



新創建集團有限公司\*  
NWS Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 659)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

FINANCIAL HIGHLIGHTS

- Turnover jumped **1,072** times to **HK\$6,542.5** million ■
- Profit attributable to shareholders increased **3.4** times to **HK\$814.2** million ■
- Earnings per ordinary share: **HK\$0.46** ■
- Interim dividend per ordinary share: **HK\$0.15** ■

RESULTS

The board of directors (the "Directors") of NWS Holdings Limited (the "Company" or "NWSH") announces the unaudited and condensed consolidated results of the Company and its subsidiary companies (the "Group") for the six months ended 31 December 2003 ("Current Period") together with comparative figures for the same period in 2002 ("Last Period") as follows:

		For the six months ended 31 December	
		2003 HK\$m	(Restated) 2002 HK\$m
Turnover	1	6,542.5	6.1
Cost of sales		(5,619.5)	(7.3)
Gross profit/(loss)		923.0	(1.2)
Other revenues		92.6	3.6
Amortization of net negative goodwill		33.1	-
General and administrative expenses		(583.2)	(14.2)
Other charges	2	(26.7)	(35.0)
Operating profit/(loss)	2	438.8	(46.8)
Finance costs		(169.0)	-
Share of results of			
Jointly controlled entities		553.1	107.5
Associated companies		161.5	154.1
Profit before taxation		984.4	214.8
Taxation	3	(156.0)	(28.9)
Profit after taxation		828.4	185.9
Minority interests		(14.2)	(0.1)
Profit attributable to shareholders		<u>814.2</u>	<u>185.8</u>
Dividend	4	<u>267.1</u>	<u>11.4</u>
Earnings per ordinary share	5		
Basic		<u>HK\$0.46</u>	<u>HK\$0.85</u>
Diluted		<u>HK\$0.45</u>	<u>HK\$0.35</u>

The Group completed the reorganization on 29 January 2003 (the "Reorganization") as set out in note 1 to the 2003 annual report of the Company. Following the Reorganization, the existing ports businesses of the Group were combined with the acquired service businesses and infrastructure assets. As a result, the Group's profitability and net assets for Current Period were substantially changed from the position presented in the above results for the six months ended 31 December 2002.

The management has therefore provided an analysis which compares the results of the acquired service businesses and infrastructure assets for Current Period with the corresponding 6-month pro forma results for Last Period in the section headed "Business Performance" below.

Notes:

### 1. Turnover, revenue and segment information

The Group is principally engaged in container handling, logistics and warehousing services, infrastructure operations, facilities, contracting, transport and other services. An analysis of the Group's turnover and results by business segments for the period is as follows:

For the six months ended 31 December 2003									
	Container handling, logistics and warehousing HK\$'m	Roads and bridges HK\$'m	Energy, water treatment and waste management HK\$'m	Facilities HK\$'m	Contracting HK\$'m	Transport HK\$'m	Others HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
External sales	8.9	222.8	0.9	1,367.7	3,950.4	829.6	162.2	-	6,542.5
Inter-segment sales	-	-	-	72.0	325.8	-	9.7	(407.5)	-
Total turnover	<u>8.9</u>	<u>222.8</u>	<u>0.9</u>	<u>1,439.7</u>	<u>4,276.2</u>	<u>829.6</u>	<u>171.9</u>	<u>(407.5)</u>	<u>6,542.5</u>
Segment results	11.9	100.6	5.7	203.7	93.1	58.9	24.0	-	497.9
Amortization of net negative goodwill									33.1
Loss on disposal of fixed assets									(26.7)
Unallocated corporate expenses									(65.5)
Operating profit									<u>438.8</u>

For the six months ended 31 December 2002									
	Container handling, logistics and warehousing HK\$'m	Roads and bridges HK\$'m	Energy, water treatment and waste management HK\$'m	Facilities HK\$'m	Contracting HK\$'m	Transport HK\$'m	Others HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
External sales	6.1	-	-	-	-	-	-	-	6.1
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total turnover	<u>6.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.1</u>
Segment results	(2.9)	-	-	-	-	-	-	-	(2.9)
Impairment loss on fixed assets									(35.0)
Unallocated corporate expenses									(8.9)
Operating loss									<u>(46.8)</u>

### 2. Operating profit/(loss)

Operating profit/(loss) of the Group is arrived at after crediting and charging the following:

	For the six months ended 31 December	
	2003 HK\$'m	2002 HK\$'m
Crediting:-		
Gross rental income from investment properties	20.5	-
Less: Outgoings	(5.5)	-
	<u>15.0</u>	<u>-</u>
Charging:-		
Cost of inventories sold	344.6	-
Depreciation	266.0	4.1
Operating lease rental expenses		
Land and buildings	48.9	0.9
Other equipment	37.2	-
Other charges		
Loss on disposal of fixed assets	26.7	-
Impairment loss on fixed assets	-	35.0
	<u>26.7</u>	<u>35.0</u>

### 3. Taxation

Hong Kong profits tax is provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. The government of Hong Kong enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/04. Tax on Mainland China and overseas profits has been calculated on the estimated taxable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the six months ended 31 December	
	2003 HK\$'m	(Restated) 2002 HK\$'m
Company and subsidiary companies		
Hong Kong profits tax	32.4	-
Mainland China and overseas taxation	6.0	0.1
Deferred taxation	32.9	(7.7)
	<u>71.3</u>	<u>(7.6)</u>
Jointly controlled entities		
Hong Kong profits tax	17.4	13.4
Mainland China and overseas taxation	31.8	-
Deferred taxation	5.9	(0.5)
	<u>55.1</u>	<u>12.9</u>

Associated companies		
Hong Kong profits tax	30.1	25.2
Mainland China and overseas taxation	-	-
Deferred taxation	(0.5)	(1.6)
	<u>29.6</u>	<u>23.6</u>
	<b>156.0</b>	<b>28.9</b>

#### 4. Dividend

#### For the six months ended 31 December

	2003 HK\$'m	2002 HK\$'m
Interim dividend proposed of HK\$0.15 (2002: Nil) per ordinary share	267.1	-
4% cumulative convertible redeemable preference shares	-	11.4
	<u>267.1</u>	<u>11.4</u>

#### 5. Earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit of HK\$814.2 million (2002: restated profit of HK\$185.8 million less preference share dividend of HK\$11.4 million) and the weighted average of 1,780.8 million (2002 restated: 206.0 million) ordinary shares in issue during the period.

The diluted earnings per ordinary share for the six months ended 31 December 2003 is calculated based on 1,796.8 million ordinary shares which were the weighted average number of 1,780.8 million ordinary shares in issue during the period plus the weighted average of 16.0 million ordinary shares deemed to be issued at HK\$3.725 if all outstanding options had been exercised.

The diluted earnings per ordinary share for the six months ended 31 December 2002 was calculated based on 525.4 million ordinary shares which were the weighted average number of 206.0 million ordinary shares in issue during the period plus the weighted average of 319.4 million ordinary shares deemed to be issued on the conversion of all preference shares. The share options would not have a dilutive effect 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.

#### 6. Subsequent events

- (a) On 13 November 2003, the Group entered into 13 separate agreements (the "Agreements") for the disposal of its interests in 13 Sino-foreign co-operative joint ventures in the PRC, which engaged in the development and operation of certain toll roads and a toll bridge in Zhaoqing (the "Toll Road Projects"), with 肇慶市公路發展總公司 (unofficial translation being Zhaoqing Highway Development Ltd.). The aggregate consideration for the disposal of the Toll Road Projects is approximately HK\$1,168.0 million. The completion of the transfer of interest in each of the Toll Road Projects is conditional on the approval of such transfer by the relevant PRC approving authorities. Subsequent to 31 December 2003, the Agreements have been approved by the relevant PRC approving authorities.
- (b) On 8 December 2003, the Company, Chow Tai Fook Enterprises Limited ("CTF") and Merryhill Group Limited ("Merryhill"), a then indirect wholly-owned subsidiary company of CTF, entered into a conditional share exchange agreement in connection with a proposed share exchange (the "Share Exchange") which was completed on 9 March 2004. Upon completion, each of the Group and CTF owns 50% of the total issued share capital of Merryhill which holds the respective transport and related businesses of the Group and CTF.

The Share Exchange involved, inter alia, (i) the capitalization of certain shareholder's loans from the Group to New World First Holdings Limited ("NWFH") by the issue of new shares of NWFH to the Group, (ii) transferring the Group's entire shareholding in NWFH to Merryhill, (iii) the assignment of the remaining shareholder's loan to Merryhill, (iv) the capitalization of a portion of the assigned shareholder's loan in consideration for newly issued shares in Merryhill and the settlement of the remaining balance at a cash consideration of approximately HK\$754.7 million. Further details are set out in the circular to shareholders of the Company dated 23 December 2003.

### INTERIM DIVIDEND AND CLOSE OF REGISTER

The Directors have resolved to declare an interim dividend of HK\$0.15 per ordinary share (2002: Nil) for the six months ended 31 December 2003, amounting to a total of about HK\$267.1 million (2002: Nil).

The register of members of the Company will be closed from Wednesday, 14 April 2004 to Monday, 19 April 2004, both dates inclusive, during which period no transfer of shares will be registered. Dividend warrants will be despatched to shareholders on or about Friday, 30 April 2004. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Standard Registrars Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 13 April 2004.

### FINANCIAL REVIEW

#### Group Overview

The Group reported a profit attributable to shareholders of HK\$814.2 million for the six months ended 31 December 2003, an increase of HK\$628.4 million or 338%, as compared to HK\$185.8 million for the six months ended 31 December 2002. The attributable operating profit ("AOP") rose to HK\$996.6 million, an increase of HK\$767.0 million or 334%, as compared to HK\$229.6 million in Last Period. The substantial growth was mainly due to the contributions from the service businesses and infrastructure assets acquired in the Reorganization. NWS Service Management Limited ("NWSS") and NWS Infrastructure Management Limited ("NWSI") were the major contributors and reported AOP of HK\$380.6 million and HK\$413.4 million respectively. NWS Ports Management Limited ("NWSP") maintained an AOP of HK\$202.6 million, a drop of 12% over Last Period. Apart from the operating results, a loss of HK\$26.7 million was recorded on the disposal of fixed assets. The amortization of net negative goodwill amounted to HK\$33.1 million.

Hong Kong and Mainland China were still the two dominant sources of AOP, contributing a total of 55% and 45% respectively. As compared to Last Period, the Group achieved a more balanced investment portfolio by region.

#### Business Performance

Pursuant to the Reorganization, the service businesses and infrastructure assets were acquired in January 2003. For easier comparison, the performance of NWSS and NWSI are analyzed based on the 6-month pro forma results in Last Period as follows:

#### NWSS

NWSS achieved an AOP of HK\$380.6 million for Current Period, about 3% above that for Last Period.

## *Facilities*

Facilities segment achieved outstanding performance after the Severe Acute Respiratory Syndrome ("SARS") ended in July 2003 with an AOP of HK\$188.9 million for Current Period, 20% increased from Last Period. Hong Kong Convention and Exhibition Centre (Management) Limited achieved excellent result by capturing many of the business turnover deferred and rescheduled to the first quarter of 2003/04 as a result of the SARS outbreak in the last quarter of 2002/03. Turnover increased by HK\$41.7 million, 12% over Last Period. Wai Hong Cleaning Group and Kiu Lok Group also have strong growth. Included in this segment was a new contributor, namely Sky Connection Limited, which operates the liquor and tobacco duty free shops – Free Duty at the Hong Kong International Airport as well as the ferry terminals in China Hong Kong City and Shun Tak Centre. It was a newly acquired business previously 50% owned and subsequently wholly owned by the Group since November 2003.

## *Contracting*

Contracting segment achieved an AOP of HK\$119.4 million for Current Period, a drop of 11% as compared to Last Period. Hip Hing Construction Group suffered from the tough building construction market but still contributed around 43% of the segment AOP for Current Period while NWS Engineering Group attained a steady result and contributed 19% to the segment AOP for Current Period. As at 31 December 2003, the contracting segment had a gross contract-on-hand of HK\$20.5 billion with HK\$10.5 billion being the remaining value for completion. The Group invested in 10% interest in 中建三局建筑股份有限公司 (unofficial translation being China Construction Third Engineering Bureau Co., Ltd.), one of the largest construction groups in the PRC.

## *Transport*

Transport segment achieved an AOP of HK\$36.0 million for Current Period, 33% below Last Period. The recovery of business after SARS enabled the daily patronage of the bus business to return to pre-SARS level in December 2003. New World First Ferry Services Limited maintained a small profit contribution for Current Period.

After the completion of the Share Exchange on 9 March 2004, Merryhill has become a comprehensive transport services provider, which encompassed the existing transport and related business of New World First Holdings Group and Citybus Group respectively. Each of NWSH and CTF owns 50% of the total issued share capital of Merryhill.

## *Financial, Environmental and Others*

The Financial segment, the Environmental segment together with other investments recorded an AOP of HK\$36.3 million for Current Period, 61% above Last Period.

## **NWSI**

NWSI's AOP increased from HK\$345.3 million for Last Period to HK\$413.4 million, an increase of HK\$68.1 million or 20%.

## *Energy*

The AOP of the Energy segment surged by HK\$55.3 million to HK\$241.2 million, up 30% from Last Period. The overall electricity sold by Zhujiang Power Station Phase I and II increased by 22% which was mainly due to hot weather condition and booming economic activities in secondary industry sector. The tariff reduction since July 2002 also induced additional demand for electricity. A significant increase in AOP of Phase I was recorded as a result of an extension of the useful life of the power plant that reduced the depreciation charge for Current Period. Sales volume of Phase II increased by 12% while the performance of Macau Power Plant was satisfactory with 7% increase in electricity sales.

## *Water Treatment and Waste Management*

The AOP of the Water Treatment and Waste Management segment increased 24% to HK\$21.4 million in Current Period. The increase was attributable to the improved performance of certain projects in the PRC, especially a full-period contribution from a project in Chongqing (operations commenced in November 2002). The performance of the Macau Water Plant was satisfactory with sales of water increased by 7% when compared to Last Period.

## *Roads and Bridges*

The AOP of the Roads and Bridges segment was HK\$150.8 million for Current Period, an increase of 6% compared to Last Period.

In Guangdong, toll income of Guangzhou City Northern Ring Road increased by 15% which was mainly attributable to the change in toll rates/vehicle types classification since August 2003 under the Guangdong joint toll collection scheme. The AOP of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) ("BZE") decreased by 38% mainly due to the reduction in net interest income since the repayment of our shareholder's loans in February 2003. The average daily traffic flow of Section 1 and 2 of BZE increased by 19% and 14% respectively. The AOP of Shenzhen-Huizhou Roadway and Expressway (Huizhou Section) reduced by 31% because toll income of expressway in Last Period benefited from a traffic diversion due to repairs and maintenance works in nearby roadways and was therefore exceptionally high. Both the average daily traffic flow and toll income of the expressway decreased by 23% and 25% respectively.

The overall AOP of the Guangxi Roadway Network was quite stable and slightly decreased by HK\$0.5 million. Tangjin Expressway in Tianjin recorded an increase in toll income by 32% or HK\$30.4 million. Average daily traffic flow increased by 7% in Current Period due to the commencement of operation of Tangjin Expressway South Section in mid-November 2003. However, the favourable effect on AOP resulting from the increase in toll income was offset by the increase in repair and maintenance costs.

In Hong Kong, the AOP of Tate's Cairn Tunnel decreased slightly by 4% mainly due to a drop in average daily traffic flow by 2% as a result of the prevailing recessionary economic climate.

The Group entered into an agreement in principle on 12 December 2003 with Wuhan City Construction Fund Management Office ("Wuhan Fund Office") for the disposal of its approximately 48.86% interest in Wuhan Bridge Construction Co., Ltd., a Sino-foreign joint stock company incorporated in the PRC which operated the Yangtze River Bridge No. 2 in Wuhan. The consideration payable by Wuhan Fund Office is RMB1,180 million (equivalent to approximately HK\$1,100 million) and the said consideration will be settled by installments on or before either 31 December 2004 or the 15th day after the approval of the proposed disposal by the relevant PRC authorities, whichever is the later.

## NWSP

NWSP reported total AOP of HK\$202.6 million, compared to HK\$229.6 million in Last Period. The Container Handling segment delivered an AOP of HK\$104.4 million, a decrease of 21% from Last Period. The Logistics and Warehousing segment delivered an AOP of HK\$98.2 million, same as that of Last Period.

CSX World Terminals Hong Kong Limited ("CSXWTHK") and ATL Logistics Centre Hong Kong Limited reported a combined AOP of HK\$182.3 million, a decrease of 9% over Last Period. The decline in the combined AOP was mainly due to the decrease in throughput of CSXWTHK and average occupancy rate of ATL Logistics Centre. CSXWTHK handled 676,000 twenty-foot equivalent units ("TEUs"), a decrease of around 4% compared to 702,000 TEUs in Last Period. The average occupancy rate of ATL Logistics Centre decreased to 91% in Current Period from 97% in Last Period.

CSX Orient (Tianjin) Container Terminals Co., Limited ("CSXOT"), an operator of four container berths and one coal berth in Xingang of Tianjin, contributed an AOP of HK\$18.0 million, a 6% increase over Last Period. During Current Period, CSXOT handled approximately 578,000 TEUs, a 16% increase over Last Period. The AOP of Xiamen Xiang Yu Quay Co., Ltd. ("Xiangyu") remained at HK\$8.0 million, with throughput steadily improved by 39% to approximately 281,000 TEUs. After the completion of the merger among berths no. 12-16 in January 2003, Xiangyu's terminal facilities have been expanded to five berths with a total quay length of almost 1,000 meters.

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## OUTLOOK

Along with the revival in the Hong Kong economy as well as the continuous prosperity in Mainland China, NWSS, comprising of service elites in various business sectors with a strong foothold in both Hong Kong and Mainland China, is heading towards a gradual business and financial performance improvement.

Our Energy business will benefit from the increasing electricity demand in Guangdong and Macau. In line with the central government's policy of marketization of utility assets, more Mainland China cities are offering their water and waste water assets for sale. Efforts will be directed to prospective projects that first reach our investment benchmark. With China's accession to the World Trade Organization and the signing of the Closer Economic Partnership Arrangement, which will attract foreign investment to boost the industrial growth and associated growth in foreign trade, leading to a positive impact on freight traffic, the Roads and Bridges segment is well positioned to benefit from strong economic growth in Mainland China.

With the new 6-berth Container Terminal No. 9 coming on stream between 2003 and 2005 as well as the new terminal facilities of Shenzhen ports scheduled for completion in 2004, the existing terminal operators in Hong Kong face increasing competition. Our Ports operations in Hong Kong will no doubt face a challenging period.

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## FINANCIAL RESOURCES

The Group's funding and treasury policy is to maintain a balanced debt profile with significant risk diversification. As at 31 December 2003, total cash and bank balances amounted to HK\$2,331.7 million, as compared to HK\$2,548.4 million as at 30 June 2003. Net debt slightly increased to HK\$6,979.5 million, compared to HK\$6,892.7 million as at 30 June 2003, while the gearing ratio, which represents net debt to shareholders' funds plus minority interests and loans, slightly increased from 64% as at 30 June 2003 to 67% as at 31 December 2003. The capital structure of the Group remained similar to the position as at 30 June 2003.

As at 31 December 2003, total long-term bank loans decreased to HK\$7,959.0 million, compared to HK\$8,178.3 million as at 30 June 2003. An unsecured HK\$6,000.0 million 5-year syndicated term loan was drawn on 24 November 2003 to refinance the remaining balance of the previous secured bridging loan. Secured bank loans amounted to HK\$133.4 million, of which HK\$130.8 million was secured by the toll collection rights of certain toll roads. Such secured bank loans were bearing interest at fixed rate and denominated in RMB. All other debts were in floating rate and denominated in Hong Kong dollars. Except for RMB, the Group did not have any other material exposure in exchange risk during Current Period. The aggregate net book value of pledged fixed assets and the amount of deposits pledged as securities for certain banking facilities were HK\$14.5 million (30 June 2003: HK\$14.1 million) and HK\$14.4 million (30 June 2003: HK\$113.8 million) respectively.

Total Group commitments for capital expenditure were HK\$30.8 million (30 June 2003: HK\$50.4 million), and the share of commitments for capital expenditure committed by jointly controlled entities was HK\$345.1 million (30 June 2003: HK\$411.5 million). Sources of funding for commitments for capital expenditure are internally generated resources and banking facilities.

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## CONTINGENT LIABILITIES

Contingent liabilities of the Group were HK\$2,098.2 million (30 June 2003: HK\$2,211.1 million), composed of guarantees for credit facilities granted to associated companies and jointly controlled entities of HK\$82.4 million (30 June 2003: HK\$1,279.9 million) and HK\$2,015.8 million (30 June 2003: HK\$931.2 million) respectively. These guarantees included a corporate guarantee given by the Group for banking facilities granted to Asia Container Terminals Limited ("ACT") to the extent of approximately HK\$858.0 million (30 June 2003: HK\$858.0 million), in proportion to the Group's interest in ACT. The proportionate amount utilized against such facilities and secured by the guarantee amounted to approximately HK\$282.1 million (30 June 2003: HK\$267.3 million). CSXWTHK has agreed to counter-indemnify the Company the corporate guarantee of approximately HK\$507.0 million (30 June 2003: HK\$507.0 million).

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## EMPLOYEES

As at 31 December 2003, the Group employed over 29,000 people of which about 25,000 people were employed in Hong Kong. Total staff costs incurred were HK\$1,523.3 million. Provident funds and staff bonuses were paid to employees. Remuneration packages are reviewed according to general market conditions every year. Structured training programs were provided to employees on an ongoing basis.

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**PUBLICATION OF DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

All the information of the interim results of the Group for the six months ended 31 December 2003 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 published on the Stock Exchange's website in due course.

**Dr. Cheng Kar Shun, Henry**  
*Chairman*

Hong Kong, 18 March 2004

\* *For identification purposes only*

"Please also refer to the published version of this announcement in South China Morning Post".