



# New World Infrastructure Limited

## 新世界基建有限公司

(incorporated in the Cayman Islands with limited liability)

### Interim Results Announcement 2002/2003

The Directors of the Company announce that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2002 were as follows:

		<b>Unaudited Six months ended 31.12.2002 HK\$'000</b>	Unaudited Six months ended 31.12.2001 HK\$'000
	<i>Note</i>		
Turnover	1	<b>309,366</b>	401,189
Other operating income	2	<b>139,919</b>	123,043
Operating costs	3	<b>(588,684)</b>	(419,335)
Operating (loss)/profit before financing	1	<b>(139,399)</b>	104,897
Finance costs		<b>(381,153)</b>	(420,793)
Share of results of associated companies		<b>105,383</b>	110,931
Share of results of jointly controlled entities		<b>430,142</b>	352,840
Profit before taxation		<b>14,973</b>	147,875
Taxation	4	<b>(74,157)</b>	(55,508)
(Loss)/profit after taxation		<b>(59,184)</b>	92,367
Minority interests		<b>(38,981)</b>	7,743
(Loss)/profit for the period		<b><u>(98,165)</u></b>	<u>100,110</u>
(Loss)/earnings per share	6		
Basic		<b><u>(HK\$0.10)</u></b>	<u>HK\$0.08</u>
Diluted		<b><u>N/A</u></b>	<u>N/A</u>

Notes:

**1. Turnover and segment information**

Turnover represents income from the operation of toll roads and bridges, income from cargo and container handling and storage, interest income and investment income from joint ventures, net of business and withholding taxes, where applicable.

**Segment information**

The Group is organised into five main business segments including energy and water treatment, toll roads, toll bridges, cargo handling and telecommunications, media and technology ("TMT"). Upon the completion of the Reorganisation as further described under the heading of "Group Reorganisation", segments except TMT discontinued.

*Primary reporting format – business segments*

Six months ended 31 December 2002

	Energy and water treatment	Toll roads	Toll bridges	Cargo handling	TMT	Others	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	<u>2,058</u>	<u>225,201</u>	<u>59,639</u>	<u>9,222</u>	<u>25</u>	<u>-</u>	296,145
Other interest income							13,221
Turnover							<u>309,366</u>
Segment results	<u>(4,161)</u>	<u>127,899</u>	<u>4,284</u>	<u>(46,825)</u>	<u>(155,124)</u>	<u>1,402</u>	(72,525)
Other interest income							13,221
Unallocated costs							<u>(80,095)</u>
Operating loss before financing							(139,399)
Finance costs							(381,153)
Share of results of							
Associated companies	-	-	-	150,414	(45,031)	-	105,383
Jointly controlled entities	230,073	104,916	3,750	111,868	(20,465)	-	430,142
Profit before taxation							14,973
Taxation							<u>(74,157)</u>
Loss after taxation							(59,184)
Minority interests							<u>(38,981)</u>
Loss for the period							<u>(98,165)</u>

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Six months ended 31 December 2001

	Energy and water treatment <i>HK\$'000</i>	Toll roads <i>HK\$'000</i>	Toll bridges <i>HK\$'000</i>	Cargo handling <i>HK\$'000</i>	TMT <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment revenues	<u>24,277</u>	<u>200,273</u>	<u>67,186</u>	<u>75,013</u>	<u>5,336</u>	372,085
Other interest income						<u>29,104</u>
Turnover						<u>401,189</u>
Segment results	<u>23,025</u>	<u>106,318</u>	<u>32,813</u>	<u>28,221</u>	<u>(48,976)</u>	141,401
Other interest income						29,104
Unallocated costs						<u>(65,608)</u>
Operating profit before financing						104,897
Finance costs						<u>(420,793)</u>
Share of results of						
Associated companies	-	-	-	136,553	(25,622)	110,931
Jointly controlled entities	187,069	82,108	1,376	90,126	(7,839)	<u>352,840</u>
Profit before taxation						147,875
Taxation						<u>(55,508)</u>
Profit after taxation						92,367
Minority interests						<u>7,743</u>
Profit for the period						<u>100,110</u>

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Secondary reporting format – geographical segments

	Six months ended 31.12.2002		Six months ended 31.12.2001	
	Segment revenues HK\$'000	Segment results HK\$'000	Segment revenues HK\$'000	Segment results HK\$'000
China mainland	291,064	101,575	368,777	91,366
Hong Kong	5,081	51,616	3,110	102,963
Overseas	–	(225,716)	198	(52,928)
	<u>296,145</u>	<u>(72,525)</u>	<u>372,085</u>	<u>141,401</u>
Other interest income	<u>13,221</u>	<u>13,221</u>	<u>29,104</u>	<u>29,104</u>
Turnover	<u><u>309,366</u></u>		<u><u>401,189</u></u>	
Unallocated costs		<u>(80,095)</u>		<u>(65,608)</u>
Operating (loss)/profit before financing		<u><u>(139,399)</u></u>		<u><u>104,897</u></u>

## 2. Other operating income

	Six months ended 31.12.2002 HK\$'000	Six months ended 31.12.2001 HK\$'000
Gain on disposal of subsidiaries	15,514	–
Gain on disposal of unlisted investment	118,541	–
Gain on disposal of jointly controlled entities	–	113,676
Surplus arising from deconsolidation of a subsidiary	–	4,905
Written-back of impairment loss on other investment	1,402	–
Others	4,462	4,462
	<u><u>139,919</u></u>	<u><u>123,043</u></u>

**3. Operating costs include the following:**

	<b>Six months ended</b> <b>31.12.2002</b> <b>HK\$'000</b>	Six months ended 31.12.2001 HK\$'000
Impairment losses on other investments	179,997	52,139
Impairment losses on fixed assets	35,000	77,500
Depreciation	118,407	110,004
Loss on disposal of non-trading securities listed outside Hong Kong	41,749	–
Loss on disposal of fixed assets	118	4,938
Provision for payments on account of proposed joint ventures	18,677	2,340
Amortisation of cost of investment in co-operative joint ventures	8,929	767
	<u>          </u>	<u>          </u>

**4. Taxation**

	<b>Six months</b> <b>ended</b> <b>31.12.2002</b> <b>HK\$'000</b>	Six months ended 31.12.2001 HK\$'000
Company and subsidiaries		
PRC income tax	8,019	6,461
Deferred tax	105	–
	<u>          </u>	<u>          </u>
	8,124	6,461
Associated companies		
Hong Kong profits tax	24,367	21,166
PRC income tax	27	–
	<u>          </u>	<u>          </u>
	24,394	21,166
Jointly controlled entities		
Hong Kong profits tax	15,519	12,077
Macau income tax	12,009	11,370
PRC income tax	13,637	4,434
Deferred tax	474	–
	<u>          </u>	<u>          </u>
	41,639	27,881
	<u>          </u>	<u>          </u>
	74,157	55,508
	<u>          </u>	<u>          </u>

Hong Kong profits tax has been provided at the rate of 16% (six months ended 31.12.2001: 16%) on income assessable to Hong Kong profits tax. PRC and Macau income tax have been provided on the estimated assessable profits for the period at their prevailing rates of taxation.

## 5. Dividend

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31 December 2002 (six months ended 31.12.2001: nil).

## 6. (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss for the period of HK\$98,165,000 (six months ended 31.12.2001: profit attributable to the shareholder of HK\$70,618,000 after adjusting for the interest of HK\$29,492,000 on the mandatorily convertible bonds) and the weighted average of 952,180,007 (six months ended 31.12.2001: 855,330,742 shares) shares in issue during the period.

The diluted loss per share for the period is not presented as the Company has no dilutive potential shares at the period end (six months ended 31.12.2001: n/a).

## REVIEW OF OPERATIONS

During the six month interim period ended 31 December 2002, the New World Group undertook a reorganisation (the "Reorganisation") to streamline its organisational structure and to create a greater business focus among its affiliated businesses. The full details of the New World Group Reorganisation were set out in the circular dated 18 November 2002 to shareholders. The Reorganisation was approved in an extraordinary general meeting of the shareholders held on 12 December 2002. As part of the Reorganisation, NWI divested its traditional infrastructure assets to Pacific Ports Company Limited ("PPC", renamed NWS Holdings Limited). Upon completion of the Reorganisation the business focus of NWI shifted to the high-growth sector of telecommunications, media and technology ("TMT") and significantly deleveraged with the proceeds of assets sale.

The Reorganisation was completed after the end of this interim period on 29 January 2003. For this reporting period the NWI business operation was not affected by the Reorganisation. NWI recorded a loss of HK\$98.2 million, compared to a profit of HK\$100.1 million in the corresponding FY2002 period. The primary reason for the result was the non-recurring loss of HK\$131.2 million, compared to a gain of HK\$26.8 million in the previous corresponding period. This was due mainly to losses of HK\$191.4 million in respect of the chinadotcom corporation shareholding, which was completely disposed of in January 2003, and the impairment losses on other investments. These losses were partly offset by gains of HK\$134.1 million on the disposal of certain PRC investments. As for the operational results, attributable operating profit ("AOP") decreased to HK\$422.7 million from HK\$463.1 million for the FY2002 interim due to the results of the TMT segment. Finance costs and head office overheads remained stable.

### Cargo Handling

The AOP of the Cargo Handling Segment increased slightly by 1% to HK\$160.8 million for this interim period.

In Hong Kong, the AOP of Container Terminal No.3 increased from HK\$66.2 million to HK\$71.6 million. The growth was mainly attributable to a 6% rise in throughput volume and stringent cost controls. The AOP of ATL Logistic Centre increased 4% to HK\$75.8 million for the period, driven by a rise in cargo volume for existing customers and the addition of new customers.

The PRC operations performed satisfactorily. Throughput volume of Xiamen Xiangyu Container Terminal (“Xiangyu”) and CSX Orient (Tianjin) Container Terminals Co. Ltd. grew by 43% and 10% respectively. The effect on AOP of the increase at Xiangyu, however, were offset by a reduction in the Group’s share of its results from 92% to 56%. This decrease was due to a merger undertaken by Xiamen port projects in 2002.

### **Roads and Bridges**

The AOP of the Roads and Bridges Segment was HK\$156 million, an increase of 15% compared to HK\$135.8 million at the FY2002 interim.

In Southern Guangdong, the average daily traffic flow of Guangzhou City Northern Ring Road remained stable at around 121,000 vehicles. Phase I and Phase II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) experienced a 17% and 24% growth in average daily traffic flow respectively compared to the FY2002 interim. Performance of the projects in Western Guangdong was also stable. However, contribution to AOP decreased as a result of less interest income derived from these projects as shareholder loans were gradually repaid. Steady growth in the traffic flow of road projects in Northern Guangdong was maintained. In Eastern Guangdong average daily traffic flow of the Shenzhen-Huizhou Expressway increased significantly due to a temporary traffic diversion. AOP contribution from Shenzhen-Huizhou Expressway and Roadway together rose by 9%. Hui-Ao Roadway recorded a satisfactory increase in average daily traffic flow and an improvement in operating results was noted, thus reducing the attributable operating loss by 18%.

There was no significant fluctuation in the average daily traffic flow within the Guangxi road network. AOP contribution from the Shanxi road network increased significantly due to a rise in toll rates for Roadway No. 309 (Changzhi Section) and the Taiyuan-to-Changzhi Roadway (Changzhi Section) in August 2002. The results of Tangjin Expressway in Tianjin remained strong as the average daily traffic flow increased by 38% compared to the FY2002 interim. The contribution from Wuhan Airport Expressway remained stable while Tate’s Cairn Tunnel in Hong Kong recorded an increase in AOP of 21% due to a reduction in interest costs. The performance of projects in other regions was satisfactory.

### **Energy and Water Treatment Segment**

The AOP of the Energy and Water Treatment Segment increased slightly by 3% to HK\$204.6 million, up from HK\$198.8 million for the FY2002 interim. The combined AOP of Zhujiang I and II rose by 9% to HK\$137.1 million, mainly as a result of an increase in the guaranteed profit margin of Zhujiang I. This gain was partly off-set by the reduction in contribution from Zhujiang II due to a decrease in tariff of some 22% since July 2002.

AOP contribution from Shunde DeSheng Power Plant decreased by HK\$4.1 million as a result of the reduction in interest income on a shareholder's loan that was fully repaid in June 2002.

AOP contribution from Sino French Holdings (Hong Kong) Ltd. dropped 9% compared to the FY2002 interim. The decrease was mainly due to a fall in profit contribution from Shenyang Public Utility Holdings Company Ltd., which disposed of water plants after its restructuring in August 2002, and a provision for under-performing PRC water plants.

### **Telecommunications, Media and Technology**

The TMT Segment recorded an attributable operating loss of HK\$98.7 million, compared to a loss of HK\$31.4 million for the FY2002 interim. This loss was mainly represented by pre-operating expenses as most TMT projects are still in the development stage.

#### *Telecommunications*

In mid-2002, General Wireless Technologies Inc. ("GWTec") launched its second generation PDA (mobile Broker Online or mBOL). The new product launch received a satisfactory response from consumers in the cities of Shenzhen, Shanghai, Chengdu and Wuhan. GWTec commenced development on industrial applications for other products and a mass-market two-way communications device. On the operational front, GWTec instituted a cost reduction program to further improve its business model. This initiative calls for the localisation of product development and manufacturing. Byair Corporation (formerly known as GWcom Inc) is a service provider delivering mobile information services in 13 provinces in China. Its number of paying subscribers reached 1.9 million at the end of 2002.

Shenzhen New World Xianglong Network Technology Company Limited ("Xianglong"), a telecom network operator and a provider of value-added services, progressed in the development of its business. Xianglong's Guangdong-based call center operation, one of the largest call centres in Shenzhen with over 400 agents, succeeded in attracting new clients, including China Mobile. Xianglong completed the set-up of and commenced marketing for the VPN (Virtual Phone Network). A second call centre of larger scale in Guangzhou was expected to complete by mid-2003.

Linkair, a developer of LAS-CDMA (Large Area Synchronized Code Division Multiple Access) technology, continued to focus on 3G and 4G wireless communications standards, licensed proprietary technology and the manufacture of ASICs. On the product front, Linkair progressed in the development of a handset and a new network system. In this period, Linkair established a joint venture with Founders, one of the first six nation level pioneer enterprises in innovative technologies, and China Putian, one of the largest IT companies in the PRC. This partnership supports and accelerates the development of Linkair's LAS-CDMA technology.



*Media*

NWI embarked on an initiative to consolidate media properties. The primary focus is to house investments in Internet, advertising and content under one banner. Meanwhile, Prediwave, a developer of an end-to-end solution for interactive television, successfully completed a demonstration with the Fujian cable TV and is now negotiating for mass orders. The Prediware system was also rolled out in Guangzhou.

*Technology*

New Qu Energy successfully tested its technology in both Qinghai-Tibet Railway and Qinghai-Tibet Expressway projects with a length of over 1,900 km each. New Qu Energy received an initial order for a 5 km section of the Qinghai-Tibet Expressway.

Other activities in the technology sector revolve around biotechnology. NWI invested in botanical drug products, human therapeutic antibodies, stem cell therapies and genetic engineering. Overall, biotech investments have 17 patents pending in the US. Presently, the biotech portfolio operates R&D laboratories in America and China. Investors from the US pharmaceutical industry, venture capitalists and Mainland universities are all part of the product development plan.

**Outlook**

NWI is primed for a period of rapid growth after the completion of its asset restructuring and a change of business focus. From wireless applications and broadband services to interactive television, biotechnology advances and the introduction of new technology, the China market is filled with promise. User numbers and revenues streams are expanding at an exponential rate across all TMT sectors, and no other market in the world presents the growth opportunity of Greater China. In the coming years, this opportunity can only increase with the opening of the market in the wake of the WTO accession and the government's clear indication that TMT development is a primary concern.

Many existing telecommunications and media enterprises are now in a position to launch products into the market. While technology firms are still in the development phase the commercialisation process is progressing at full speed. Meanwhile, research and development across all sectors will deliver new products and services to a market with an enormous appetite for technology. Given these factors, NWI's TMT business stands ready to contribute to AOP.

## FINANCIAL REVIEW

### Group Reorganisation

On 21 October 2002, the board of directors announced the implementation of the Reorganisation within New World Group. The Reorganisation was completed on 29 January 2003. As part of the Reorganisation, NWI disposed of its investments in roads and bridges, water treatment and power plant projects (the “Infrastructure Assets”) to a then 75% owned subsidiary, PPC, for a consideration of HK\$10,227 million. The consideration represented the aggregate value of (i) HK\$8,545 million, (ii) approximately 853 million newly issued shares of PPC (the “Consideration Shares”) and (iii) the undertaking by PPC to pay certain liabilities of the Group in the aggregate amount of approximately HK\$886 million. In addition, NWI converted all preference shares of PPC into ordinary shares and thereafter distributed all the PPC ordinary shares then held by the Group including the Consideration Shares to shareholders.

### Liquidity and Financial Resources

The Reorganisation had significant impact on the liquidity position of the Group. Liquid financial resources including cash sale proceeds of asset disposal were used to repay the Group’s external debts as far as possible.

As of 31 December 2002, total cash and bank balances of the Group amounted to HK\$2.13 billion, compared to HK\$1.8 billion at year-end FY2002. The increase in the cash balance was mainly attributable to proceeds from the disposal of Jincheng-Jiaozuo Expressway. This increase was offset by investment in new projects and repayment of bank loans. Total Debt (total borrowings less loans from minority shareholders of subsidiaries) decreased from HK\$10.44 billion at year-end FY2002 to HK\$10.18 billion at the end of the FY2003 interim. Except for the Rmb loan facilities, all other debts are unsecured. Bank loans of about Rmb1.49 billion were secured by the Group’s interest in certain joint ventures, three subsidiaries in the PRC and pledge of deposits. Total Debt to Equity of the Group dropped slightly from 87% as at end of FY2002 to 84% as at 31 December 2002 and fell below 15% after the Reorganisation.

### Contingent Liabilities

The Group has contingent liabilities relating to guarantees (the “Guarantees”) given to banks of approximately HK\$1,325 million (as at 30.6.2002: HK\$1,059 million) in respect of the bank loan facilities (the “Facilities”) extended to two (as at 30.6.2002: two) jointly controlled entities of the Group. On 11 October 2001, a subscription agreement entered into between the Group and an associated company in respect of the disposal of an effective interest of 9.75% in Asia Container Terminals Limited, one of the two aforementioned jointly controlled entities (“Subscription Agreement”). Pursuant to the Subscription Agreement, the associated company agreed to counter-indemnify the Group in respect of such guarantee amounted to approximately HK\$507 million (as at 30.6.2002: HK\$527 million). As at 31 December 2002, the outstanding amount under the Facilities were approximately HK\$695 million (as at 30.6.2002: HK\$361 million).

Upon completion of the Reorganisation, that part of the Guarantees given to banks in respect of loan facility granted to Asia Container Terminals Limited has been released and the outstanding amount under the loan was approximately HK\$228 million as at 31 December 2002.

## **EMPLOYEES**

The Group has 130 employees at 31 December 2002, compared to 139 at 30 June 2002. On 29 January 2003, NWI and PPC entered into an agreement pursuant to which the Company agreed to second 71 employees to PPC, or companies within the PPC Group post-Reorganisation until 30 June 2003 (or such other date as agreed by the parties). These employees continue to manage and operate the Infrastructure Assets, in order to ensure a smooth transfer of the Infrastructure Assets from the Group to PPC following completion of the Reorganisation. The remaining employees of NWI now focus on the operations of TMT projects. Remuneration policies of the Company are consistent with prior years.

## **OTHER INFORMATION**

The Stock Exchange of Hong Kong Limited's website will contain all information relating to the interim results announcement of the Company for the six months ended 31 December 2002 as required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**Chan Wing-Tak, Douglas**  
*Managing Director*

Hong Kong, 20 March 2003

Please also refer to the published version of this announcement in South China Morning Post dated on 21-3-2003.