

NWS Holdings net profit grows 7.4 times to HK\$1,213.4 million

HIGHLIGHTS

	2003	2002	Increase
	HK\$' million	HK\$' million	%
Turnover	5,770.0	125.1	4,512
Profit attributable to shareholders	1,213.4	143.9	743
Earnings per ordinary share	HK\$1.39	HK\$0.05	2,680
Final dividend per ordinary share	HK\$0.20	HK\$Nil	N/A

- Transformed into one of the largest servicing conglomerates in Greater China, embracing the service, infrastructure and ports businesses
- Mitigated SARS impact due to diversified portfolio
- Promising return to shareholders
- Gross debt reduced by HK\$3 billion between February and September 2003. Net debt lowered to HK\$6.8 billion
- Cash on hand was HK\$1.4 billion as at September 2003
- Positive Standard & Poor's investment credit rating in November 2002

(16 October 2003 — Hong Kong) NWS Holdings Limited ("NWS Holdings" or "the Group" 659.HK, formerly known as Pacific Ports Company Limited) today announced results for the year ended 30 June 2003.

Profit attributable to shareholders increased 7.4 times to HK\$1,213.4 million (2002: HK\$143.9 million). Turnover increased 45.1 times to HK\$5,770.0 million (2002: HK\$125.1 million) due to the acquisition of service and traditional infrastructure businesses after the completion of the New World Group reorganization early this year. Given the reorganization was completed on 29 January 2003, NWS Holdings' final results reflected a 5-month contribution from the Group's service and traditional infrastructure businesses and a full 12-month contribution from the ports business.

The Board of Directors has resolved to recommend a final dividend of HK\$0.20 per ordinary share for the year ended 30 June 2003. The final dividend will be paid on or about 16 December 2003 to the ordinary shareholders whose names appear on the Register of Members of the Company on 28 November 2003.

新創建集團有限公司 NWS Holdings Limited

(Incorporated in Bermuda with limited liability)

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商界展關懷

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NWS Holdings faced its greatest challenge due to the outbreak of the Severe Acute Respiratory Syndrome (SARS) in March 2003. Among its three core businesses -- Service, Infrastructure and Ports-- the Service division was mostly affected by the epidemic, suffering a reduction in profit of approximately HK\$147.7 million, while Infrastructure sustained a HK\$10.0 million profit loss. SARS, however, did not have any material effect on the financial performance of the Ports operation in this financial year.

Commenting on the 2002/03 annual results, Dr. Cheng Kar Shun, Henry, Chairman of NWS Holdings said, “This year’s financial results vividly demonstrated the benefits and resilience of NWS Holdings’ diversified portfolio. Despite the impact of SARS, we managed to achieve a favourable return on equity and create value for our shareholders.”

Service Operation Weathers SARS Impact

Despite the fact that NWS Holdings’ Service operations have borne the brunt of the SARS impact, this sector still produced a satisfactory 12-month attributable operating profit (AOP) of HK\$627.4 million and contributed HK\$236.4 million to NWS Holdings from 29 January to 30 June 2003.

A closer examination of the SARS impact on the Group’s Service business finds New World First Bus Services Limited (NWFB), the backbone of the Transport segment, one of the hardest hit units. Since SARS curtailed many social and economic activities in Hong Kong, NWFB saw its average daily customer flows drop substantially from March to June 2003. Moreover, the commencement of the mass transit railway Tseung Kwan O Line (TKO Line) in August 2002, which slashed customer flows from the bus routes adjacent to the TKO Line, exerted further pressure on NWFB’s profitability.

A core company of the Facilities segment, Hong Kong Convention and Exhibition Centre (Management) Limited (HKCEC), was also impacted by SARS as more than 250 exhibitions and events were cancelled or postponed. Nevertheless, compensated by the decisive cost-saving measures and business-recovery strategies adopted by the HKCEC management, the performance of HKCEC was not as adversely affected as forecast.

Despite a decrease in profit margin due to severe competition, Urban Property Management Group (UPML) managed to maintain its profitability through aggressive cost management and improved efficiency. The company manages a total of 180,000 residential units and commercial / industrial buildings totalling 20 million square feet. UPML’s philosophy of continually striving to improve earned extensive recognition with the company being named as one of the Best Employers in Hong Kong and the 2003 HKMA Quality Award – Overall Winner.

Despite the economic downturn and decreased development activity in Hong Kong, both Hip Hing Construction Company Limited and NWS Engineering Limited contributed substantially to the Group as a result of stringent cost saving measures and improved operating efficiency. Total contracts on hand reached HK\$25 billion of which HK\$13.6 billion was yet to be completed at the year-end, thus securing profitability of this segment for the coming year.

Harvest of Infrastructure Investments

The 59-strong traditional infrastructure project portfolio now under NWS Holdings after the reorganization produced significant AOP contribution. The pro-forma 12-month AOP of the Infrastructure operation was HK\$776.2 million, of which HK\$324.9 million was booked into NWS Holdings' 2002/03 results. This outstanding achievement is attributable to the solid performance of all infrastructure segments.

During the year under review, despite the outbreak of SARS that led to travel restrictions, the overall performance of the Roads and Bridges segment was outstanding due to the prominent traffic growth in expressway projects and one-time windfall gains, including a HK\$27.1 million gain on the disposal of Roadway No. 1967 (Xinxing Section).

The performance of the Energy segment was also satisfactory due to an increase in the attributable profit of Zhujiang Power Station Phase I and a rise in sales volume of Phase II have offset most of the adverse impact of tariff reductions. The segment also benefited from the gain on the disposal of an effective interest of 1.35% in the Companhia de Electricidade de Macau – CEM, S.A. to China Power International Holdings Limited in May 2003.

The AOP of the Water Treatment segment decreased due to a share of a specific provision of HK\$15 million made for under-performing projects and a fall in profit contribution from Shenyang Public Utility Holdings Company Limited which disposed of all its water plants. On the other hand, new projects in Qingdao and Chongqing, which commenced operations in August and November 2002 respectively, were able to mitigate the downward effect to a certain extent. Macao Water Supply Company Limited, the top contributor, increased water sales by more than 2%.

Ports Business Continues to Grow

Despite the continued economic downturn in Hong Kong and the impact of SARS, the Ports business maintained its growth, recording a 12% increase in AOP to HK\$403.6 million (2002: HK\$360.8 million).

The two major projects in Hong Kong, CSX World Terminals Hong Kong Limited (“CSXWTHK”) and ATL Logistics Centre Hong Kong Limited (“ATL”), remained the significant AOP contributors to the Group's Ports business. In FY2003, the container throughput of CSXWTHK remained stable at 1.34 million TEUs while the occupancy rate of ATL increased to 95.4% from 93.6% in the last year.

AOP contributions from the Group's port investments in Mainland China are increasing. This was mainly fuelled by the increase in container handling volume of Xiamen Xiang Yu Quay Co., Ltd. (“Xiangyu”) and CSX Orient (Tianjin) Container Terminals Co., Limited (“CSXOT”), which achieved 0.48 million TEUs and 1.03 million TEUs respectively in FY2003, representing an increase of 50.6% and 16.2% over last year.

Significant Progress in Debt Reduction

Thanks to strong recurrent cash flow, NWS Holdings achieved significant progress in debt reduction. By September 2003, the gross debt of the Group was reduced by HK\$3 billion, leaving a net debt of HK\$6.8 billion. Cash on hand as at September 2003 was HK\$1.4 billion.

NWS Holdings' strong financial position is demonstrated by the issuance of a positive investment grade rating by Standard & Poor's in November 2002, reflecting the Group's ability to generate strong cash flows for further investment and debt reduction.

"Apart from the promising returns on equity and dividend yield, debt reduction is also a corporate goal of NWS Holdings. I am pleased to see that the Group has made such significant progress in this aspect shortly after the reorganization", Dr. Cheng commented.

Dividend Policy

In deciding to declare a dividend the Board of Directors of NWS Holdings will strike a balance between seeking new investment opportunities, maintaining an optimal capital structure and striving to reward shareholders with satisfactory returns.

"When determining the final dividend for 2002/03, the Board of Directors has taken into account the fact that no interim dividend was declared in March 2003. Moreover despite the fact that this year's results only reflected five months contributions from the Service and Infrastructure segments and the impact of SARS on the financial results, the Board resolved to recommend a final dividend of HK\$0.20 per ordinary share. The total dividend for 2002/03 hence stands at HK\$0.20 which is equivalent to the dividend level for 2001/02", Dr. Cheng commented.

The dividend payout ratio for 2002/03 is approximately 30% of the full year net profit. NWS Holdings considers to declare dividend twice a year.

Positive Outlook

In the coming year, NWS Holdings will strive to improve its AOP contribution, strengthen its balance sheet and repay debt.

AOP from the Service division will benefit from the economic recovery of Hong Kong and the Closer Economic Partnership Arrangement with Mainland China which will pose new opportunities. Transport is expected to improve markedly from the recovery of SARS, while the structural changes to the Mainland China property market combined with policy amendments will create opportunities for the Contracting and Facilities businesses.

It is envisaged that the Infrastructure operations will capture new growth opportunities resulting from Mainland China's economic growth and infrastructure development. Industrial expansion and logistics development will also stimulate inter-provincial traffic and demands on electricity.

As for the Ports business, Hong Kong ports will maintain their competitiveness in South China. In addition, growth in exports from Guangdong and the increased capacity when Container Terminal No.9 becomes operational in the second half of 2004 all present new opportunities for our Ports business. Mainland China ports are expected to continue its high growth in the coming years and they will drive the future Ports business.

Looking forward, Dr. Cheng commented, “It is with great confidence and excitement that NWS Holdings turns to the future and opens the door on a new era of prosperity. The foundations are in place to produce steady and stable growth across all the service sectors. The management team sincerely believes that the loyalty of our shareholders will be rewarded as NWS Holdings delivers on its promise to enhance shareholders’ value. We also take this opportunity to thank our loyal staff who made these positive results possible.”

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Attached is NWS Holdings’ consolidated profit and loss account.

This press release and results announcement will be posted to the Group’s website (www.nwsh.com.hk). NWS Holdings 2003 annual report will be dispatched to shareholders by the end of October 2003.

NWS Holdings Limited

NWS Holdings Limited (“NWS Holdings”, Stock code: 0659.HK), the flagship servicing company of New World Development Company Limited (Stock code: 0017.HK), embraces a diversified range of businesses in Hong Kong, Macau and Mainland China. These businesses can be broadly grouped under three main divisions: service, traditional infrastructure and ports. Its **service** arm comprises Facilities (*Urban Property Management, General Security and the management of the Hong Kong Convention and Exhibition Centre*), Contracting (*Hip Hing Construction and NWS Engineering*), Transport (*First Bus and First Ferry*), Financial and Environmental. The **traditional infrastructure** portfolio includes roads and bridges, energy and water treatment and waste management. For **ports**, NWS Holdings is principally engaged in container handling and logistics and warehousing.

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Consolidated Profit and Loss Account

	For the year ended	
	2003	2002
	HK\$'m	HK\$'m
Turnover	5,770.0	125.1
Cost of sales	(5,176.1)	(82.7)
Gross profit	593.9	42.4
Other revenues	58.0	28.0
Recognition of one-off negative goodwill	474.0	-
Amortization of net negative goodwill	72.0	-
General and administrative expenses	(419.9)	(64.8)
Other operating expenses	(44.2)	-
Other charges	(74.8)	(215.3)
Operating profit/(loss)	659.0	(209.7)
Finance costs	(194.1)	(2.9)
Share of results of		
Jointly controlled entities	596.4	165.3
Associated companies	317.3	260.7
Profit before taxation	1,378.6	213.4
Taxation	(146.7)	(67.2)
Profit after taxation	1,231.9	146.2
Minority interests	(18.5)	(2.3)
Profit attributable to shareholders	1,213.4	143.9
Dividends	11.4	175.1
Earnings per ordinary share	HK\$1.39	HK\$0.05