

## 2002/2003 ANNUAL RESULTS

(16 October 2003 – HONG KONG) New World Development Company Limited (“NWD”) or the “Group”, (Hong Kong stock code: 0017) today announced the consolidated results for the year ended 30 June 2003.

- Turnover amounted to \$21,056.3 million and loss attributable to shareholders was \$4,811.5 million or \$2.21 per share.
- The impact of SARS and the generally soft economy on the Group’s profit was material. The reduction in recurring results is about \$204 million due to SARS.
- The Group has made provisions and other charges of \$4,779 million against our investment and trading property portfolios and our TMT investments.
- The continuing weak economy dragged down the property market. Total turnover of the Group’s property sales and rentals in Hong Kong and Mainland China amounted to \$1,956.3 million.
- Despite the challenging market environment, the following Group businesses recorded growth during the period under review.
  - NWS Holdings Limited (“NWSH”) achieved strong cash flow with a profit of \$1,213.4 million and a reduction in gross debt by \$3,000 million between January and September 2003.
  - New World Mobility (“NWM”) experienced rapid growth with a subscriber base of 990,000 as at 30 June 2003 representing a 37% increase year on year.
  - New World Telecommunications (“NWT”) recorded strong IDD growth with traffic volume increased 42% year on year to 740 million minutes.
  - New World Department Stores Limited (“NWDS”) continued to expand, with fourteen department stores in Mainland China and Hong Kong. NWDS recorded turnover of \$2,673 million.

**Consolidated Profit and Loss Account (\$ million)**

	Year ended 30 June	
	2003	2002
Turnover	21,056.3	22,874.6
Segment contribution		
Property investment and development	(194.2)	2,604.5*
Service	584.7	1,086.3
Infrastructure	1,352.3	1,036.4
Telecommunications	221.8	23.7
Department stores	40.2	16.1
Others	(450.6)	160.6
	1,554.2	4,927.6
Other (charge) / income	(4,778.9)	(774.2)
Unallocated corporate expenses	(480.0)	(485.7)
Operating (loss)/profit before financing costs and income	(3,704.7)	3,667.7
Financing income	337.9	615.1
Financing costs	(1,824.1)	(2,017.7)
(Loss)/Profit before taxation	(5,190.9)	2,265.1
Taxation	(401.6)	(524.7)
(Loss)/Profit after taxation	(5,592.5)	1,740.4
Minority interests	781.0	(465.0)
(Loss)/Profit attributable to shareholders	(4,811.5)	1,275.4
(Loss)/Earnings per share	\$(2.21)	\$0.60

\* – Including the sale of the Regent Hotel

**Breakdown of provisions and other charges (\$ million)**

Properties of NWD	2,363
Properties of NWCL	1,036
TMT investments	964
Reorganization dilution & expenses and Others	416
	4,779

**(Loss)/Profit Attributable to Shareholders FY2003 (\$ million)**

NWS Holdings Limited (stock code: 659)	1,213.4
New World China Land Limited (stock code: 917)	(1,711.0)
New World Infrastructure Limited (stock code: 301)	(959.5)

## **BUSINESS REVIEW**

Commenting on the Group's annual results, Dr. Henry Cheng, Managing Director of New World Development Company Limited, said "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's profit was material. The occupancy of our hotels reached a historical low while the number of passengers for both New World First Bus ("NWFB") and New World First Ferry (Macau) also fell sharply. We suffered significant losses in our hotels and restaurants businesses and in property sales. Due to the decline of the property market and weak economy throughout FY2003, we made provisions of \$4,779 million against our investments and trading property portfolios and our TMT investments. We needed to take this step to continue down the path of clearer corporate value, increased transparency and higher accountability. It was the right thing to do."

### **Property**

#### **Hong Kong Property**

In FY2003, the property market continued to decline due to the prevailing weak Hong Kong economy. However we began to see a pick-up starting from July 2003 following the economy boosting measures announced by the Hong Kong government.

During the period under review, the Group's attributable share of property sales revenues of nine projects amounted to over \$1,840 million. Projects include Monte Carlton, Sereno Verde, La Pradera, Tung Chung Crescent, Seaview Crescent, Sky Tower, Bijou Apartments, Queen's Terrace and 11 MacDonnell Road.

<b>Development Landbank</b>	<b>Attrib. GFA (sf)</b>	<b>Project No.</b>
Urban projects	3,447,261	15
New Territories projects	2,860,251	7
Agricultural land	19,853,100	35
<b>Total</b>	<b>26,160,612</b>	<b>57</b>

<b>Development projects for FY2004</b>	<b>Location</b>	<b>Total GFA (sf)</b>	<b>No. of units</b>	<b>NWD's Int. (%)</b>
Sky Tower (傲雲峰)	Kowloon City	1,500,368	2,208	20%
Parc Palais (君頤峰)	Homantin	900,000	700	30%
2 Park Road(柏道 2 號)	Mid-Levels	150,280	148	100%
West End Terrace & Bonham Road (般咸道項目)	Mid-Levels	123,244	128	70%
Kennedy Town Redevelopment (堅尼地城重建項目)	Western district	676,687	1,174	100%
Tseung Kwan O Area 55b (將軍澳 55b 區項目)	Tseung Kwan O	914,079	1,472	45%
<b>Total</b>		<b>4,264,658</b>	<b>5,830</b>	

The rental market for offices and retail property remained weak in 2003 due to the declining economy and the SARS outbreak.

Despite the ample supply of office space, New World Tower, New World Centre office buildings and Manning House achieved over 85% occupancy while Methodist House was 80% leased.

The Group's major shopping malls, such as New World Centre, Discovery Park, Telford Plaza, Mei Foo Shops and Pearl City, attained occupancy levels of over 85%.

In May 2003, NWD announced a \$40 million contribution towards the design and construction of the "Avenue of Stars" project at New World Centre and assumed the responsibility for the site's management and maintenance work for the next 20 years. The "Avenue of Stars", similar to the "Walk of Fame" in Hollywood, Los Angeles, is designed to honor actors and actresses who have made a significant contribution in Hong Kong's film industry. The construction commenced in June 2003 and the first phase of the project is expected to be completed in the second quarter of 2004. The completion of the "Avenue of Stars" will enhance the status of the New World Centre as the "heart" of Tsim Sha Tsui.

## Mainland China Property

New World China Land completed the construction of 717,582 sqm of the following development properties.

<b>Development Projects completed in FY2003</b>	<b>Usage</b>	<b>GFA (sqm)</b>	<b>NWCL's Attrib Interest</b>
Beijing New World Garden Phase I (北京新世界家園一期)	O	13,000	70%
Tianjin Xin Chun Hua Yuan Development Phase II (天津新春花苑二期)	R, C	34,585	60%
Shenyang New World Garden Phase IB (瀋陽新世界花園一期 B)	R	19,102	90%
Wuhan Changqing Garden Phase IV (武漢常青花園四期)	R, C, O	294,874	60%
Jinan Sunshine Garden Phase I (濟南陽光花園一期)	R	37,014	65%
Hefei New World Garden Phase II (合肥新世界花園二期)	R, C	16,257	60%
Guangzhou Covent Garden Phase IB (廣州逸彩庭園一期 B)	R	10,000	60%
Guangzhou Covent Garden Phase II (廣州逸彩庭園二期)	R	12,484	60%
Guangzhou Fangcao Garden Phase I (廣州天河芳草園一期)	R, C	48,202	40%
Guangzhou Dong Yi Garden Phase III (廣州東逸花園三期)	R	52,683	100%
Guangzhou Park Paradise Phase IIA & IIB portion (廣州嶺南新世界家園二期 A 及二期 B 部份)	R, C	92,711	60%
Guangzhou Xintang New World Garden Phase II (廣州新塘新世界花園二期)	R	13,918	60%
Huiyang Palm Island Golf Resort Phase II (惠陽棕櫚島高爾夫渡假村二期)	R	4,484	34%
Huiyang Palm Island Golf Resort Phase III (惠陽棕櫚島高爾夫渡假村三期)	R	18,734	34%
Zhuhai New World Riviera Garden Phase I (珠海新世界海濱花園一期)	R	8,992	60%
Zhaoqing New World Garden Phase I (肇慶新世界花園一期)	R	40,542	40%
<b>Total</b>		<b>717,582</b>	
<i>R</i> :	<i>Residential</i>		
<i>C</i> :	<i>Commercial</i>		
<i>O</i> :	<i>Office</i>		

New World China Land completed construction of 116,428 sqm of the following investment properties.

<b>Investment Projects completed in FY2003</b>	<b>Usage</b>	<b>GFA (sqm)</b>	<b>NWCL's Attrib Interest</b>
Dalian New World Plaza (大連新世界廣場)	C	69,196	88%
Shanghai Hong Kong New World Tower (上海香港新世界大廈)	C, O	28,343	44%
Guangzhou New World Oriental Garden Phase I (廣州東方新世界花園一期)	C	18,889	100%
<b>Total</b>		<b>116,428</b>	

## **Service**

Even though NWSH's Service operations were significantly impacted by SARS, this segment still produced a satisfactory result and contributed \$584.7 million to the Group in FY2003.

A closer examination of the SARS impact on the Group's Service businesses finds NWFB, the backbone of the Transport operation, one of the most affected units. Since SARS restricted many social and economic activities in Hong Kong, NWFB saw its average daily customer flows drop substantially from March to June 2003. Moreover, the commencement of the mass transit railway Tseung Kwan O Line in August 2002, which dramatically reduced customer flows from the adjacent bus routes, exerted further pressure on NWFB's profitability.

Hong Kong Convention and Exhibition Centre ("HKCEC"), was also impacted by SARS as more than 250 exhibitions and events were cancelled or postponed. Nevertheless, as a result of the decisive cost-saving measures and business-recovery strategies adopted by the HKCEC management, the performance of these operations was not as adversely affected as forecasted.

Despite a decrease in profit margin due to severe competition, Urban Property Management Limited ("UPML") was able to maintain its profitability through aggressive cost management and improved efficiency. The company manages a total of 180,000 residential units and commercial / industrial buildings totalling 46 million square feet. UPML's philosophy of continually striving for improvement earned the company the 2003 Best Employer in Asia Award and the 2003 Hong Kong Management Association Quality Award.

Despite the economic downturn and decreased development activity in Hong Kong, both Hip Hing Construction and NWS Engineering contributed substantially to the Group as a result of stringent cost saving measures and improved operating efficiency. Total contracts on hand at year-end reached \$25,000 million, thus securing profitability of this segment for the coming year.

## **Infrastructure**

The Group's infrastructure segment consists of four major operations: roads and bridges; energy; water treatment and waste management; and container handling and logistics and warehousing. Currently, there are some 69 mature infrastructure

projects providing a steady recurring income to the Group. In FY2003, the infrastructure segment contribution increased by 30% to \$1,352.3 million due to the strong economic growth in Mainland China.

During the year under review, despite the travel restrictions in the second half of FY2003 following the outbreak of SARS, the overall performance of the Roads and Bridges assets was outstanding due to the significant traffic growth for expressway projects and one-off gains, including a \$27.1 million gain on the disposal of Roadway No. 1967 (Xinxing Section 新興段).

The Energy assets' performance was satisfactory due to an increase in the attributable profit of Zhujiang Power Station Phase I and a rise in the sales volume of Phase II which offset most of the negative impact of tariff reductions. There was also a gain on the disposal of NWSH's effective interest of 1.35% in the Companhia de Electricidade de Macau – CEM, S.A. to China Power International Holdings Limited in May 2003.

The Water Treatment assets' contribution decreased due to a share of a specific provision of \$15 million made for under-performing projects and a fall in the profit contribution from Shenyang Public Utility Holdings Company Limited which disposed of all its water plants. However, new projects in Qingdao and Chongqing, which commenced operation in August and November 2002 respectively, were able to mitigate the downward effect to a certain extent. Macao Water Supply Company Limited, the top contributor, increased water sales by more than 2%.

Two major projects in Hong Kong, CSX World Terminals Hong Kong Limited ("CSX") and ATL Logistics Centre Hong Kong Limited ("ATL"), remained the significant contributors to the Group's ports business. In FY2003, the container throughput of CSX remained stable at 1.34 million TEUs while the occupancy rate of ATL increased to 95.4% from 93.6% last year.

Contributions from the Group's port investments in Mainland China are increasing. This is primarily fuelled by the increase in container handling volume of Xiamen Xiang Yu Quay Co., Ltd. and CSX Orient (Tianjin) Container Terminals Co., Ltd., which achieved 482,000 TEUs and 1.03 million TEUs respectively in FY2003, representing an increase of 50.6% and 16.2% over last year.

## **Telecommunications**

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

### ***New World Mobility***

As at 30 June 2003, the subscriber base of NWM had grown to 990,000 from 720,000 at June 2002, representing a 37.5% increase despite keen competition over the year with a net ARPU of \$210. By the end of September 2003, the number of subscribers reached over 1.1 million. In order to provide enlarged capacity for its expanding subscriber base, NWM invested over \$140 million in upgrading its network.

NWM improved profitability as a result of careful control over operational expenses, and following a substantial growth in prepaid customers to nearly one-third of the total subscriber base. During the fiscal year, NWM also continued to launch various data applications, such as Twins Mobile and Star Mobile, which made a significant contribution to the increase in subscriber numbers and revenue from prepaid customers.

### ***New World Telecommunications***

NWT continued its efforts to evolve into a regional telecom network service provider leveraging significant business opportunities arising from the dynamic growth of data traffic, broadband connectivity, multimedia and content services throughout the Asia Pacific region and beyond.

NWT has acquired over 162,500 fixed lines as at 30 June 2003, representing a 65% growth year-on-year. Total IDD traffic volume grew 42% year on year reaching 740 million minutes during the period under review.

NWT also launched "Vitamin", a premium 12 Mbps symmetrical residential broadband service, as well as a broadband portal as part of its pioneering initiative to provide best-in-class telecommunication services to the Hong Kong market. NWT continued to upgrade its infrastructure by increasing diversity in major backbones,



for example the submarine cable between Chek Lap Kok and Tuen Mun, the secondary route for the North Lantau Route.

Finally, to capture the revenue opportunities emerging throughout Mainland China following its successful WTO accession and Closer Economic Partnership Arrangement (“CEPA”) with Hong Kong, NWT is set to build its presence in the system integration market in Greater China by forming strategic relationships with IT suppliers. NWT plans to obtain further telecom licenses and establish Points of Presence facilities in South Korea, Japan and Australia (Sydney) in 2003/04.

### ***Department Stores***

NWDS had a total of thirteen department stores across nine cities in Mainland China and one in Hong Kong with a combined GFA of over 414,300 sq. m. as at the end of FY2003. Total sales of NWDS in FY2003 amounted to \$2,673 million, an increase of 26%. To further capture growing demand in China, three new department stores are scheduled to be opened by the end of 2004. These stores are to be located at Hongkou in Shanghai, Chengdu and Nanjing.

### ***Hotels and Restaurants***

The Hotels and Restaurants operation was hampered by the sharp decline in tourist numbers and social activities following the outbreak of SARS. During the second quarter of 2003, the Group experienced a record low occupancy rate. The Group currently has 3 hotels in Hong Kong, 7 in Mainland China and 4 in Southeast Asia.

### ***TMT***

There were a number of promising developments in the TMT arena. One important breakthrough came with the announcement by PrediWave regarding the commencement of its commercial operations in Fujian Province after the completion of a successful test of its interactive and pay TV operating system.

### ***New World China Enterprises***

New World China Enterprises Projects Limited (“NWCEP”) focuses on healthcare, consumer products, building materials, and automotive services in the Mainland China market. NWCEP is also responsible for managing investment projects for New World Liberty China Ventures Limited (“NWLCV”). NWLCV was established in

December 2000 as a strategic alliance between Liberty Mutual Insurance Company in the US, and other investors including the Asian Development Bank for the purpose of investing in projects involving strategic and technology partnerships with a number of international companies in Mainland China.

## DEBT PROFILE

	<b>FY2003</b>	<b>FY2002</b>
Consolidated gross debts (\$ million)	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 major listed subsidiaries	18,751	18,574

	<b>FY2003</b>	<b>FY2002</b>
Consolidated net debts (\$ million)	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 major listed subsidiaries	17,378	17,365

NWSH has reduced its debt by \$3,000 million between January and September 2003 and the company plans to repay another \$3,000 million over the coming three years.

## OUTLOOK

The provisions we have made will create a solid platform to enable the Group to leverage the anticipated growth in the Hong Kong and Mainland China economies.

Commenting on the outlook of the property market in Hong Kong, Dr. Henry Cheng said, "The Hong Kong property market is poised to rebound following yesterday's announcement by the Hong Kong government which will further improve market sentiment and pricing for property developers as inventory is sold more quickly. The Group will benefit from a number of property sales projects to be launched in the next two years."

The Group's operations are primarily located in Hong Kong and Mainland China and performance is highly correlated with the macro environment of these two regions. Given our investments in Hong Kong and Mainland China, we are now in a position

to capitalize on opportunities created by a strong recovery of the Hong Kong economy and the continued growth of the Mainland China economy.

We also expect mainland visitor numbers to increase substantially following the recent relaxation in travel restrictions, with potential significant upside for our hotel, retail property and transport businesses in Hong Kong. We also anticipate an increased competitive advantage for the Group's property, construction, telecommunication, transportation, convention and conference investments following the announcement of CEPA.

Other growth areas for the Group include an increased contribution from the Group's largest piece of investment property, New World Centre, which will be in a prime location in Tsim Sha Tsui following the completion of the KCR East Rail construction and the relocation of the bus terminus at Star Ferry Pier to Tsim Sha Tsui East next year. In order to capitalize on the anticipated growth of tourism in Hong Kong, the Group plans to build a five-star, 60-storey hotel next to the New World Centre in FY2004. The total GFA of the hotel is estimated to be about one million square feet.

We also expect both NWM and NWT to continue to increase their contribution to the Group going forward. Both companies are launching new and innovative products and are significantly increasing their subscriber bases.

We see a continuing opportunity in Mainland China for the Group as the increased development of Mainland China's cities has a significant positive impact. In 2003, the economy of Mainland China continues 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 rapid economic growth to continue in the coming year.

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### **About New World Development Company**

New World Development Company Limited (Hong Kong stock code: 0017), established in Hong Kong in 1970 as a property development company, has gradually developed into one of Hong Kong's leading conglomerates. The Group, listed in Hong Kong in 1972, now has total assets exceeding \$115.6 billion. Through acquisitions and start-ups, the Group expanded its core businesses to include property, infrastructure, services and telecommunications. As at the date of this press release, the Company has an effective interest of approximately 54% in New World Infrastructure Limited (Hong Kong stock code: 0301), 54% in NWS Holdings Limited (Hong Kong stock code: 0659) and 70% in New World China Land Limited (Hong Kong stock code: 0917).

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