NWSH

新創建集團有限公司*

NWS Holdings Limited

(formerly known as Pacific Ports Company Limited)

(incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

CHAIRMAN'S MESSAGE

Outstanding performance in tough global market

2002 had been a tough year for the global economy, Asia including Hong Kong had also been affected. Despite such an economic environment, the import and export trade in Hong Kong was still able to rebound and resume its growth trend. The container throughput, in particular, has attained an impressive double-digit growth since November 2002.

For the six months ended 31 December 2002, Pacific Ports Company Limited reported a net profit of HK$174.7 million, representing a growth of about 13 times comparing to the corresponding period in 2001.

The emergence of NWS Holdings Limited

The reorganization announced on 18 October 2002 denoted the acquisitions of New World Services Limited in a share-for-share exchange, and the traditional infrastructure assets of New World Infrastructure Limited for a combined cash, liability assumption and shares consideration by Pacific Ports Company Limited. The reorganization was completed on 29 January 2003 and on such date Pacific Ports Company Limited was renamed to NWS Holdings Limited.

10 February 2003 marked the debut of NWS Holdings Limited when its consolidated shares started trading on the Hong Kong Stock Exchange. Its inception turns a new page for the New World Group. NWS Holdings Limited now embraces three business arms — ports, service and infrastructure, which are operating under the names of NWS Ports Management Limited, NWS Service Management Limited and NWS Infrastructure Management Limited respectively. The reorganization unlocks hidden potential of each subsidiary, creates greater business focus, streamlines organization structure and rematches assets and liabilities for New World Group.

NWS Holdings Limited has received an investment grade rating from Standard & Poor's. Our diverse and well-established businesses, strong cash flow and solid interest coverage, were the primary reasons Standard & Poor's cited for the rating. I strongly believe that the three main engines of the Group will power us to further grow and expand, as well as to fulfill our debt repayment obligations. The cash inflow from our businesses should be more than sufficient to finance the capital expenditure requirements whilst maintaining a consistent dividend policy in line with comparable businesses.

At New World, we believe that successful relationships are built on communication and trust. As a public listed company, we are committed to keeping communication channels open to investors, fund managers, and other members of the financial and investment community, as well as our employees and members of our greater community. Guided by this principle, we have dedicated ourselves to be both accessible and informative by sharing with all parties our progress and achievements, our challenges and strategies, and, most important of all, our vision and mission.

RESULTS

The Board of Directors (the "Directors") of NWS Holdings Limited (the "Company") announces the unaudited and condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2002 together with comparative figures for the same period in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the six months ended 31 December 2002 Unaudited *HK$'000*	2001 Unaudited *HK$'000*
Turnover	*1*	**6,131**	73,460
Other revenues		**3,571**	2,164
Staff costs		**(10,049)**	(24,129)
Depreciation and amortisation		**(4,146)**	(21,496)
Impairment losses of fixed assets		**(35,000)**	(77,500)
Loss on disposal of a subsidiary and partial disposal of jointly controlled entities		–	(90,020)
Other operating expenses (net)		**(7,333)**	(37,290)
Operating loss	*2*	**(46,826)**	(174,811)
Finance costs		**–**	(2,722)
Share of results of			
Jointly controlled entities		**107,491**	82,764
Associated companies		**154,156**	135,949
Profit before taxation		**214,821**	41,180
Taxation	*3*	**(39,988)**	(33,282)
Profit after taxation		**174,833**	7,898
Minority interests		**(132)**	4,643
Profit attributable to shareholders		**174,701**	12,541
Dividends	*4*	**11,370**	108,688
Earnings/(loss) per share	*5*		
Basic		**HK7.93 cents**	HK(2.67 cents)
Diluted		**HK3.33 cents**	N/A

Notes:

1. Turnover

Turnover represents income from cargo and container handling and storage, and road freight services, net of business tax. An analysis of the Group's turnover and contribution to operating profit/(loss) by business segments for the period is as follows:

	Turnover for the six months ended 31 December 2002 *HK$'000*	2001 *HK$'000*	Operating profit/(loss) for the six months ended 31 December 2002 *HK$'000*	2001 *HK$'000*
Business segments:				
Cargo handling and storage	**351**	27,901	**(295)**	(5,448)
Container handling and storage	**4,339**	42,172	**(940)**	7,121
Road freight services	**1,441**	3,387	**(1,731)**	(1,642)
Impairment losses of fixed assets	**–**	–	**(35,000)**	(77,500)
Loss on disposal of a subsidiary and partial disposal of jointly controlled entities	**–**	–	**–**	(90,020)
Unallocated costs	**–**	–	**(8,860)**	(7,322)
	6,131	73,460	**(46,826)**	(174,811)

The principal market of the Group is located in the People's Republic of China (the "PRC").

Turnover and operating profit/(loss) for the six months ended 31 December 2001 also included those of Nanjing Huining Wharfs Co., Ltd. ("Huining"), Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu") and Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("Huijian"), the then subsidiaries of the Group.

Pursuant to relevant agreements dated 30 August 2001 entered into among the Group, Huining and its minority shareholder, the minority shareholder obtained the sole operation and management right of Huining. Upon the approval on the aforesaid agreements by the PRC authorities on 24 December 2001, the Group accounted for the effective disposal of its equity interest in Huining in the prior period.

Pursuant to the merger agreement dated 28 June 2002, Xiangyu will be merged with Huijian and Xiamen Xiangyu Free Port Developing Co., Ltd., a company wholly owned by the minority shareholder of Xiangyu and Huijian, by way of absorption. The new merged entity will be owned and managed as to 50% by the Group. Upon effective commencement of the merger on 30 June 2002, Xiangyu and Huijian became jointly controlled entities of the Group.

2. Operating loss

Operating loss is stated after charging cost of services rendered of HK$7,303,000 (2001: HK$52,942,000). Cost of services rendered included staff costs, depreciation, repairs and maintenance expenses and other direct expenses in connection with the provision of services.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit for the six months ended 31 December 2002 (2001: HK$Nil). Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. Certain subsidiaries operating in the PRC are entitled to a 100% tax relief from corporate income tax for the period, and accordingly no corporate income tax has been made for the estimated assessable profit of those subsidiaries for the period.

The amount of taxation charged to condensed consolidated profit and loss account for the period represents:

	For the six months ended 31 December 2002 *HK$'000*	2001 *HK$'000*
Company and subsidiaries		
PRC taxation	**55**	40
Share of taxation attributable to:		
Jointly controlled entities		
Hong Kong profits tax	**15,519**	12,076
PRC taxation	**20**	–
Associated companies		
Hong Kong profits tax	**24,367**	21,144
PRC taxation	**27**	22
	39,988	33,282

There was no material unprovided deferred tax charge of the Group for the period (2001: HK$Nil).

4. Dividends

	For the six months ended 31 December 2002 *HK$'000*	2001 *HK$'000*
Interim, proposed, of HK$Nil (2001: HK$0.02) per ordinary share	**–**	41,199
Preference share dividend on 4% cumulative convertible redeemable preference shares *(note)*	**11,370**	67,489
	11,370	108,688

Note: No preference share dividend has been accrued for the six months ended 31 December 2002 since the last dividend payment date, i.e. 31 July 2002, as the preference shares have been fully converted into ordinary shares of the Company on 29 January 2003 pursuant to the completion of the group reorganisation.

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK$174,701,000 (2001: HK$12,541,000) less preference share dividend of HK$11,370,000 (2001: HK$67,489,000) and the weighted average of 2,059,968,000 (2001: 2,059,968,000) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 31 December 2002 was calculated based on the Group's profit attributable to shareholders of HK$174,701,000 and 5,253,622,306 ordinary shares which were the weighted average number of 2,059,968,000 ordinary shares in issue during the period plus the weighted average of 3,193,654,306 ordinary shares deemed to be issued on the conversion of all preference shares.

The diluted loss per share for the six months ended 31 December 2001 was not presented as the conversion of preference shares is anti-dilutive.

The conversion of share options was not dilutive as the exercise price of the Company's outstanding options was higher than the average market price per ordinary share for the six months ended 31 December 2002 and 2001.

6. Subsequent events

On 21 October 2002, the Company, New World Development Company Limited (the Company's ultimate holding company), New World Infrastructure Limited ("NWI", the Company's intermediate holding company during the period) and the shareholders of the New World Services Limited ("NWS", the Company's fellow subsidiary during the period), entered into two share purchase agreements, which, after completion, resulted into a reorganisation of the Company, NWI and NWS (the "Group Reorganisation"). The Group Reorganisation was completed on 29 January 2003 (the "Completion Date").

The Group Reorganisation mainly comprised: (i) the acquisition of the entire interests in subsidiaries and jointly controlled entities of NWI holding the infrastructure investments (collectively the "Infrastructure Companies") together with the assignment of shareholders' loans to the Infrastructure Companies to the Company from NWI at consideration of approximately HK$9.5 billion, comprising cash consideration of HK$8.4 billion, undertaking to repay certain liabilities of NWI in the aggregate amount of HK$0.9 billion, and fair value of 853 million shares of the Company issued at HK$0.29 per share at the Completion Date of HK$0.2 billion; (ii) the acquisition of the entire share capital of NWS by the Company from the shareholders of NWS at consideration of approximately HK$3.4 billion, representing the fair value of 11,701 million shares of the Company issued at HK$0.29 per share at the Completion Date; and (iii) the issue of new 3,194 million shares by the Company to NWI upon conversion of all the Preference Shares into Ordinary Shares.

Based on the unaudited management information as at the Completion Date, a net negative goodwill of HK$1.3 billion, comprising negative goodwill of HK$1.8 billion and goodwill of HK$0.5 billion, is recognised by the Group in its accounts for the year ending 30 June 2003. A portion of the negative goodwill of approximately HK$1.3 billion, not exceeding the fair values of the non-monetary assets acquired, will be amortised in the consolidated profit and loss account of the Company over the remaining weighted average useful life of those assets of not more than 20 years; a portion of the negative goodwill of approximately HK$0.5 billion, in excess of the fair values of those non-monetary assets, will be recognised as income in the consolidated profit and loss account of the Company for the year ending 30 June 2003. The goodwill arising from the acquisition will be amortised over a period of 20 years.

With effect from 12 December 2002, the Company has increased its authorised share capital from HK$1,180 million to HK$2,400 million. Following the completion of the Group Reorganisation, its issued share capital has increased from approximately HK$206 million to approximately HK$1,781 million upon issuance of approximately 12,554 million shares for the acquisitions as mentioned above and the conversion in full of approximately 3,194 million Preference Shares. The name of the Company was changed from Pacific Ports Company Limited to NWS Holdings Limited with effect from 29 January 2003. The Company has consolidated its shares at a ratio of every 10 shares of HK$0.1 each of the Company into one consolidated share of HK$1.0 with effect from 10 February 2003.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 31 December 2002. The Directors had declared an interim dividend of HK2 cents per ordinary share, totalling HK$41,199,360, for the six months ended 31 December 2001.

FINANCIAL REVIEW

For the six months ended 31 December 2002, the Group sustained its growth trend despite economic downturn faced. The continued robust state of the container handling business in general and strong growth of the container handling market in both Hong Kong and Mainland China were key contributors to the Group's expansion in the second half of 2002.

The Group reported a profit attributable to shareholders of HK$174.7 million for the six months ended 31 December 2002 compared to HK$12.5 million for the corresponding period in 2001 ("2001 period").

During this period, the Group made impairment losses of HK$35 million (2001 period: HK$77.5 million) relating to the fixed assets in Xiamen New World Xiangyu Warehouse & Processing Zone Limited ("WPZ") and N.S.A. (Tianjin) Int'l Cargo Distribution Co., Ltd. After excluding the non-recurring items of impairment losses of fixed assets of HK$35 million (2001 period: HK$77.5 million) as mentioned above and the loss on disposal of a subsidiary and partial disposal of jointly controlled entities of HK$90 million in 2001 period, the profit in fact increased to HK$209.7 million for the six months ended 31 December 2002 from HK$180 million in 2001 period, representing an increase of approximately 16% over the 2001 period.

The container handling and storage segment delivered an attributable operating profit ("AOP") of HK$123.4 million, an increase of 18% from the 2001 period. In the cargo handling segment, the attributable operating loss ("AOL") was HK$0.3 million (2001: HK$4.5 million). The improvement was mainly due to disposal of Nanjing Huining Wharf Co., Ltd. ("Huining").

The turnover of the Group for the period amounted to HK$6.1 million. Significant decline in balance of turnover and increase in share of results in jointly controlled entities were due to the disposal of Huining in the prior period and reclassification of Xiangyu as jointly controlled entity as at 30 June 2002.

OPERATIONAL REVIEW

The Group's principal activities include container handling, cargo handling, storage and road freight services. The Group's operations are spread over strategic locations in Mainland China including the North, East and South regions. Hong Kong operations continue to be the key profit contributors to the Group and Mainland China projects have steadily improved their share of contribution to the Group's profitability.

Hong Kong

CSX World Terminals Hong Kong Limited ("CSXWTHK"), the operator of Container Terminal No. 3, reported an AOP of HK$100.6 million, a 15% increase as compared to the 2001 period. The growth was mainly attributable to higher throughput volume and stringent cost control. During the period, CSXWTHK handled 702,000 Twenty-foot Equivalent Units ("TEUs").

ATL Logistics Centre Hong Kong Limited managed to achieve an AOP of HK$95.3 million, a 9% increase as compared to the 2001 period. The growth was primarily driven by an increase in cargo volume of existing customers and additions of new customers.

Asia Container Terminals Limited holds an interest in two berths at Container Terminal No. 9 and upon completion in 2004 these two berths will be swapped for two berths at Container Terminal No. 8 West.

Xiamen

Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu") reported an AOP of HK$10.6 million, a decrease of 10% as compared to the 2001 period. The share of Xiangyu's results was reduced from 92% to around 56% on 31 December 2002. The share will eventually be reduced to 50% in accordance with the merger agreement entered into between Xiangyu, Xiamen Xiangyu Free Trade Zone Huijian Quay Co., Ltd. ("Huijian") and Xiamen Xiangyu Free Port Developing Co., Ltd. ("Xiangyu Free Port"). The decrease of AOP was mainly due to the reduction of shareholding as a result of the merger.

Huijian and Xiangyu Free Port reported an AOL of HK$1.2 million and HK$1.9 million respectively, mainly from pre-operating expenses incurred. They will be absorbed by Xiangyu and dissolved after the completion of the merger.

Xiamen Xinyuan Container Terminal Co., Ltd. reported an AOP of HK$0.3 million, a 3% increase over the 2001 period. Phase II development plan is now under review.

WPZ reported an AOL of HK$1.4 million, an improvement of 42% over the 2001 period. The AOL was primarily due to the amortisation charge of the land use rights. Due to the delay in the implementation of this project, an impairment loss of HK$20 million was made on its fixed assets. While WPZ was loss making, it yielded a positive operating cash flow.

Tianjin

CSX Orient (Tianjin) Container Terminals Co., Ltd., operator of four container berths and one coal berth in Tianjin Xingang, contributed an AOP of HK$17.3 million, a 70% increase over the 2001 period. Throughput grew to 497,000 TEUs. The growth was mainly driven by the addition of new customers and higher tariff rates.

Suzhou

Suzhou Huisu International Container Freight Wharfs Co., Ltd. reported an AOL of HK$2 million this period as compared to HK$0.8 million for the 2001 period. The increase of the AOL was primarily due to the amortisation charge of land use rights.

FINANCIAL RESOURCES

The shareholders' funds of the Group at 31 December 2002 amounted to approximately HK$3.9 billion, an increase of 3% over 30 June 2002. The Group was debt-free and was similar to the position as at 30 June 2002. The Group earns revenue and incurs expenses mainly in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). Taking into account the Group's operational and capital requirements and the balanced portfolio of assets and liabilities denominated in the aforesaid currencies, the Group has minimal exchange risks in the event of fluctuation of exchange rate of HKD and RMB.

EMPLOYEES

As at 31 December 2002, the Group employed over 137 employees in Hong Kong and Mainland China. The remuneration policy is reviewed yearly and packages are structured to take into account the level and composition of pay as well as the general market conditions in the respective cities and businesses in which the Group operates. Apart from pension funds, employees are awarded annual bonuses and share options based on individual performance and market practice. A structured programme is offered to staff for training and development.

OUTLOOK

Despite the general economic downturn in year 2002 and the uncertainties faced by the global economy due to the current situation in the Middle East, the outlook for the port and cargo handling projects of the Group still remains promising. Mainland China is expected to maintain its strong economic growth momentum as well as the rising trend of imports/exports fuelled by its accession to the World Trade Organization and Beijing's hosting of the 2008 Olympic Games. This will lead to an increase in the trade and cargo flows of Mainland China in the coming years.

With a strong surge in exports in South China, Hong Kong's container throughput has resumed the growth trend and rebounded in year 2002. Total container throughput in year 2002 is forecasted to be about 19 million TEUs by the Hong Kong Port and Maritime Board, an increase of 6.6% over 2001. This forecasted throughput volume will make Hong Kong once again the world's busiest container port in 2002. The throughput growth trend of Hong Kong is expected to continue in year 2003 primarily due to Guangdong's strong export trade growth and capacity constraint of the Shenzhen terminals. This can be evidenced by the surge in Kwai Chung's container throughput in the month of January 2003 with a 18.5% year-on-year growth. The increase in cargo flows will benefit the Group's port and cargo handling operations in Hong Kong, which remain as a major AOP contributor to the Group.

Throughput at major container ports in Mainland China have recorded impressive double-digit growth in year 2002 and this surge is expected to be maintained in 2003 as Mainland China has to modernise and expand its container handling capacities. The Group's port projects in Mainland China, particularly those in Xiamen and Tianjin, are expanding at a rapid pace and will become a more significant contributor to the Group's earnings.

Xiamen Port in Fujian Province is primed for growth from the expanding cross-straits trade and liberalisation of the direct shipping links with Taiwan. In addition, with the completion of the Xiamen merger among Berths No. 12-16 in January 2003, the competitive edge of the Group's Xiamen container facilities will be further strengthened to capture larger market share and improve operational efficiencies.

Tianjin Port in North China stands to benefit from the Mainland Chinese Government's development programme of Central and Western China. In addition, being the port serving the city of Beijing, Tianjin Port will enjoy increasing cargo flows in the years ahead from Beijing's hosting of the 2008 Olympics and will therefore lead to a higher AOP contribution to the Group from the Tianjin container operations.

With the factors described above, the port and cargo handling operations of the Group are well-positioned to capture future growth and improved profitability. In addition, as a result of the rapid expansion and throughput surge of the Mainland China ports, the Group will continue to explore new investment opportunities in the port and logistics operations in Mainland China to widen the earnings base of the Group and improve shareholders' value.

PRACTICE NOTE 19 TO THE LISTING RULES

Please refer to the Company's announcement of even date.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company 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 (the "Stock Exchange") will be released on the website of the Stock Exchange in due course.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 20 March 2003

* *For identification purposes only*