

TRADITIONAL INFRASTRUCTURE





Solid and Stable Growth

OPERATIONAL REVIEW

In this fiscal year the contribution to AOP from traditional infrastructure was limited to a seven-month period (the period) due to the sale of traditional infrastructure assets as part of the New World Group reorganization. During the period, AOP increased on the back of a solid performance from most segments as traditional infrastructure showed resilience given a difficult economic climate in Hong Kong.

Overall, traditional infrastructure operations in Hong Kong maintained performance levels. This was achieved despite an economic environment shadowed by deflationary pressures, structural changes and limited growth prospects. In China, NWI operations benefited from solid macro-economic growth and the government's commitment to infrastructure development. In particular, NWI operations gained advantage from the nation leading economic growth rate in Guangdong Province.

Specific changes in regulations and tariff pricing cause uncertainty for some operating segments in China. For instance, in the case of the Roads & Bridges and Energy segments changes in the tariff structure placed downward pressure on AOP. On the other hand, Water Treatment benefited from an increasing tariff environment while Cargo Handling was positively affected by regulatory initiatives relating to WTO accession.

ROADS & BRIDGES

In Southern Guangdong, the average daily traffic flow at Guangzhou City Northern Ring Road remained stable. Phase I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) noted a growth in average daily traffic flow. Performance in Western Guangdong was stable and steady traffic growth was maintained in Northern Guangdong. In Eastern Guangdong average daily traffic flow at Shenzhen-Huizhou Expressway (Huizhou Section) increased due to a temporary traffic diversion. Hui-Ao Roadway recorded a satisfactory increase in average daily traffic flow and an improvement in operating results.

There was no significant fluctuation in 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 certain roadways. The results of Tangjin Expressway (Tianjin North Section) remained strong as average daily traffic flow increased. The contribution from Wuhan Airport Expressway remained stable while Tate's Cairn Tunnel in Hong Kong reported improved results due to a reduction in interest costs. The performance of projects in other regions was satisfactory.

ENERGY AND WATER TREATMENT

The Energy segment balanced a government tariff cut with higher generation levels to hold the line on AOP. Energy was under pressure to improve efficiency due to the effects of a reduction in electricity tariffs in Guangdong Province. This tariff reduction derives from the central government's desire to equalize tariffs between urban and rural areas to promote industrial growth and bolster electricity demand. The AOP results for Energy were cushioned by the fact that tariff cuts were not fully introduced and any tariff reduction was balanced by strong growth in demand.

The Water Treatment segment is a bright spot in the AOP picture. Last year, tariff increases as high as 50% were awarded in certain regions to promote the development of the sector. In addition, the ongoing deregulation of municipal water treatment projects and a desire to attract foreign investment to the sector present numerous investment opportunities. Water Treatment expanded its portfolio with the purchase of a Chongqing treatment plant.

CARGO HANDLING SEGMENT

PPC performed well this year with a solid AOP contribution registered on the back of rising regional trade. Hong Kong port operations held relatively stable during a period of economic turmoil and a rise in container handling activity was registered in the ports of Xiamen and Tianjin. Finally, PPC's flexibility as a group ready to invest in, manage or operate a port business, handling all areas or focusing on a single segment, presented a significant advantage.

In Hong Kong, the AOP of CSX World Terminals Hong Kong Ltd., operator of Container Terminal No.3, increased as a result of a rise in throughput and tight cost controls. AOP of ATL Logistics Centre Hong Kong Ltd. was driven upwards by a rise in cargo volume for existing customers and the addition of new customers. Throughput volume for both Xiamen Xiangyu Container Terminal (Xiangyu) and CSX Orient (Tianjin) Container Terminals Co. Ltd. grew. The effect on AOP of the increase at Xiangyu was offset by a reduction in the NWI share of results from 92% to 56% due to a merger undertaken in Xiamen last year.



TELECOMMUNICATIONS, MEDIA & TECHNOLOGY



Anytime, Anywhere, on any Device

TMT MARKET OVERVIEW

The global TMT market is going through a watershed transformation. One major factor driving this evolution is the erosion of the lines of demarcation between the telecom and broadcast sectors. Due to the proliferation of Internet-based applications and the success of consumer education campaigns generated by the media industry, telecom and broadcast leaders compete for market share.

Within this dynamic environment the separation of products and services between TMT leaders is no longer clear-cut. Similar content is now offered to mobile devices and home entertainment appliances, though in different user presentation styles or sophistication levels. New business

opportunities emerge as more and more consumers pay for well-packaged information services — a flexible mix of voice, data, video, music and graphics. It is clear that consumers will pay for services as long as the information brings them pleasure, convenience, education, market intelligence and instant connectivity with their support groups.

To capture these opportunities, successful TMT companies need to maximize revenue streams by integrating information content (media) with specialized customer premise equipment (CPE). TMT companies can minimize capital risks by leveraging incumbent telecom or broadcast infrastructure and operating management resources while attracting customers with valuable content and quality service at affordable pricing.

In the case of NWI, to meet customer demands for information delivery services, it is essential to support the dynamic growth of telecom and media infrastructure platforms with technological advancement, including raw transmission and networking protocol, display terminals and the integration of peripheral technologies. As innovations rollout of R&D laboratories they are quickly folded into existing operational infrastructure and integrated into commercial usage to bring financial returns for service providers. Any new technology must bring more attractive applications to consumers, reduce operational cost for service providers and allow value-added applications to emerge in terms of richer content, higher quality services and favorable pricing.

Broadcast Equation

Currently, a major competitive challenge is underway to control the airwaves and last mile broadband solutions for both telecom and broadcast applications. The prize for those companies that capture the attention of subscribers is dominance of a huge market. With 100 million CATV subscribers and the potential to convert another 240 million non-CATV TV watchers, China is the world's largest and most promising CATV market.

The PRC's ambitious Tenth Five-Year Plan (2001-2005) for the broadcasting, film and television sector is based on modernizing and digitizing the industry at a break-neck pace. By the end of 2005, it is expected that some 30 million households will receive digital TV programs transmitted via satellite, with another 30 million receiving digital TV signals through the cable network. By 2010, high quality digital TV broadcasting, with its large transmission capacity and value-added services (VAS), will cover the country. When the digital revolution comes to fruition China will have completely phased-out the analog television broadcast system.

Under the 2001-2005 broadcasting plan, China is divided into three sectors and the municipalities of Beijing, Shanghai, Tianjin and Chongqing. The eastern zone includes the coastal provinces of Guangdong, Fujian, Jiangsu, Zhejiang and Shandong. The less developed western zone includes the regions and provinces of Xinjiang Uygur, Tibet, Ningxia Hui, Inner Mongolia, Qinghai, Gansu, Yunnan and Guizhou. The central zone is composed of all the remaining provinces and regions. Before 2005, the four municipalities, all cities in the eastern zone, a few smaller cities in the central zone and certain capital cities in the western zone will commence digital broadcasts. Some 40 cities are already in the digital TV broadcast trial period.

The current PRC cable network can simultaneously transmit 40 to 50 channels, leaving no room for further development. In contrast, digital TV allows transmission of eight times that amount, or 300 to 400 channels. State controlled China Central Television (CCTV) is responsible to build the platform, including pay TV and film channels, and began to transmit in mid-2003. Digital pay TV made its debut in Shanghai, with the first group of 20,000 subscribers coming online to make the city a leader in the first phase of the digital revolution.

State Administration of Radio, Film and Television (SARFT) is the regulatory champion behind the pay TV reform initiative. This body is eager to open new revenue streams for the broadcasting industry. Traditionally, the PRC television industry has relied on advertising income, with only limited revenue derived from pay subscription fees. In comparison, US pay TV income reached some US\$170 billion, exceeding total advertising income of US\$100 billion from traditional broadcasting in 2001. It is likely that China can mirror the development of the US industry in the years ahead.

Telecom Bonanza

The broadcast sector is facing a major competitive force when it comes to securing the attention of consumer spending. With the rapid progression of technology, more and more telecom companies have moved away from the delivery of voice services to provide other communications and entertainment services. The business model is much different than that employed by the broadcast groups as opportunities abound in a telecom industry based on economies of scale.

As of mid-2003, China had over 230 million mobile phone users, an army of end users that are receptive to VAS. In addition, at the end of 2002, China boasted 60 million Internet users and over 40 million online game players. The combination of mobile, Internet users and game players well surpasses the total population of America. In this giant market, it is the objective of leading domestic and international firms to control information and service flows to users in anyway possible.

The ability to control end users drive revenue opportunities. Take Short Message Services (SMS) as an example of this phenomenon. SMS is becoming more popular due to its convenience, ease of use and low pricing schemes. The SMS business was worth some Rmb9 billion in 2002 and the market is expected to reach Rmb12 billion (or 120 billion messages) in 2003. Among different types of value-added services, SMS chat represented some nearly 60% of the market, followed by jokes, entertainment, news and the download of pictures and ring tones.

The SMS industry was recently enhanced with the introduction of Multimedia Message Services (MMS), which includes everything from text, pictures, games, voice, animation, color images and even video clips. MMS is the key platform for the emerging GPRS and 3G markets. Many analysts see the development of MMS as the future course of the telecom industry. Given that China encompasses the world's largest number of mobile users and second largest number of Internet users it is estimated that the country is one of the greatest potential markets for MMS related services.

Advertising Trends

The battle for advertising dollars is hard fought within all segments of the TMT media market. Currently, this competition is waged for an advertising pie that is growing at a solid pace. In 2002, total advertising industry revenue reached some Rmb90.3 billion, an increase of 13.6% over the previous year. This amount was spread across a number of outlets, ranging from newspapers to magazines, television, billboards and a selection of other outdoor advertising displays. In addition, non-traditional advertising outlets are emerging, with commercials displayed on such devices as phones and ATMs.

The outdoor sector presents one of the most popular forms of advertising. A number of Hong Kong and PRC companies have become publicly traded on the back of outdoor advertising revenue models. There are many reasons for the success of this form of advertising. First, foreign brands are moving into China and want to raise their profile while domestic brands need to compete for market share. This competition for consumers has accelerated with accession to WTO, the successful bid for the Beijing 2008 Olympic Games and Shanghai's bid to host World Expo 2010. Second, outdoor advertising offers a cost-effective alternative to other mass media outlets. At some 5% to 10% of the cost of TV and newspapers in terms of advertising reach, outdoor advertising is attractive. Third, PRC consumers are legendary for low brand loyalty and the need to build brands is critical, thus the demand for outdoor venues is strong.

In conclusion, all segments of the TMT arena are booming, whether one looks at one-way CATV broadcasting, two-way telecom cable broadcasting or the ongoing evolution of advertising trends in China. The rapid evolution of the TMT sector and the huge market size available to service providers will make China an innovative market leader that produces creative PDI solutions.

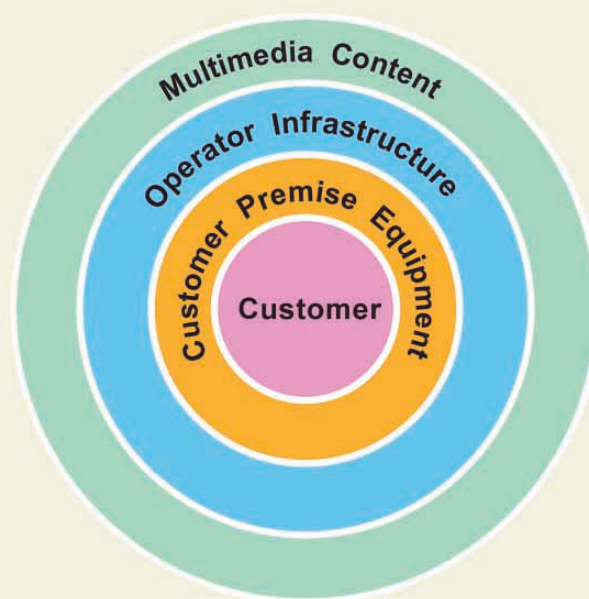
PDI BUSINESS MODEL

In response to the vibrant evolution of the global and PRC TMT markets NWI has built its business around the dynamic and timely delivery of PDI solutions. The NWI PDI business model reflects the customized nature of delivering quality information services to consumers and enterprises on a worldwide basis: anytime, anywhere, on any device at a reasonable price. Essentially, the PDI model applies to the global market as a whole, and, with certain considerations, to the PRC TMT arena.

According to NWI business guidelines, all TMT investments must be easily integrated into the PDI model, with global technology applications suitable for China rollout. The ability to marshal corporate assets, partners and human resources allows for the delivery of seamless PDI solutions to a market eager for innovation. After all, it is the PDI solution provider with market sensitivity, creativity, flexibility and technological prowess that will prevail in the competition to deliver products and services. Well-packaged, consumer-driven content combined with quality services at an acceptable price translates into assurance of market share.

In its most simplistic form, the PDI model is described with four concentric circles. At the heart of the PDI model is the customer. Consumers, enterprises, education institutions, public facilities, mobile users and residences dictate industry direction and customer spending patterns. The second ring is composed of CPE, the front-line in the challenge to deliver contents to fixed or wireless, handheld or fixed consumers and enterprises. The third ring covers last mile telecom and CATV operators that control the infrastructure backbone, network hubs, back-office support systems and deliver contents through wired and wireless digital networks. Finally, various content offerings, such as real-time data, voice, video and MMS deliver revenue through subscription, usage and merchandiser advertising fees.

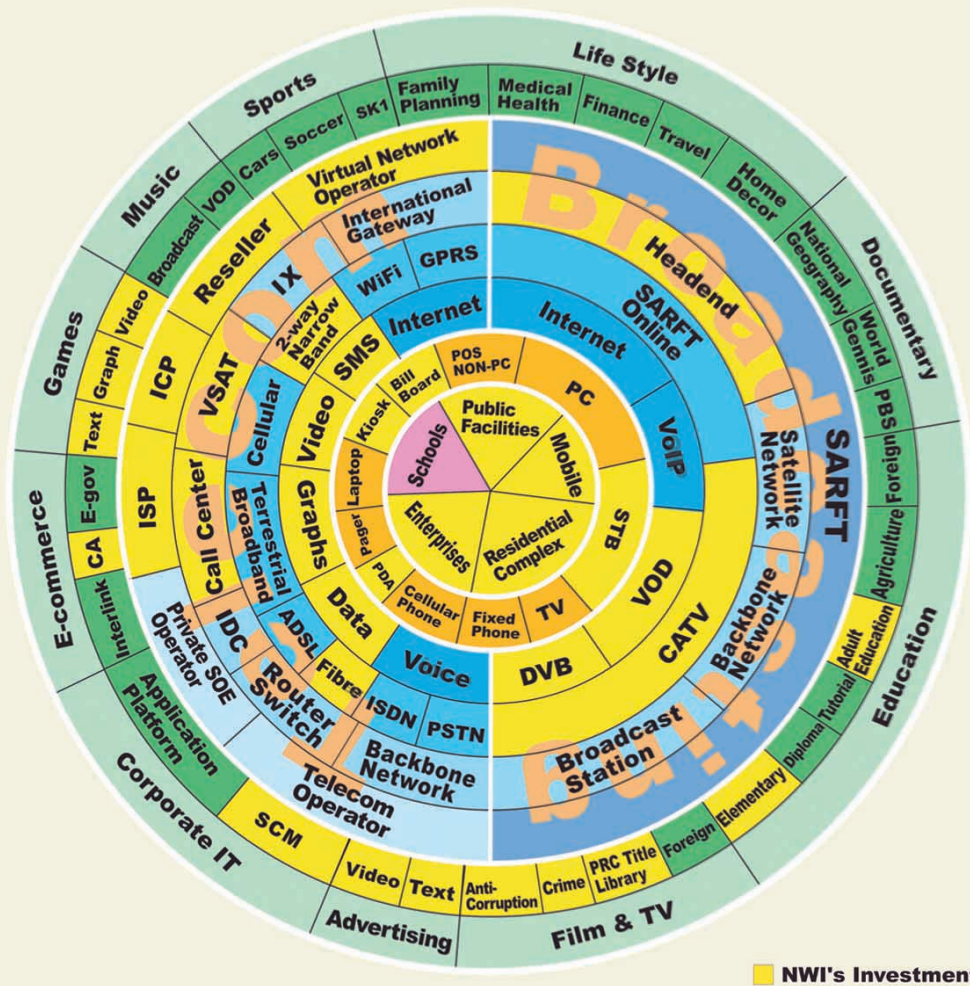
FOUR-RING PDI VALUE MODEL



Within the four-ring PDI model the NWI strategy is to deliver services to rings one (customers), two (CPEs) and four (content). In focusing on these three rings NWI can avoid the heavy infrastructure costs associated with the third ring (operations). For the time being, NWI will piggyback on existing CATV and telecom infrastructure to deliver contents through its CPEs to customers.

The current NWI China PDI rollout focuses on the delivery of rich and attractive interactive multimedia information services to enterprises, schools, residences and public facilities. NWI will strive to facilitate customers access to information anytime, anywhere and through any device, such as home command centers with powerful set-top boxes, information terminals at public facilities (ATMs, billboards and kiosks), portable niche application terminals and IP-based information delivery hubs at enterprises. NWI will rely on demographics and psychographics to market, package and deliver content to customer groups and merchandisers. In the enterprise domain, value-added information for client server and mobile ASP applications are the primary focus.

NWI TMT PDI INVESTMENTS



The synergies of the investment strategy and the development of the PDI model can better be understood by analyzing two infrastructures central to the content delivery world — telecom and CATV. All TMT investments add value to one or another of these infrastructures, though certain technologies and/or companies fall under both. However, the creation of a successful PDI model entails the ability to offer a seamless solution for content delivery at a reasonable price through any infrastructure or technology that is convenient to consumers.

NWI's advantages in the PDI business model equation are:

- The delivery of rich media and advertisement resources to customers through both SARFT-controlled and telecom operator TMT infrastructure networks.
- The convenience of accessing Interactive PDI services from all sorts of terminals: STBs, e-Bus Stops, e-Kiosks, billboards or wireless handhelds.
- The generation of sustainable revenues from reasonably priced subscription, usage and advertising fees.

TMT INVESTMENT STRATEGY

Since NWI first invested in the TMT sector in 1996, management has followed a set of investment guidelines to support expansion. Generally, within the investment strategy, each TMT project is expected to generate cash flow in the short-term and deliver shareholder value over the medium-term.

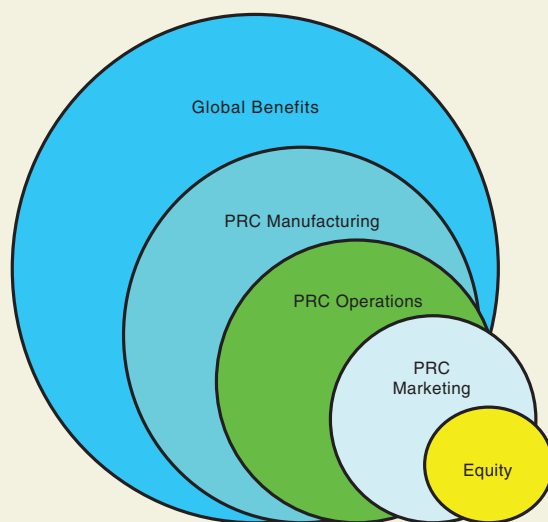
NWI applies other criteria when making technology investment decisions. First, NWI evaluates the underlying strength of the technology to ensure that the technology stands up to global standards in its chosen area. Then, NWI makes sure that the technology is applicable to the China marketplace. In this way, global technologies offer value to shareholders on two fronts. Substantial gains are registered by the successful marketing of technology in the global arena and value is added through the execution of these technologies within the China PDI network.

Most importantly, all investments offer synergies within the value-added PDI model. When NWI considers investing in a global or Chinese company it is imperative that the target fits into the PDI scheme. NWI must feel that investments can add value by leveraging fundamental strengths and alliances in association with other members of the PDI group. Within this value-added PDI circle NWI can then deliver the results that are necessary to boost shareholder value.

Essentially, the success of the NWI investment process is derived from the technology valuation multiplier model. At the core of this paradigm is the purchase of an initial equity stake in a PDI partner. The next layer covers the China arena, which is broken into the components of operations, marketing and manufacturing. The final value-added component is the global marketplace, which composes distribution and operations. Every company has at least two or more elements that provide shareholder value within the valuation multiplier model. However, the contribution from

any one segment in the equation may be larger than any other. For instance, the return derived from an equity component in a company may provide the biggest gain. Or, that duty may fall on the ability of a service provider to rollout a successful China product.

TECHNOLOGY VALUATION MULTIPLIER MODEL



NWI will build on this all-encompassing investment strategy in the years ahead. New investments will be added to further enhance the synergies between PDI partners. With each addition to the portfolio the value of the PDI solution gains strength and creates additional shareholder value. Currently, technology and service company investments create an efficient and integrated PDI solution for global rollout and for the realization of the PDI vision in China. It is in this way that the investment strategy dovetails with the business plan.

TMT OPERATIONAL REVIEW

The TMT segment went through an intense period of commercialization this year. Activity will increase substantially in the year ahead with the adoption of a corporate strategy that focuses on the development of the TMT business. Overall, the segment is positioned for growth and prepared to improve AOP.

Management is in the process of integrating TMT projects into a PDI solution that can produce sustainable AOP by combining media production resources and advertising placement capabilities to provide services for consumers and enterprises.

There were a number of promising developments in this segment. Strategic investments were completed as value-added partners were added to the PDI network with equity investments in S.T.U.B. SATertainment Inc. and Athena Database Inc. On the divestiture side, the remaining shares in chinadotcom were sold.

PrediWave completed tests in Fujian Province and received approval from the Fujian Administration of Radio, Film and Television to promote its platform over the provincial cable television network. The aim is to attain a subscription level of 200,000 platform users in the initial commercialization phase. During the year, negotiations progressed on the rollout of the PrediWave system in two other provinces.

Sun Long and General Wireless Technologies Inc. (GWTec) are jointly deploying a wireless fire detection system to a potential 65,000 commercial buildings in Shanghai. Based on GWTec's two-way wireless technology, Sun Long has secured e-Bus Stop projects in Beijing, Chengdu and Shenzhen and e-Kiosk projects in Wuhan. The e-Bus Stop provides bus arrival information, real-time news, public information and advertising space. In addition, the high quality service of Sun Long's call center has attracted major clients in Hong Kong and Guangdong, resulting in a doubling of the number of call agents and the extension of operations from Shenzhen to Guangzhou.

Subscribers at Mtone Corp. continued to rise with some 3.95 million users for both PUSH and IOD services and 2.28 million users for PUSH services only.

Media company Beijing Xintong Media & Cultural Investment Co. Ltd. (Xintong) expanded operations at an impressive rate in FY2003 with the completion of strategic investments of advertising agencies and the winning of new customers. Xintong also made preparations to act as the media placement agency for the e-Bus Stop and e-Kiosk projects.

New QU Energy Ltd. (New QU) has successfully designed the only viable heat transfer solution for permafrost terrain. Based on this breakthrough, New QU secured revenue from Qinghai-Tibet Railway and Qinghai-Tibet Highway projects.



A Xintong billboard



Sun Long's e-Kiosk



PrediWave at the China Cable Broadcasting Network Exhibition 2003

GLOBAL AND CHINA TMT INVESTMENTS

(at date of report)

	Company Name	NWI's Attributable Interest
1	Apex-Pro Systems Ltd.	62.75%
2	Athena Database, Inc.	31.50%
3	Beijing Xintong Media & Cultural Investment Co. Ltd.	51.00%
4	Concerto Software New World Ltd.	50.00%
5	CyberLancet Corp.	30.00%
6	CyberNova Corp.	40.00%
7	Eight Core China-wide Fibre Optic Backbone Network	up to 70.00%*
8	GCTech Co. Ltd.	5.98%
9	General Wireless Technologies Inc.	100.00%
10	LinkAir Communications, Inc.	20.47%
11	Mtone Corp.	26.60%
12	New QU Energy Ltd.	22.50%
13	NWI Allmedia Services Ltd.	100.00%
14	Pine Global Marketing Ltd.	35.00%
15	PrediWave Corp.	30.00%
16	S.T.U.B. SATertainment Inc.	47.50%
17	Sun Long Group	100.00%
18	TechStock, Inc.	40.00%
19	Visionaire Technology Corp.	30.00%
20	WarpEra Corp.	30.00%

Note:

* Subject to conditions

Apex-Pro Systems Ltd. (Apex)

Apex was formed in 1994 as a Hong Kong-based operation and acquired by NWI in 1998. Apex designs, develops and markets online supply chain management software solutions for enterprises in Asia, Europe and America. Apex plans to become a market leader by applying online software applications integrating mobile and Internet technologies to compress business process cycle times, reduce costs, expedite shipments and maximize corporate profits.

Apex deploys a "hubs and spokes" business model. Customers install or enable an Apex Hub Solution as a host company, then install or enable a spokes solution as a partner or supplier to traders, material suppliers and factories. More than 40 hub customers are installed with reseller agreements. The existing client base covers Asia, Europe and the US, and includes companies like Sony, Hitachi, Bossini, Intergroup, Harvard, Asia Aluminum and Union Friend Group.

Apex plays a key role in the PDI China model through the establishment of IT infrastructure for small and medium-sized enterprises (SMEs).

Athena Database Inc. (Athena)

Athena is developing sophisticated database application tools for large volume online transactions. The first Athena product is a Network Forensics and Analysis Tool (NFAT) capable of providing real-time analysis and network management to support decision-making in large multimedia delivery networks. This is a challenging task for large bandwidth and large subscriber base applications, as the operation requires extremely efficient database management with analysis and graphic features. The few products that handle these tasks are not intuitive design-oriented and require a well-trained network analyst to maintain smooth operations.

Priced comparatively lower than competing products, NFAT captures network traffic indefinitely on multiple interfaces; incorporates an Intrusion Detection System (IDS); provides IP address mapping to geographic locations; and configures network devices (e.g. firewalls, routers) to block network traffic in defined conditions. Customers use NFAT for intellectual property protection, detection on employee misuse of networks and resources, risk assessment, security investigations, break-in detection, incident recovery, prediction of attack targets, network performance, congestion and planning, virus and worm detection, session capture and playback, credit-card fraud, identity theft investigation and business process monitoring.

Athena brings synergies to the China PDI rollout strategy as an essential support feature to PrediWave's interactive digital information services.

Beijing Xintong Media & Cultural Investment Co. Ltd. (Xintong)

Xintong is registered and headquartered in Beijing. This integrated media company generates revenues through advertising agency fees, billboard distribution, cultural activities and public relations consulting.

The advertising business is operated through Beijing Xindu Fengfan Advertising Ltd. (Fengfan), a subsidiary which provides services in major cities in the areas of production, distribution and event organization. Fengfan uses an extensive range of media channels, including television, magazines, newspapers and outdoor advertising. The main focus of Fengfan is on the communications, real estate and pharmaceutical sectors. Its client base includes China Mobile, China Unicom, Motorola, Huawei Technology, Nokia, Shanghai Volkswagen, Zhujiang Real Estate and North China Pharmaceutical.

Xintong's corporate objective is to become a leading PRC media company by acquiring established advertising agencies. To create new revenue streams Xintong has launched several specialized magazine titles. In addition, Xintong is the advertising representative for CCTN (China County TV Network) which covers over 700 county TV stations and reaches 600 million viewers. Finally Xintong will work closely with Sun Long to sell advertising for e-Bus Stops and e-Kiosks.

Xintong is an important member of the PDI model in that it controls the rich content as well as the advertisement revenue, both keys to the success of the NWI TMT strategy.

Concerto Software New World Ltd. (Concerto)

Concerto is a joint venture between New World Xianglong Communication Ltd. (a subsidiary of NWI) and Concerto Software, Inc. (a NASDAQ listed company) to distribute call center software and equipment within the PRC, HK and Macau. Concerto software enables the effective management of customer interaction via voice, fax, e-mail and the Internet to improve communications, reduce operating costs and deliver superior services.

China is one of the biggest markets for call center software solutions in Asia, with a number of large local players in need of support. According to industry analysts, the interactive CRM market in China is valued at over US\$100 million for 2003 and predicted to grow at a CAGR of nearly 21%. The size of the total call center hardware and software market is estimated to reach US\$180 million by 2007.

Awarded Frost & Sullivan's customer interaction management solutions company of 2003, Concerto is ready to tap the Asian market with proprietary customer management solutions. In so doing, Concerto will extend its deployment of solutions for such clients as Xerox, Sprint, American Express, UPS, Pitney Bowes, BMW, Chevron, and AT&T in China.

Concerto offers Sun Long a technical and enterprise client service advantage, thus making the company an essential component of the PDI strategy.

CyberLancet Corp. (CyberLancet)

CyberLancet designs and develops advanced IP multicasting technology to support very high speed processing demands required by VOD businesses. CyberLancet's Transport and Caching System (TCS) delivers cached multicast content to end users to improve Internet access and reduce ISP bandwidth requirements.

CyberLancet's patented technology optimizes Internet video content delivery, reduces ISP delivery and management costs per subscriber and provides consumers with real benefits in terms of VOD features offered on the STB. This technology makes CyberLancet a competitive provider of VOD services via Internet. In addition, CyberLancet resolves a dilemma that hinders VOD deployment: too many subscribers jam up VOD servers and the network, causing significant network architecture design issues and forcing sizable infrastructure re-investment.

On a global basis, CyberLancet shall create partnerships with content delivery network/services technology providers and web hosting services. In Asia, CyberLancet can secure its VOD market potential by forming joint ventures with ISP operators. CyberLancet technology allows broadband ISP operators to become more competitive in rich content delivery and this is an important element within the NWI PDI model.

CyberNova Corp. (CyberNova)

CyberNova is engaged in the development of Cable Modem (CM) technology, a critical component in the PrediWave STB. This CM technology can transfer data at the rate of 36 Mbps, compared to the industry standard of some 1.5 Mbps.

CyberNova technology allows the PrediWave STB to gain a clear advantage as a global leader in two-way interactive PDI services. In conjunction with WarpEra and CyberLancet, CyberNova contributes to the PDI model by improving the performance of the PrediWave STB, thus playing a major part in the China rollout.

Eight Core China-wide Fibre Optic Backbone Network (Eight Core Fibre)

Eight Core Fibre network coverage extends 32,068 km and includes 100 million CATV subscribers, over 25 million broadband users and several hundred million telecom customers. Field tests conducted over the network have confirmed that the eight core G-652 grade fibres are capable of operating at the quality level of G-655 grade fibre, which cost five times more. Eight Core Fibre can provide over 12.8 Terra bps of total data bandwidth.

Once operational, this fibre network can provide the bandwidth required to support all the multimedia digital information services offered by any PRC operator. Many of these operators will soon be short of network bandwidth as a result of market growth and the outdated equipment of existing infrastructures. As part of the PDI strategy, Eight Core Fibre will become the backbone infrastructure for PrediWave once the nationwide STB rollout and PDI initiative gain momentum.

GCTech Co. Ltd. (GCTech)

Headquartered in Beijing, GCTech is a leading telecom/Internet application software and services provider. China National Science and Technology Committee founded the company in 1994 to promote advanced technologies. In 2000, the company was acquired by GCTech and became a wholly owned foreign enterprise.

GCTech offers software and system integration to telecom carriers, focusing on local and long distance PSTN networks and mobile operation support systems (OSS). The GCTech business model supplies technical support and services for telecom systems, such as data mining, bill settlement, network inventory, resource management, IP-based billing, network management, an Internet Certificate Authority (CA) system for e-banking, e-payment, computer telephony integration (CTI) and CRM.

GCTech will collaborate closely with Sun Long and is an important technology provider in the operator ring segment of the PDI model.

General Wireless Technologies Inc. (GWTec)

Headquartered in Shenzhen with offices in Shanghai and in the US, GWTec offers a hardware and software network solution for interactive narrowband wireless communications for data oriented niche applications.

GWTec acquired the exclusive right to develop, market and operate the PLANET mobile wireless data network developed by byair Corp. PLANET is based on a wireless packet-based technology that offers “always on, always connected” connectivity which enables users to share a single spectrum frequency. Industrial applications are possible for fire alarm systems, data collection, fleet management, highway management, stock trading, advertising and logistics. GWTec has deployed PLANET in Shenzhen, Beijing, Shanghai and other PRC cities.

GWTec is in the process of consolidating interactive narrowband wireless technology into an ASIC chip set. The company is reducing the production cost of PLANET to allow lateral expansion into applications that were once cost-prohibitive. GWTec’s always-on interactive narrowband technology has a special niche in controlling the CPE ring segment of the PDI model.

LinkAir Communications, Inc. (LinkAir)

Chinese scientists established LinkAir in the US in 1999 to develop, manufacture, market and distribute wireless LAS-CDMA chipset equipment, software products and related services. With offices in Silicon Valley and Beijing, LinkAir aims to establish LAS-CDMA as an international 3G standard.

The chief architect of LinkAir worked with world-renown CDMA experts to patent an LAS-CDMA technology that can provide 20 times higher capacity than the existing 2G standard and three times the capacity of CDMA2000. LAS-CDMA can deliver an exponential improvement in system performance and capacity over the CDMA network. The PRC central government perceives the introduction of this new technology as a key priority.

LinkAir is in the early stage of developing patented technology, building government relationships and collaborating with telecom carriers and operators. Government approval is pending for the establishment of LAS-CDMA test projects which are designed to gain acceptance of LAS-CDMA as a mobile wireless communication standard. LinkAir is working closely with PRC operators to establish standards in this arena. The company is positioned as a key element of the CPE ring segment and supports the wireless operator ring segment of the PDI model.

Mtone Corp. (Mtone)

Mtone (formerly byair Corp.) broke new ground in PRC wireless information services with the commencement of the first commercial service in 1998. Headquartered in California, with offices in Beijing, Shanghai and Guangzhou, Mtone is recognized as a leading mobile information service provider in the PRC. Mtone's principal business is the provision of mobile information services. Mtone develops applications to support mobile PDI services and operates promotion channels to recruit subscribers.

To reach China's 230 million mobile user market, Mtone built an extensive service delivery platform with an associated management process. Mtone currently sells entertainment services in 22 provinces via SMS on GSM phones to customers between the ages of 18 to 35. These services include popular SMS Chat Dating, Xiao Xin (virtual companion) and Treasure Island (multi-user game).

Mtone is a classic example of the PDI strategy at work. Utilizing a mobile operator's GSM network infrastructure Mtone provides full content information services directly to mobile consumers. Mtone also offers rich content generation (marketing based on customer needs), a mobile operator subscribers support platform (using an operator's resources and licenses), a CPE-based application software platform (control of CPE technology) and a customer service delivery platform (quality services at reasonable pricing).

New QU Energy Ltd. (New QU)

New QU was established in 1999 to develop and market QuTech, a revolutionary development in heat transfer technology tested by research institutes such as Stanford Research Institute in the US. By solving age-old problems the company aims to become a leader in super-conducting heat transfer. Since inception, New QU has worked with major scientific research institutions in China and its products are applied to process-driven industries.

New QU technology results in efficient heat transfer, lower investment costs, reduced operating and maintenance expenses, increased equipment performance and efficiency for thermal applications that is impossible to achieve with other technologies. New QU applications are possible for oil refineries, power plants, chemical plants or wherever large heat exchangers are employed. Other applications include cooling of notebook CPUs, air tight sealing, household heating and cooling systems. New QU is working with an advanced manufacturing plant in China for the production of QuTech parts and the development of its business.

NWI Allmedia Services Ltd. (Allmedia)

Allmedia is a wholly owned subsidiary headquartered in Hong Kong and founded in 2001 as the NWI multimedia business development arm. Allmedia, a content provider, media integrator and marketing company, focuses on pay TV services to provide an all-in-one solution to PRC cable operators. The solution includes novelty pay TV technology integrated in the PrediWave STB and CATV headend, plus content for the pay TV platform. Currently, Allmedia is supporting NWI's joint venture CATV partners in the province of Fujian.

Allmedia markets the following services: a Digital Broadcast platform transmitting TV channels, a Video-on-Request home video rental service in which subscribers download programs for future viewing, a VOD service in which subscribers watch programs instantly and a Pay-Per-View service for programs subscribers to order programs at a pre-scheduled time.

In addition to Pay TV, Allmedia focuses on other multimedia businesses and continues to introduce new VAS, such as a virtual shopping mall and TV education to recruit subscribers in coordination with PrediWave and Xintong.

Pine Global Marketing Ltd. (Pine)

Pine was formed in 2003 to market all commercialized products developed by PrediWave, CyberLancet, CyberNova, Visionaire and WarpEra. Responsible for marketing efforts outside of the PRC, Pine works jointly with its corresponding counterparts inside the PRC to brand, promote and support the deployment of all products globally. Pine is an integral part of the NWI global TMT strategy and is critical to the seamless distribution and deployment of products and service outside of China.

PrediWave Corp. (PrediWave)

PrediWave was formed in 1998 and is headquartered in Silicon Valley. The core PrediWave business involves interactive and pay TV technology, television broadcasting, telecommunications and related ventures. PrediWave has developed a unique end-to-end interactive solution that includes a headend and set-top box for digital TV and information access through one-way hybrid fibre coax or conventional coaxial cable, delivered through backbone, satellite and microwave platforms via CATV or DBS networks. NWI is a major PrediWave shareholder and the sole distribution agent of all products in Greater China.

PrediWave is based on a prognostic algorithm or "wave" which allows the transmission system to monitor user demand on a statistical forecast model. Currently, PrediWave is the only company able to provide Broadcasting Video on Demand (B-VOD) that conforms to both DVB-C and DOCSIS standards. The B-VOD function can be deployed on both CATV and DBS platforms with a single headend to provide real time services to unlimited users and to perform interactive tasks.

PrediWave's Digital Broadcast (DB), B-VOD and Video Broadcast Download (VBD) are unique in terms of technological development and system structure. Digital Video Recording (DVR), Interactive Video Text (iVT) and VBD are products that provide the company with a leading edge. Most importantly, operators are not required to revamp their network to achieve high-speed, high capacity delivery of VAS to unlimited users. PrediWave operation models are tailored to an operator's business strategy, network scale and market position.

PrediWave holds the key technology for CATV operators to deliver interactive pay TV services into residences and can use its technology to provide similar services through other wire and wireless technologies. Currently, the PrediWave technology is being deployed in Fujian Province and negotiations are underway to deploy the system in other provinces.

PrediWave is the critical technology provider in both the CPE and operator ring segments of the PDI model.

S.T.U.B. SATertainment Inc. (STUB)

STUB was formed in 2002 as the exclusive distributor of all satellite products for PrediWave outside of Greater China. STUB plans to lease transponders to cover ethnic markets in North, Central and South America. A PrediWave-based interactive satellite platform is scheduled to broadcast over 15 channels, including Mandarin and Cantonese contents from the PRC, Taiwan and Hong Kong. Korean, Thai and English content will also be provided on the STUB channels.

STUB intends to commence operation in first quarter 2004. STUB will derive revenue from advertisement-based cataloguing and subscription fee revenue sharing. In the future, STUB will sell PrediWave systems, co-operate with other satellite operators and expand its interactive satellite platform globally.

STUB is a strategic component of the PDI model outside Greater China.

Sun Long Group (Sun Long)

Sun Long was founded to deliver a range of telecom related services, including the resale of basic telecom services for Guangdong operators in 1999. More specifically, projects include call center outsourcing, systems integration, virtual network operations for fixed network and mobile networks and VPN.

Recently, Sun Long participated in a fire detection project involving a potential 65,000 commercial buildings in Shanghai. Based on GWTec's two-way wireless technology, Sun Long secured e-Bus Stop projects in Beijing, Chengdu and Shenzhen and an e-Kiosk project in Wuhan. The e-Bus Stop provides bus arrival information, real-time news, public information and advertising space.

Sun Long Group provides NWI with integrated telecom operations and services as the backbone of the PDI China network. Sun Long can accelerate the PDI model by integrating contents, technology and quality services into one financially affordable PDI service delivered to all customers. Based on its core competence in call center services, Sun Long can offer significant leverage to both narrowband and broadband interactive PDI deliveries to enterprises and consumers.

TechStock, Inc. (TechStock)

TechStock is a venture capital firm that identifies technology concepts, provides R&D funds, makes investments and assists in the commercialization of new products. TechStock only invests in proven technology with real market potential. Once projects are identified TechStock will purchase a 70% to 80% equity position, with investments ranging from US\$2 million to US\$3 million.

TechStock will be utilized as a technology investment vehicle to accomplish the NWI PDI objective, both in and outside of the PRC.

Visionaire Technology Corp. (Visionaire)

Visionaire is engaged in the design of products to enhance the value of multimedia content by providing effective copy right protection to multimedia titles without affecting the picture quality viewed by paying customers.

Content owners need to stop illegal distribution of high-value content to protect royalties. Only one company currently offers a technology that can enforce copyright on VCRs and DVDs. However, this product is not effective against illegal copying as it is easy to work around and may affect picture quality.

Visionaire protection technology is more robust and effective than available solutions. The company can maximize the consumer experience and embed extra features in content. Visionaire has developed three technologies: Vertical Blanking Interval (VBI), Analog Protection Signal (APS) and Watermarking. VBI is an out-of-band signal that turns on protection logic inside a recording device. Content producers license the right to embed Visionaire technology and pay a royalty per movie. Visionaire is in the process of designing encoder boxes to be installed on content.

In conjunction with WarpEra, CyberLancet and CyberNova, Visionaire completes the core content security and copyright protection aspects of the PrediWave solution. Visionaire alleviates the primary copyright concerns of the entertainment industry, particularly those associated with VOD applications. Overall, Visionaire technology is a critical element to round-out PrediWave's position within the PDI model.

WarpEra Corp. (WarpEra)

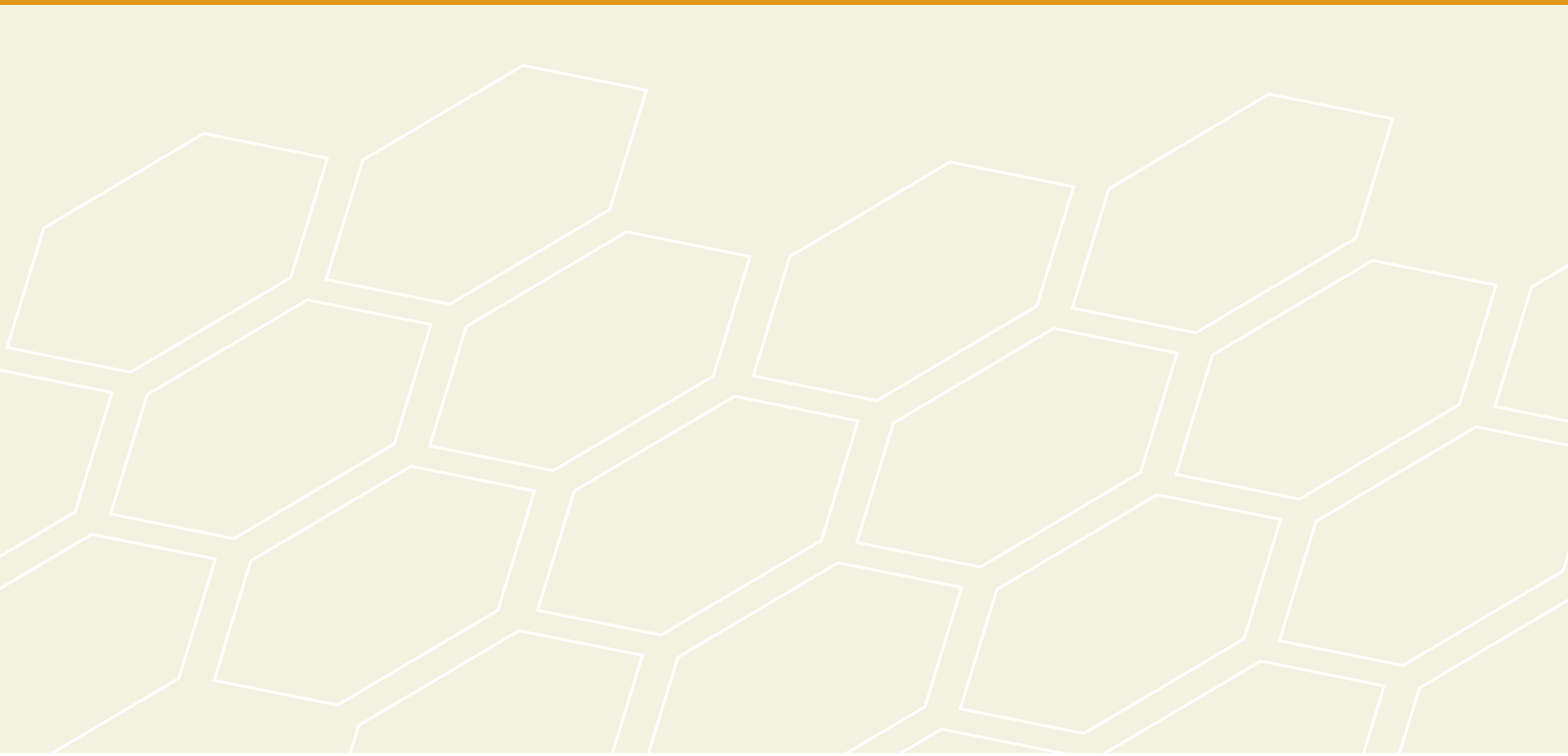
WarpEra engages in the development and design of a cost effective method of high speed IP delivery for conventional one-way and HFC two-way cable networks. WarpEra offers cutting-edge technology to deliver IP-based services to cable operators at minimal additional cost. Other technology solutions allow data transfer of up to 36 Mbps over an 8 MHz channel. In addition, WarpEra uses PSTN access to provide upstream connectivity to deliver two-way interactive PDI services over one-way CATV networks.

The WarpEra headend product WIG is a self-contained support system that seamlessly integrates off-the-shelf network components. WIG allows consumers Internet access via PrediWave's STB. This is done through a series of products, including WarpEra Radius, which authorizes, authenticates and grants IP addresses to STB users; WarpEra Database Server, which provides data storage for account management; WarpEra Controller Server, which forwards packets downstream to the STB; WarpEra Manager Server, which controls Internet data flows while raising alerts to cable operator when abnormal events occurred.

Currently, WarpEra is providing cost effective seamless integration for the PrediWave cable network infrastructure to deliver Internet access provisioning infrastructure via an STB. WarpEra can integrate with CyberLancet's content server to accelerate Internet content delivery, then rollout other IP-based services for one-way and two-way cable operators, such as VoIP, interactive home shopping, games and video conferencing.

WarpEra technology completes the total solution required for the rollout of interactive services to a large scale customer base. The technology is tailored to work with all headend equipment and supports the PrediWave PRC rollout.

We're Creating a New Future





FINANCIAL REVIEW



CONSOLIDATED PROFIT AND LOSS ACCOUNT

	2003 HK\$'000	2002 HK\$'000
① Turnover	383,461	759,662
Gain from the Reorganization	334,258	—
② Other operating income	172,856	201,310
③ Operating costs	(1,617,599)	(1,014,903)
Operating loss before financing	(727,024)	(53,931)
④ Finance costs	(638,980)	(849,277)
⑤ Share of results of associated companies	15,534	174,128
⑤ Share of results of jointly controlled entities	516,110	728,655
Loss before taxation	(834,360)	(425)
Taxation	(86,598)	(142,002)
Loss after taxation	(920,958)	(142,427)
Minority interests	(38,526)	(5,937)
Loss for the year	(959,484)	(148,364)

The Reorganization (refer to Note 4 to the Accounts) was an event which impacted generally on the financial results for the year ended 30 June 2003 and the balance sheet of the Group. As a consequence of the Reorganization, results of operation of the traditional infrastructure assets (the “Discontinued Operations”) up to 29 January 2003 was included in the results of the Group and discontinued thereafter. The Group’s balance sheet as at 30 June 2003 reflected changes that arose from the disposal of the Discontinued Operation assets and use of the sale proceeds for debts repayment. The effect of the Reorganization underlies the analysis of the financial statements of the Group.

- 1 Turnover were mainly from toll income of Discontinued Operations; decrease due to 7-month period vs. a full 12-month prior period.
- 2 Included HK\$134 million gain on disposal of certain PRC investments; similar non-recurring items mainly relating to cargo handling assets in last year amounted to HK\$114 million.
- 3 Main items were: (i) HK\$458.4 million write-down in the value of set-top-box components which was part of the Group's investment in interactive TV business. This write-down was necessitated by significant upgrades of the set-top-boxes which broaden user-attractive features, expand overall interactive TV network functionality and lower future deployment and operational costs of the system to be launched; (ii) HK\$191.9 million loss on disposal of the Group's entire remaining interest in chinadotcom corporation; (iii) HK\$158.6 million provision for the investment in a coal depot in Shanxi Province; this coal depot required further injection of working capital to maintain operation which the Group considered not justified; and (iv) HK\$309.2 million relating to the Discontinued Operations.
- 4 With the repayment of loans on completion of the Reorganization, weighted average borrowing lowered by 29% to HK\$7.69 billion for the current year from HK\$10.8 billion for the previous year. Unwinding cost of interest rate hedging contracts in respect of loans repaid added to the finance costs for the year and resulted in overall financing cost reduction of 25%.
- 5 For the part attributable to Discontinued Operations, please refer to Note 4 to the Accounts.

CONTRIBUTION BY SEGMENT

	2003 HK\$'000	2002 HK\$'000	Change %
① Cargo Handling	185,732	306,673	-39%
① Roads and Bridges	227,662	242,301	-6%
① Energy	213,055	393,384	-46%
① Water Treatment	10,505	34,250	-69%
TMT	(276,574)	(102,363)	170%
Attributable Operating Profit	360,380	874,245	-59%
Head Office Items			
② Amortization of deferred expenditure	(50,997)	(30,657)	66%
Convertible bonds interest	(218,204)	(236,331)	-8%
③ Other interest expense	(296,476)	(480,167)	-38%
Interest income	34,835	42,235	-18%
Interest capitalized	—	15,017	-100%
Gain from the Reorganization	334,258	—	n/a
Net (loss)/gain on disposal of investments and subsidiaries	(67,412)	135,515	-150%
④ Impairment losses and provisions	(482,642)	(331,123)	46%
④ Provision for inventories	(458,362)	—	n/a
Other overheads	(114,864)	(137,098)	-16%
Loss for the year	(959,484)	(148,364)	5x

TMT — Analysis of Attributable Operating Loss

	2003 HK\$'000	2002 HK\$'000	Change %
⑤ PrediWave	(167,040)	(67,949)	146%
⑥ Sun Long	(51,814)	(5,156)	9x
GWTec	(18,999)	—	n/a
Biotech projects	(14,335)	(19,376)	-26%
New QU	(9,934)	(5,345)	86%
Others	(14,452)	(4,537)	2x
Total	(276,574)	(102,363)	170%

- ① Discontinued Operations: AOP derived from 7 months of operation with performance maintained vs. a complete 12 months for the prior year.
- ② Amortization accelerated due to early repayment of borrowings.
- ③ Decrease due to reduction in borrowings after completion of the Reorganization with the extent of decrease lessened by additional unwinding cost of interest rate hedging contracts.
- ④ See comments on "Operating Costs" under analysis of the Consolidated Profit and Loss Account.
- ⑤ PrediWave Corp. and related companies ("PrediWave Companies") together is a total solution provider of proprietary interactive TV technology/services over one-way CATV, wireless terrestrial and satellite networks (the "PrediWave System"). The Group's interest in the PrediWave Companies ranges from 30% to 47.5%. The PrediWave System will be launched by the Group in the PRC shortly. To support this launch, PrediWave Companies significantly increased development and operating activities during the year and attributable loss increased to HK\$167.0 million from HK\$67.9 million in the previous year.
- ⑥ Sun Long Group and General Wireless Technologies Inc. sustained attributable operating loss as they invested in new business including wireless fire alarm system in Shanghai, e-Bus Stop project in four PRC cities and e-Kiosk project in Wuhan which are expected to generate revenue in FY2004.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2003, the cash and bank balances of the Group amounted to HK\$573.7 million, compared to HK\$1.8 billion at year-end FY2002. This substantial decrease reflected the effect of the Reorganization after completion of which available cash including cash on hand and those from the sale of Infrastructure Assets were used to repay all bank loans except Rmb loans then outstanding including accrued interest and early redeemed 1% convertible bonds, which together amounted to HK\$8.89 billion.

ATTRIBUTABLE DEBT PROFILE

(HK\$ million)

TYPE	OUTSTANDING AMOUNT		REPAYMENT		
	FIXED RATE	FLOATING RATE	03/04	04/05	Onwards
As at 30 June 2003					
Short-term Rmb					
bank loan facilities	1,099.07	—	1,099.07	—	—
Long-term Rmb					
bank loan facilities	9.62	—	1.15	1.22	7.25
Other loan	—	513.00	—	513.00	—
Total amount	1,108.69	513.00	1,100.22	514.22	7.25

Attributable Debt at 30 June 2003 accordingly was reduced to HK\$1.62 billion from HK\$11.73 billion at year-end FY2002, with gearing ratio (being the ratio of Attributable Debt to equity) decreased to 23% from 98%. Current bank borrowings are all in Rmb at a fixed interest rate and represented 68% of Attributable Debt. The remaining Attributable Debt is in HK\$ at floating rates. The borrowings are mainly unsecured, except for HK\$323.6 million, which is secured by pledged deposits and fixed assets. The Company has undrawn facilities to meet its commitments and working capital requirements.

CONTINGENCIES

As part of the Reorganization, the Group's interest in Wuhan Bridge Construction Company Limited which operated the Yangtze Bridge No. 2 was sold to NWSH at book value. Toll collection at the Yangtze Bridge No. 2 has ceased since October 2002 by decree of the Wuhan municipal government which undertook to compensate the shareholders of Wuhan Bridge. The Group according to the terms of the Reorganization will pay NWSH any shortfall of the eventual compensation amount from the book value. In case the compensation amount exceeds the book value, NWSH will pay 50% of the excess to the Company. The directors consider there should be no material adverse impact to the Group.

EMPLOYEES

No. of employees reduced to 73 employees as at 30 June 2003 from 138 at 30 June 2002 after 71 employees responsible for the Discontinued Operations were transferred to NWSH on completion of the Reorganization. Remuneration policy is reviewed yearly. Remuneration, bonus and share options are granted to employees based on individual performance and market practices. Education subsidies will be granted to employees taking job-related courses. Periodic in-house training programs are also offered.