NWS Holdings Limited Interim Report 2002-03

Corporate Information

Executive Directors

Dr. Cheng Kar Shun, Henry *GBS (Chairman)*
Mr. Doo Wai Hoi, William *(Deputy Chairman)*
Mr. Chan Kam Ling *BBS*
Mr. Wong Kwok Kin, Andrew
Mr. Lam Wai Hon, Patrick

Non-executive Directors

Mr. Wilfried Ernst Kaffenberger
Mr. To Hin Tsun, Gerald
Mr. Yeung Kun Wah, David
(alternate director to Mr. Wilfried Ernst Kaffenberger)

Independent Non-executive Directors

Mr. Wong Kin Chow, Michael *GBS, JP*
Mr. Kwong Che Keung, Gordon *OBE, JP*
Mr. Cheng Wai Chee, Christopher
Mr. Dominic Lai

Company Secretary

Mr. Lam Wai Hon, Patrick

Head Office and Principal Place of Business

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Hong Kong
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Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22/F., Prince's Building
Central
Hong Kong

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Branch Share Registrars and Transfer Office in Hong Kong

Standard Registrars Limited
G/F., BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal Bankers

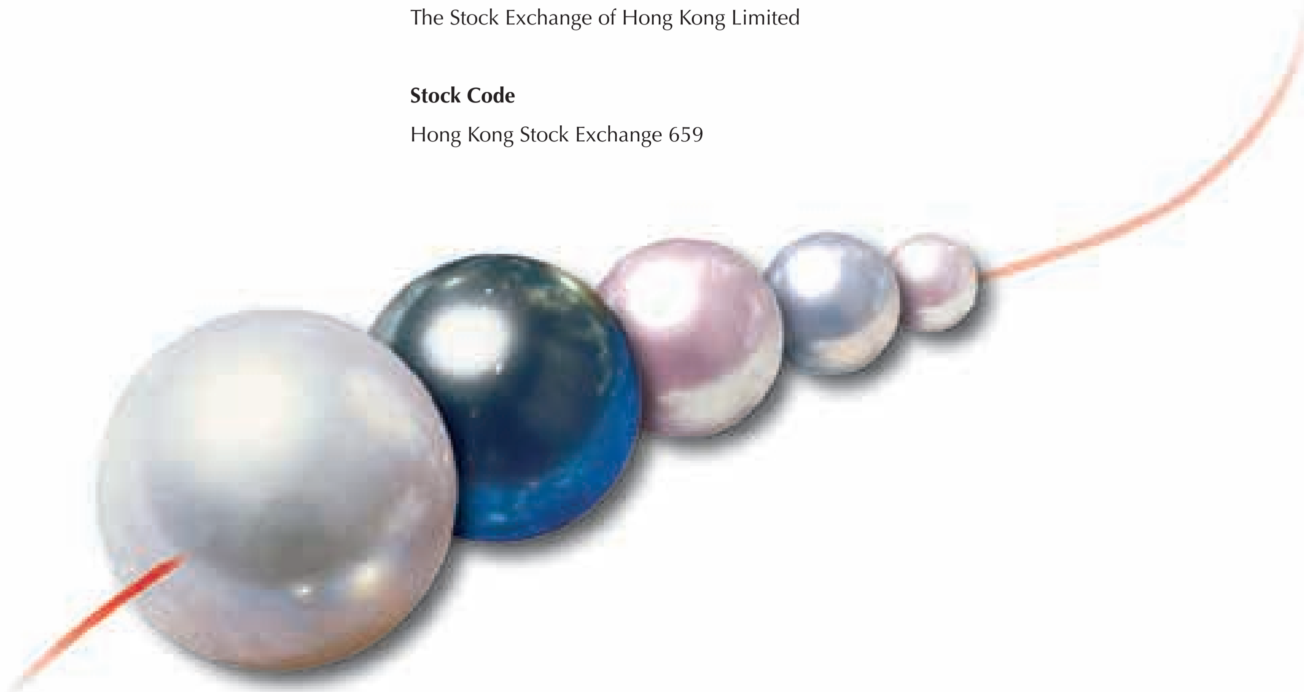
Bank of America, N.A.
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Development Bank of Singapore Ltd.
The Hongkong and Shanghai Banking Corporation Limited

Share Listings

The Company's ordinary shares are listed on
The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange 659



CHAIRMAN'S MESSAGE

Fellow Shareholders,

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 13.9 times comparing to the corresponding period in 2001.

The reorganisation 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 reorganisation 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 (formerly known as New World Services Limited) and NWS Infrastructure Management Limited respectively. The reorganisation unlocks hidden potential of each subsidiary, creates greater business focus, streamlines organisation structure and rematches assets and liabilities for New World Group.

Our port and cargo-handling business in Hong Kong is expected to maintain its momentum. The impetus is sustained by the strong export trade growth in Guangdong and the capacity constraints of the Shenzhen terminals. In Mainland China, our investments especially in Xiamen and Tianjin are expanding at a rapid pace. I envisage NWS Ports Management Limited will continue its role as a major contributor to NWS Holdings Limited, whether as one of the three major divisions of NWS Holdings Limited, or as an individual entity as it has been in the past.

Service, another major division of NWS Holdings Limited, is led by NWS Service Management Limited, including facilities management, contracting, transport, financial and environmental. The Hong Kong Convention and Exhibition Centre has been named the "Best Overseas Conference Centre" for the ninth consecutive year in the "Meetings and Incentive Travel Industry Award" in 2002. This honour is but one among the many achievements accomplished by our diversified business, which is expected to provide a substantial and steady income stream to the New World Group. With our strong foothold in Hong Kong, we plan to further expand our businesses into Mainland China.

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CHAIRMAN'S MESSAGE *(continued)*

The division of NWS Holdings Limited focusing on infrastructure is NWS Infrastructure Management Limited, which undertakes projects on power stations, toll roads and bridges, water and sewage treatment plants and tunnels. This division has been benefiting from increasing car ownership, high economic growth and mounting inter-provincial trade in Mainland China. I am comfortable that our infrastructure investments will continue to generate stable revenue to the 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 NWS Holdings Limited 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.

As a major conglomerate, NWS Holdings Limited endeavours to provide excellent services and produce good returns for our shareholders. Through synergy among our subsidiaries, we will pursue further growth and head for a leading position in the Greater China region. We have invested in strategically important and high-growth regions in the Mainland China. In view of tremendous opportunities brought about by Mainland China's entry into the World Trade Organization, we will proactively explore the Greater China market by utilising our well-established network.

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.

Dr. Cheng Kar Shun, Henry
Chairman

INTERIM RESULTS

The Board of Directors (the "Directors") of NWS Holdings Limited (the "Company") is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2002. The condensed accounts of the Group include the consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 31 December 2002 and the consolidated balance sheet as at 31 December 2002, all of which are unaudited and condensed, along with explanatory notes, and are set out on pages 3 to 18 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 31 December	
	Note	**2002 Unaudited HK$'000**	2001 Unaudited HK$'000
Turnover	*2*	**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	*7*	**–**	(90,020)
Other operating expenses (net)		**(7,333)**	(37,290)
Operating loss	*3*	**(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	*4*	**(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	*5*	**11,370**	108,688
Earnings/(loss) per share	*6*		
Basic		**HK7.93 cents**	HK(2.67 cents)
Diluted		**HK3.33 cents**	N/A

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CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 31 December 2002 Unaudited HK$'000	At 30 June 2002 Audited HK$'000
ASSETS			
Non-current assets			
Goodwill		**641**	659
Fixed assets	*8*	**234,844**	272,189
Investments in associated companies		**1,019,138**	992,612
Investments in jointly controlled entities		**1,997,580**	2,078,102
		3,252,203	3,343,562
Current assets			
Debtors, deposits and prepayments	*9*	**57,009**	5,432
Amounts due from jointly controlled entities		**2,198**	31,619
Loans to jointly controlled entities		**175,756**	84,150
Non-trading securities		**3,924**	3,027
Bank balances and cash		**436,019**	349,331
		674,906	473,559
Total assets		**3,927,109**	3,817,121
EQUITY AND LIABILITIES			
Current liabilities			
Creditors and accruals	*10*	**20,298**	19,677
Taxation payable		**44**	19
Dividend payable		**–**	55,018
		20,342	74,714
Equity			
Capital and reserves			
Share capital	*11*	**525,362**	525,362
Reserves	*12*	**3,356,268**	3,192,040
		3,881,630	3,717,402
Minority interests		**25,137**	25,005
Total equity and liabilities		**3,927,109**	3,817,121

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	For the six months ended 31 December **2002** **Unaudited** **HK$'000**	 2001 Unaudited HK$'000
Total equity as at 1 July		**3,717,402**	3,478,732
Change in fair value of non-trading securities not recognised in consolidated profit and loss account	*12*	**897**	–
Profit for the period	*12*	**174,701**	12,541
Release of exchange reserve upon disposal of a subsidiary	*12*	**–**	(920)
Release of goodwill reserve upon disposal of a subsidiary and partial disposal of jointly controlled entities	*12*	**–**	270,722
Dividends	*12*	**(11,370)**	(67,489)
Total equity as at 31 December		**3,881,630**	3,693,586

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 31 December	
	2002	2001
	Unaudited	Unaudited
	HK$'000	HK$'000
Net cash (outflow)/inflow from operating activities	**(13,416)**	14,349
Net cash inflow from investing activities	**166,492**	416,021
Net cash outflow from financing activities	**(66,388)**	(62,350)
Increase in cash and cash equivalents	**86,688**	368,020
Cash and cash equivalents at 1 July	**349,331**	161,969
Cash and cash equivalents at 31 December	**436,019**	529,989
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**14,973**	52,216
Time deposits	**421,046**	477,773
	436,019	529,989

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Principal accounting policies

These unaudited consolidated condensed interim accounts for the six months ended 31 December 2002 ("condensed interim accounts") are prepared in accordance with Statement of Standard Accounting Practice 2.125, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The condensed interim accounts should be read in conjunction with the 2002 annual accounts.

The principal accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2002, except that the Group has changed certain of its accounting policies following the adoption of the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 34 (revised):	Employee benefits

The adoption of these revised accounting standards during the period did not have significant effect on the condensed interim accounts except for the reclassification of cash flows presented in the condensed consolidated cash flow statement into operating, investing and financing activities and the presentation of condensed consolidated statement of changes in equity.

2. 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		**Operating profit/(loss) for the six months ended 31 December**	
	2002 HK$'000	2001 HK$'000	**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 *(note 7)*	**–**	–	**–**	(90,020)
Unallocated costs	**–**	–	**(8,860)**	(7,322)
	6,131	73,460	**(46,826)**	(174,811)

2. Turnover *(continued)*

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. ("Xiangyu Free Port"), 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.

3. 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.

4. 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.

4. Taxation *(continued)*

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).

5. Dividends

	For the six months ended 31 December 2002 HK$'000	2001 HK$'000
Interim dividend 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 as detailed in note 16 to the condensed interim accounts.

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6. 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.

7. Loss on disposal of a subsidiary and partial disposal of jointly controlled entities

Pursuant to a share subscription agreement dated 11 October 2001 (the "Subscription Agreement"), Pacific Owner Limited ("POL"), a then wholly owned subsidiary of the Company, issued three redeemable convertible shares of US$1.00 each (the "Subscription Shares") to CSX World Terminals Hong Kong Limited ("CSXWTHK"), an associated company of the Company, at a cash consideration of HK$242,336,001 (the "Consideration") (the "POL Transaction"). POL holds an equity interest of 66.1% in CSXWT Terminal 8 Limited ("CSXWT8"), a jointly controlled entity of the Company, which in turn holds an equity interest of 29.5% in Asia Container Terminals Limited ("ACT"), a jointly controlled entity of the Company. ACT has carried out projects in relation to the completion of the construction of Container Terminal No. 9 ("CT9") and the subsequent operation and management of that terminal or Container Terminal No. 8 West ("CT8W") under a berth swap agreement entered into between ACT and Modern Terminals Limited ("ACT project").

CSXWTHK has the right to direct all decision makings of POL and CSXWT8 in relation to the ACT project and has assumed all the funding obligations and contingent liabilities of POL in connection with ACT project with effect from the date of completion of the Subscription Agreement, i.e., 16 November 2001.

CSXWTHK has the right to convert the Subscription Shares issued into ordinary shares of POL. If CSXWTHK does not exercise its right to convert, the Company has a right to compel such conversion or redeem the Subscription Shares.

The Consideration was received by the Company as a non-interest bearing loan in November 2001. Until the conversion of the Subscription Shares, CSXWTHK will obtain the title for 100% interest in POL.

The Group accounted for the POL Transaction as its effective disposal of the equity interest in POL and therefore the relevant equity interests in CSXWT8 and ACT held by POL on completion of the Subscription Agreement in the prior period.

8. Fixed assets

The Group acquired fixed assets of HK$1,801,000 during the six months ended 31 December 2002 (2001: HK$11,870,000).

9. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors (net of provision) and their age analysis is as follows:

	At 31 December 2002 HK$'000	At 30 June 2002 HK$'000
0 – 3 months	**3,176**	3,113
4 – 6 months	**204**	166
7 – 12 months	**26**	36
Total	**3,406**	3,315

The Group grants an average credit period of 1 – 3 months to its customers.

10. Creditors and accruals

Included in creditors and accruals are trade creditors and their age analysis is as follows:

	At 31 December 2002 HK$'000	At 30 June 2002 HK$'000
0 – 3 months	**986**	916
4 – 6 months	**19**	7
7 – 12 months	**12**	9
More than 12 months	**8**	–
Total	**1,025**	932

11. Share capital

	As at 31 December 2002 HK$'000	As at 30 June 2002 HK$'000
Authorised:		
20,000,000,000 (30 June 2002: 7,800,000,000) ordinary shares of HK$0.10 each ("Ordinary Shares")	**2,000,000**	780,000
4,000,000,000 (30 June 2002: 4,000,000,000) 4% cumulative convertible preference shares ("Preference Shares")	**400,000**	400,000
	2,400,000	1,180,000
Issued and fully paid:		
2,059,968,000 (30 June 2002: 2,059,968,000) Ordinary Shares	**205,997**	205,997
3,193,654,306 (30 June 2002: 3,193,654,306) Preference Shares	**319,365**	319,365
	525,362	525,362

Pursuant to an ordinary resolution passed on 12 December 2002, the Company's authorised share capital was increased from HK$1,180,000,000 to HK$2,400,000,000 by the creation of 12,200,000,000 Ordinary Shares, ranking pari passu in all respects with the existing Ordinary Shares of the Company.

The Preference Shares are redeemable, at the sole discretion of the Company, on the fifth anniversary date of their issue, at HK$1.048 each, together with any unpaid dividend. Alternatively, at the sole discretion of the Company, on the fifth anniversary date of their issue, they may be compulsorily converted into Ordinary Shares.

All preference shareholders have the right (the "Conversion Right") to convert any or all of their Preference Shares into fully paid Ordinary Shares, where one Preference Share will be convertible into one Ordinary Share, subject to adjustment, in circumstances, such as the consolidation or sub-division of Ordinary Shares. The Conversion Right is exercisable at any time during a period of five years from the date of issue of the Preference Shares.

All the Preference Shares were converted into Ordinary Shares on 29 January 2003 pursuant to the completion of the group reorganisation as set out in note 16 to the condensed interim accounts and resulted in the issue of 3,193,654,306 additional Ordinary Shares.

11. Share capital *(continued)*

Share Options

On 11 April 1997, a share option scheme was adopted by the Company (the "1997 Share Option Scheme") under which the Directors may, at their discretion and during the period of three years commencing from 11 April 1997, grant options to Executive Directors or full-time employees of the Company or its subsidiaries to subscribe for Ordinary Shares of the Company. The 1997 Share Option Scheme was expired on 11 April 2000. No further share options can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable.

Another share option scheme was approved by the shareholders at the annual general meeting of the Company held on 6 December 2001. No share option had been granted under such scheme since its adoption.

As at 31 December 2002, a total of 20,000,000 (30 June 2002: 24,000,000) share options were outstanding and all of which were granted under the 1997 Share Option Scheme.

12. Reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Goodwill reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2002	4,770,803	1,054	272,737	3,318	–	(1,994,442)	3,210	135,360	3,192,040
Movement in fair value	–	–	–	–	897	–	–	–	897
Transfer of reserves	–	–	–	–	–	–	54	(54)	–
Profit for the period	–	–	–	–	–	–	–	174,701	174,701
Dividend	–	–	–	–	–	–	–	(11,370)	(11,370)
At 31 December 2002	**4,770,803**	**1,054**	**272,737**	**3,318**	**897**	**(1,994,442)**	**3,264**	**298,637**	**3,356,268**
At 1 July 2001	4,770,803	1,054	272,737	4,238	–	(2,265,164)	415	169,287	2,953,370
Movement in fair value	–	–	–	–	(3,868)	–	–	–	(3,868)
Release upon impairment in value	–	–	–	–	3,868	–	–	–	3,868
Release of exchange reserve upon disposal of a subsidiary	–	–	–	(920)	–	–	–	–	(920)
Release of goodwill reserve upon disposal of a subsidiary and partial disposal of jointly controlled entities	–	–	–	–	–	270,722	–	–	270,722
Transfer of reserves	–	–	–	–	–	–	2,795	(2,795)	–
Profit for the period	–	–	–	–	–	–	–	12,541	12,541
Dividend	–	–	–	–	–	–	–	(67,489)	(67,489)
At 31 December 2001	4,770,803	1,054	272,737	3,318	–	(1,994,442)	3,210	111,544	3,168,224

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13. Significant related party transactions

	Notes	For the six months ended 31 December 2002 HK$'000	2001 HK$'000
Rental and other related expenses charged by a fellow subsidiary	*(a)*	**1,026**	1,026
Rental charged by a minority shareholder of a former subsidiary	*(b)*	**–**	4,199
Interest charged by a minority shareholder of a former subsidiary	*(c)*	**–**	2,708
Reimbursement of payroll expenses to an intermediate holding company	*(d)*	**1,689**	1,612

Notes:

(a) A subsidiary of the Group entered into a lease agreement with New World Tower Company Limited, a subsidiary of the ultimate holding company, to lease office space for a period of 3 years commencing on 19 June 2001 at a monthly rental of HK$147,600 exclusive of rates, management fees and air conditioning charges.

(b) The rental expense represented the leasing of land and buildings and port facilities from a minority shareholder of a former subsidiary. The rental charge was based on an agreement entered into between the minority shareholder and a former subsidiary of the Company.

(c) The interest was charged on the amount due to a minority shareholder of a former subsidiary at the prevailing bank borrowing rate in the PRC.

(d) The Company has agreed to reimburse New World Infrastructure Limited ("NWI"), the Company's intermediate holding company during the period, the payroll of certain of its employees who are responsible, on a full-time basis, for the administration of the port projects acquired by the Group from NWI. As these employees remain under the employment of NWI, the Company has reimbursed NWI their payroll on a cost basis. The reimbursement of payroll expenses to NWI has been included in the staff costs.

(e) The Group has amounts due from non-wholly owned subsidiaries, which are unsecured, interest free, and have no fixed terms of repayment. The balances as at 31 December 2002 were as follows:

	At 31 December 2002 HK$'000	At 30 June 2002 HK$'000
Suzhou Huisu International Container Freight Wharfs Co., Ltd.	**12,807**	12,181
Xiamen Xinyuan Container Terminal Co., Ltd.	**1,970**	1,970

13. Significant related party transactions *(continued)*

(f) A corporate guarantee has been given by NWI in favour of certain banks for banking facilities granted to ACT, a jointly controlled entity of the Group, to the extent of approximately HK$858 million as at 31 December 2002 (30 June 2002: HK$891 million), in proportion to the Group's interest in ACT. The proportionate amount utilised against such facilities at 31 December 2002 which was secured by the guarantee amounted to approximately HK$228 million (30 June 2002: HK$193 million).

CSXWTHK has agreed to counter-indemnify NWI the corporate guarantee as at 31 December 2002 of approximately HK$507 million (30 June 2002: HK$527 million) as included above given in relation to ACT pursuant to the Subscription Agreement (note 7).

Pursuant to agreements entered into among the relevant parties, the corporate guarantee provided by NWI has been released and replaced by the corporate guarantee provided by the Company upon the completion of the group reorganisation on 29 January 2003 (note 16). The relevant counter-indemnity provided by CSXWTHK to NWI has also changed to the Company accordingly.

14. Contingent liabilities

Prior to the acquisition of port and port-related investments acquired by the Company from NWI, New World Development Company Limited ("NWD"), the ultimate holding company of the Company, and/or NWI have assumed certain contingent liabilities to third parties with respect to certain subsidiaries and jointly controlled entities of investing subsidiaries which hold the investments (the "Obligations"), including inter alia, the guarantees as detailed in notes 13(f) and 15(e) respectively, to the condensed interim accounts. Pursuant to the sale and purchase agreement of the acquisition, the Company has agreed to counter-indemnify NWD and/or NWI and/or Lotsgain Limited ("Lotsgain"), a wholly owned subsidiary of NWI, in the event that they are required to make any payments under the Obligations.

Such contingent liabilities have been reduced as a result of the counter-indemnity provided by CSXWTHK pursuant to the Subscription Agreement as mentioned in note 7 to the condensed interim accounts.

Pursuant to the agreements entered into among the relevant parties, the guarantees provided by NWI and/or Lotsgain on ACT project as included in the Obligations have been released and replaced by corporate guarantees provided by the Company upon the completion of the group reorganisation on 29 January 2003 (note 16). The related counter-indemnity provided by the Company to NWD, NWI and Lotsgain has been released.

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15. Commitments

At 31 December 2002, the Group had the following outstanding commitments:

(a) The Group's capital commitments for the acquisition of port facilities and terminal equipment are as follows:

	At 31 December 2002 HK$'000	At 30 June 2002 HK$'000
Contracted but not provided for	**173**	979
Authorised but not contracted for	**125,127**	125,127
	125,300	126,106

(b) The Group's contracted commitments in respect of capital or loan contributions to the PRC subsidiaries amounted to approximately HK$56,084,000 (30 June 2002: HK$56,084,000).

(c) The Group's total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	At 31 December 2002 HK$'000	At 30 June 2002 HK$'000
Not later than one year	**2,028**	2,010
Later than one year but not later than five years	**957**	1,963
	2,985	3,973

(d) Details of the Group's share of capital commitments of jointly controlled entities not included above are as follows:

	At 31 December 2002 HK$'000	At 30 June 2002 HK$'000
Contracted but not provided for	**160,504**	194,527
Authorised but not contracted for	**66,213**	129,435
	226,717	323,962

15. Commitments *(continued)*

The above commitments include an amount of approximately HK$197 million (30 June 2002: HK$261 million), representing the Group's share of capital commitments of ACT (including its share of development costs of CT9 and the related berth swap arrangement).

ACT had obtained banking facilities to finance 60% of its share of development costs for CT9 and would reduce the funds to be injected by the Group accordingly.

The above commitments include an amount of approximately HK$11 million (30 June 2002: HK$43.8 million), representing the Group's share of capital commitments of Xiangyu, Huijian and Xiangyu Free Port, the new merged entity.

(e) A subsidiary and jointly controlled entities are parties to agreements with third parties in respect of the joint development of CT9, the related berth swap arrangement and the financing/funding therefor. The Group's attributable share of such capital commitments as at 31 December 2002 has been disclosed in note (d) above. In the event of default of any of the third parties, the subsidiary and jointly controlled entities will be required to provide additional funds for the project.

NWI has given guarantees in respect of these obligations of the subsidiary and jointly controlled entities to provide additional funds. Were NWI required to perform its obligations under the guarantees for the development of CT9 and the financing/funding therefor, the maximum amount of the additional liabilities assumed, in addition to the Group's share of the capital commitments of CT9 as disclosed in note (d) above, would be approximately HK$1,572 million (30 June 2002: HK$1,482 million), out of which approximately HK$929 million (30 June 2002: HK$876 million) has been counter-indemnified by CSXWTHK pursuant to the Subscription Agreement (note 7).

Pursuant to agreements entered into among the relevant parties, the guarantees provided by NWI as mentioned above have been released and replaced by the corporate guarantees provided by the Company upon the completion of the group reorganisation on 29 January 2003 (note 16). Accordingly, the relevant counter-indemnity provided by CSXWTHK to NWI has also changed to the Company.

16. Subsequent events

On 21 October 2002, the Company, NWD, NWI 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").

16. Subsequent events *(continued)*

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 approximately HK$8.4 billion, undertaking to repay certain liabilities of NWI in the aggregate amount of approximately 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 approximately 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 approximately 3,194 million shares by the Company to NWI upon conversion of all the Preference Shares into Ordinary Shares (note 11).

Based on the unaudited management information as at the Completion Date, a net negative goodwill of approximately HK$1.3 billion, comprising negative goodwill of approximately HK$1.8 billion and goodwill of approximately 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 ordinary 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 ten 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 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.

NWSH

OPERATIONAL REVIEW *(continued)*

Hong Kong

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.

ACT holds an interest in two berths at CT9 and upon completion in 2004 these two berths will be swapped for two berths at CT8W.

Xiamen

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, Huijian and 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.

OPERATIONAL REVIEW *(continued)*

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 rates 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.

OUTLOOK *(continued)*

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 Berth Nos. 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

As stated in note 16 to the condensed interim accounts contained in this report, subsequent to the end of the six-month period covered in this report and on 29 January 2003, the Company completed its acquisition of certain infrastructure assets from NWI and all services assets from the shareholders of NWS.

The subsidiaries of NWI and NWS (collectively the "Acquired Subsidiaries") acquired by the Company (which have since become members of the Group) have previously provided financial assistance and given guarantees for facilities granted to certain of their respective affiliated companies. The amounts of financial assistance and guarantees provided by the Acquired Subsidiaries to their respective affiliated companies as at 31 December 2002, when aggregated, exceed 25% of the Company's pro-forma unaudited consolidated net tangible assets as at 29 January 2003 (being the Completion Date of the acquisition when the Acquired Subsidiaries became members of the Group) of about HK$8.9 billion ("Pro-forma NTA").

Affiliated companies include associated companies and jointly controlled entities as defined under the SSAPs issued by HKSA and those falling under such definition in relation to the Company following completion of the acquisition of infrastructure assets and services assets on 29 January 2003.

PRACTICE NOTE 19 TO THE LISTING RULES *(continued)*

The Company has published a press announcement dated 20 March 2003 in compliance with the requirement under Practice Note 19 to the Listing Rules. The following information is disclosed in compliance with the continuing disclosure requirement of Practice Note 19:

Financial assistance and guarantees

As at 31 December 2002, the amount of financial assistance provided by way of shareholder loans/advances to and guarantees in respect of facilities for the benefits of affiliated companies of the Group were about HK$5.5 billion in aggregate and represented about 62% of the Pro-forma NTA.

As at 31 December 2002, the amount of financial assistance provided by way of shareholder loans/advances to affiliated companies of the Group were about HK$3.2 billion. These shareholder loans/advances are interest free and have no definite repayment terms, save for the following:

Project/Affiliated company	Shareholder loan/advance outstanding HK$'000	Interest rate (per annum)	Maturity
1. Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section)	381,646	8%	–
2. Guangzhou City Northern Ring Road	8,345	Prime rate	–
3. Hui-Ao Roadway	428,469	10%	5 years
4. Shenzhen-Huizhou Roadway (Huizhou Section)	162,810	6% and 10%	–
5. Wuhan Airport Expessway	288,625	10%	10 years
6. Zhujiang Power Station Phase I	23,408	15%	8 years
7. Tate's Cairn Tunnel	30,664	14%	–
8. Xiamen Xiang Yu Quay Co., Ltd.	271,679	–	7 years
9. Far East Landfill Technologies Limited	13,950	8%	7 years
10. Supertime Holdings Limited	174,789	10%	–
11. First Star Development Limited	89,231	HIBOR+2%	–

Financial assistance and guarantees *(continued)*

All loans are unsecured and repayable in cash out of the net cash surplus from operation of the projects. The shareholder loans/advances were funded by borrowings or internal resources of the Group.

As at 31 December 2002, the amount of financial assistance provided by way of guarantees in respect of facilities for the benefits of affiliated companies of the Group were about HK$2.3 billion and the guaranteed portion of facilities drawn and outstanding were about HK$1.6 billion.

As at 31 December 2002, the amount of capital injection committed by the Group to provide to its affiliated companies were about HK$130 million.

In addition to the above, a subsidiary and certain jointly controlled entities of the Group are parties to agreement with third parties regarding the joint development of CT9 in Hong Kong, the related berth swap arrangement and the funding therefor. The Company has given certain guarantees in respect of the obligations of the subsidiaries and jointly controlled entities to provide additional funds. If the Company is required to perform its obligations under the guarantees, the maximum amount of the Company's share of the liability under the guarantees will be about HK$1.6 billion.

Indebtedness, capital commitments and contingent liabilities of affiliated companies

Paragraph 3.10 of Practice Note 19 to the Listing Rules requires the Company to include in its interim report a pro forma combined balance sheet of its affiliated companies which would include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has obtained a waiver from the Stock Exchange from such requirement and accordingly the following statement is provided as an alternative.

As at 31 December 2002, based on unaudited financial information provided by the respective affiliated companies of the Group, these affiliated companies had outstanding borrowings of about HK$17 billion, comprised secured bank loans of about HK$6 billion, unsecured bank loans of about HK$5 billion and other loans of about HK$6 billion. The total capital commitments of the affiliated companies amounted to about HK$2 billion and total contingent liabilities amounted to about HK$3 billion as at 31 December 2002.

Specific performance of the controlling shareholder

Under the facility agreement dated 17 December 2002 for the HK$7 billion bridging loan facility entered into by the Company, NWD is required to own more than 50% (whether directly or indirectly) of the voting share capital of the Company. The bridging loan facility was drawn in full (HK$7 billion) on 29 January 2003 at completion of the Group Reorganisation to part finance the purchase price payable thereunder. The final maturity date of the bridging loan is 17 December 2003.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, the interests of the directors in the share capital of the Company or share capital of any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

	Number of shares held and nature of interests	
	Personal	Family
New World Development Company Limited		
(ordinary shares of HK$1.00 each)		
Mr. Cheung Chin Cheung, Tommy*	43,323	–
New World Infrastructure Limited		
(ordinary shares of HK$1.00 each)		
Dr. Cheng Kar Shun, Henry	–	1,000,000
Mr. Chan Wing Tak, Douglas*	700,000	–
Mr. Cheung Chin Cheung, Tommy*	100,000	–
New World China Land Limited ("NWCL")		
(ordinary shares of HK$0.10 each)		
Mr. Doo Wai Hoi, William	700,000	–

* *resigned as directors of the Company with effect from 29 January 2003.*

Save as disclosed above, as at 31 December 2002, none of the directors, chief executive or any of their associates had any beneficial or non-beneficial interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

(A) Details of the share options granted to the directors under the share option schemes of the Company were disclosed under the section headed "Share Option Schemes" below.

(B) Under the share option scheme adopted by NWI, the Company's intermediate holding company during the period, on 3 October 1997, options may be granted to directors and employees of NWI or its subsidiaries to subscribe for shares in NWI. The following directors of the Company have personal interests in share options to subscribe for shares in NWI which had been granted to them as follows:

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES *(continued)*

Name of director	Date of grant	Number of share options outstanding at 31 December 2002 with exercise price per share of HK$10.20 *Note 1*	HK$12.00 *Note 2*
Dr. Cheng Kar Shun, Henry	2 December 1998	600,000	2,400,000
Mr. Chan Wing Tak, Douglas*	26 November 1998	320,000	1,280,000
Mr. Doo Wai Hoi, William	16 December 1998	200,000	800,000
Mr. So Ngok*	26 November 1998	200,000	800,000
Mr. Cheung Chin Cheung, Tommy*	12 December 1998	78,800	315,200

* *resigned as directors of the Company with effect from 29 January 2003.*

Notes:

(1) Exercisable from 1 July 1999 to 1 June 2004

(2) Divided into 3 tranches exercisable from 1 July 2000, 1 July 2001 and 1 July 2002 respectively to 1 June 2004.

(3) The cash consideration paid by each director for each grant of the share options is HK$10.

(4) No share option of NWI was exercised by the above directors during the period.

(C) Under the share option scheme of NWCL, a fellow subsidiary of the Company, the following directors of the Company, who are also directors of NWCL as at 31 December 2002, have personal interests in share options to subscribe for shares in NWCL which have been granted to them as follows:

Name of director	Date of grant	Exercisable period *Note 1*	Number of share options outstanding at 31 December 2002 with exercise price per share of HK$1.955
Dr. Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000
Mr. Chan Wing Tak, Douglas*	12 February 2001	13 March 2001 to 12 March 2006	500,000
Mr. Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006 *(Note 2)*	2,800,000
Mr. So Ngok*	9 February 2001	10 March 2001 to 9 March 2006	500,000

* *resigned as directors of the Company with effect from 29 January 2003.*

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES *(continued)*

Notes:

(1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of grant when the offers of the share options were accepted, provided that the maximum number of share options that can be exercised during a year in 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous year(s).

(2) The share options were exercisable during the remaining exercisable period of four years, provided that the maximum number of share options that can be exercised during a year is 25% of the outstanding balance of the share options held on the respective commencement date of the exercisable period.

(3) The cash consideration paid by each director for each grant of the share options is HK$10.

(4) No share option of NWCL was exercised by the above directors during the period.

Save as disclosed above, at no time during the period was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

On 11 April 1997, a share option scheme was adopted by the Company (the "1997 Share Option Scheme") under which the Directors may, at their discretion and during the period of three years commencing from 11 April 1997, grant options to Executive Directors or full-time employees of the Company or its subsidiaries to subscribe for Ordinary Shares of the Company. The 1997 Share Option Scheme expired on 11 April 2000. No further share options can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable. Share options granted to Directors and employees of the Company under such scheme are listed as follows:

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SHARE OPTION SCHEMES *(continued)*

(i) Share options to directors

As at 31 December 2002, the following directors of the Company have personal interests in options to subscribe for shares of the Company granted under the 1997 Share Option Scheme as follows:

Name of director	Date of grant	Number of share options outstanding at 1 July 2002	Lapsed during the period	Number of share options outstanding at 31 December 2002	Exercisable period	Exercise price per share
					Notes	*HK$*
Mr. Chan Wing Tak, Douglas*	11 May 1999	10,000,000	–	10,000,000	(1)	0.693
Mr. Lo Lin Shing Simon*	11 May 1999	6,000,000	–	6,000,000	(1)	0.693
Mr. Cheung Chin Cheung, Tommy*	11 May 1999	3,000,000	–	3,000,000	(1)	0.693
Mr. Tse Po Shing, Andy *(Note 3)*	11 May 1999	2,000,000	2,000,000	–	(1)	0.693
Mr. Bruce Carroll Allen *(Note 3)*	16 February 2000	2,000,000	2,000,000	–	(2)	0.693

* *resigned as directors of the Company with effect from 29 January 2003.*

Notes:

(1) Divided into 4 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002 and 5 May 2003 respectively to 4 November 2004, both dates inclusive.

(2) Divided into 4 tranches exercisable from 16 August 2000, 16 February 2002, 16 February 2003 and 16 February 2004 respectively to 15 August 2005, both dates inclusive.

(3) Upon the resignations of Mr. Bruce Carroll Allen and Mr. Tse Po-Shing, Andy on 20 August 2002 and 18 December 2002 respectively, the share options granted to them lapsed with effect from the dates of their resignations.

(4) No share option of the Company was exercised by the directors during the period.

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SHARE OPTION SCHEMES *(continued)*

(ii) Share options to employees

As at 31 December 2002, the Company had granted share options under the 1997 Share Option Scheme to employees of the Group as follows:

Date of grant	Number of share options outstanding at 1 July 2002	Number of share options outstanding at 31 December 2002	Exercisable period *Note*	Exercise price per share *HK$*
11 May 1999	1,000,000	1,000,000	(1)	0.693

Notes:

(1) Divided into 5 tranches exercisable from 5 November 1999, 5 May 2001, 5 May 2002, 5 May 2003 and 5 May 2004 respectively to 4 November 2004, both dates inclusive.

(2) No share option of the Company was exercised by the employees during the period.

Another share option scheme was adopted by the Company on 6 December 2001 and was amended by the approval of the shareholders at the special general meeting ("SGM") of the Company held on 12 March 2003 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme will be valid and effective for a period of ten years from the date of adoption. The total number of shares which may be issued upon exercise of all share options to be granted under the 2001 Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the share capital of the Company in issue as at the date of SGM. No share option had been granted under such scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	*Note*	Number of ordinary shares held	Number of 4% cumulative convertible redeemable preference shares held
Chow Tai Fook Enterprises Limited	*(1)*	1,544,976,000	3,193,654,306
New World Development Company Limited		1,544,976,000	3,193,654,306
Sea Walker Limited ("SWL")	*(2)*	1,544,976,000	3,193,654,306
Mombasa Limited	*(3)*	1,544,976,000	3,193,654,306
New World Infrastructure Limited	*(4)*	1,544,976,000	3,193,654,306
Lotsgain Limited	*(5)*	1,544,976,000	3,193,654,306
Seashore Development Limited	*(6)*	1,544,976,000	3,193,654,306

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SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES *(continued)*

Notes:

(1) Chow Tai Fook Enterprises Limited and its subsidiaries have interests in more than one-third of the issued shares of NWD and is, accordingly, deemed to have an interest in the shares deemed to be interested by NWD.

(2) SWL is a wholly owned subsidiary of NWD and its interests in the Company is deemed to be held by NWD.

(3) Mombasa Limited is a wholly owned subsidiary of SWL and its interests in the Company is deemed to be held by SWL.

(4) NWI is a subsidiary of Mombasa Limited and its interests in the Company is deemed to be held by Mombasa Limited.

(5) Lotsgain is a wholly owned subsidiary of NWI and its interests in the Company is deemed to be held by NWI.

(6) Seashore Development Limited is a wholly owned subsidiary of Lotsgain and its interests in the Company is deemed to be held by Lotsgain.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 16(1) of the SDI Ordinance as at 31 December 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company or any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 December 2002.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with paragraph 14 of the Code of Best Practice which currently comprises Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), Mr. Wong Kin Chow, Michael, Mr. Cheng Wai Chee, Christopher and Mr. Dominic Lai, all of them are independent non-executive directors of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed, internal control and financial reporting matters including the review of the unaudited interim accounts for the six months ended 31 December 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 31 December 2002, except that the non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with Clause 87 of the Company's Bye-Laws.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 20 March 2003