Impairment loss on cable assets and others		(797.4)
Others		(59.6)
Total		(4,787.2)

New World TMT announced in May 2004 that it filed complaints against Jianping Tony Qu (the president and founder of the PrediWave Companies) and the PrediWave Companies at the Superior Court of the State of California for the County of Santa Clara seeking recovery of investments and damages in excess of US$700.0 million (equivalent to approximately HK$5,460.0 million). The Group made provisions of HK$4,392.0 million against the PrediWave related investments and assets.

A provision of HK$154.6 million had been made on some Mainland China property projects owned by NWCL with reference to recent market price and valuation as at 30 June 2004. The major projects involved were Foshan Golf & Country Club, Tianjin Xin Chun Hua Yuan and Tianjin Xin An Garden.

Due to hotel market rebound after SARS, HK$213.4 million was written back from Mainland China hotels owned by NWCL.

For the financial year under review, the Group's telecommunications operations made a provision of HK$797.4 million for the impairment loss of cable assets and others.

Shareholders' Funds

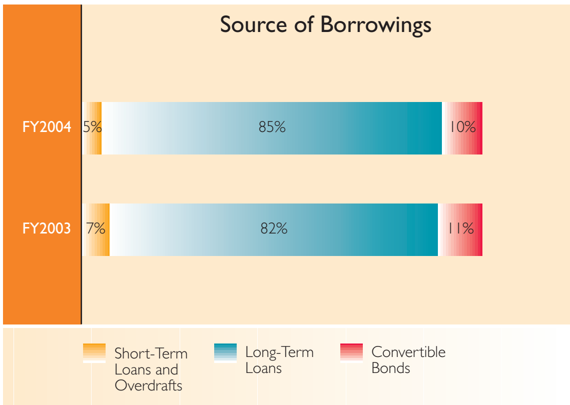
In October 2003, a share placement of 250 million shares at HK$4.9044 per share raising approximately HK$1.26 billion was conducted by the Company.

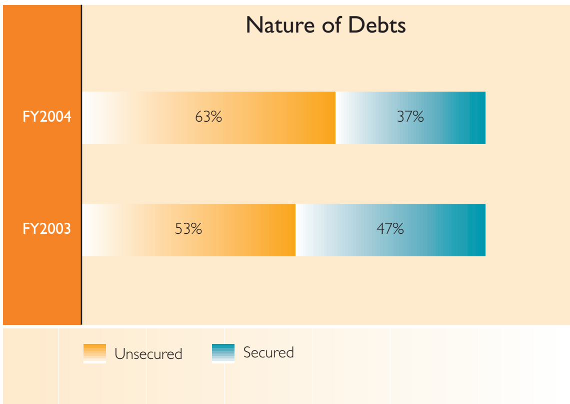
In April 2004, a rights issue of shares at two shares for every five shares at HK$5.40 per share raising approximately HK$5.33 billion was conducted by the Company.

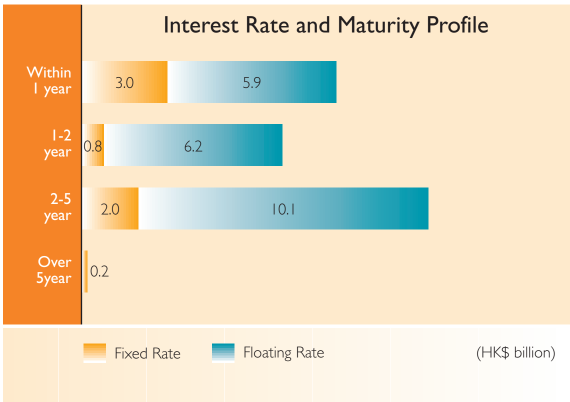
Shareholders' funds for the Group as at 30 June 2004 increased to HK$54.4 billion against HK$46.0 billion as at the end of last fiscal year.

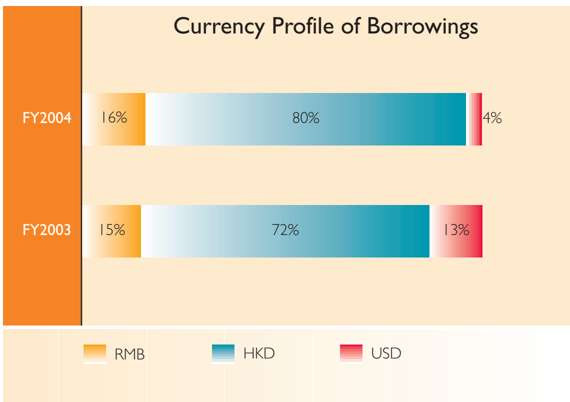
Liquidity and capital resources

As at 30 June 2004, the Group's cash and bank balances amounted to HK$6,630.0 million (FY2003: HK$5,825.1 million). Its consolidated net debt amounted to HK$21,613.3 million (FY2003: HK$31,231.3 million), a decrease of approximately 30.8% as compared with FY2003. Gearing ratio decreased from 68.0% as at 30 June 2003 to 39.7% as at 30 June 2004.









Gross Debts	FY2004 HK$m	FY2003 HK$m
Consolidated gross debts	**28,243**	37,056
— NWS Holdings	**8,120**	9,441
— New World China Land	**5,770**	6,452
— New World TMT	**3,353**	2,412
Gross debts excluding listed subsidiaries	**11,000**	18,751

Net Debts	FY2004 HK$m	FY2003 HK$m
Consolidated net debts	**21,613**	31,231
— NWS Holdings	**4,618**	6,893
— New World China Land	**4,878**	5,122
— New World TMT	**2,703**	1,838
Net debts excluding listed subsidiaries	**9,414**	17,378

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

Nature of Debt

As at 30 June 2004, less than 40% of the total outstanding loans were secured by the Group's assets.

Interest Rate and Maturity Profile

Amount of debts due within the FY2005 amounts to HK$8,895.8 million. Our cash on hand as of 30 June 2004 was HK$6,630.0 million.

The combination of cash of hand, together with cash inflow from operatings and our remaining undrawn banking facilities, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

Approximately 79% (FY2003: 78%) 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.