



NWS Holdings Limited

→ Interim Report 2003-2004



Service is Our Business

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CHAIRMAN'S MESSAGE

Fellow shareholders,

"SERVICE IS OUR BUSINESS" is more than a slogan for NWS Holdings Limited ("NWSH" or the "Company", together with its subsidiary companies, the "Group") upon its completion of restructuring on 29 January 2003 (the "Reorganization"). This is the commitment of every individual within the Group in our business planning and day-to-day operations. Over the past 12 months, our efforts and commitment have yielded satisfactory results.

Subsequent to the Reorganization, we faced the turmoil of the Severe Acute Respiratory Syndrome ("SARS"). No doubt SARS had adversely affected most of our service operations. However, it was also a learning opportunity for us. Our careful operational planning and crisis management preparation helped gear up our competence and responsiveness. Our commitment to service has also gained the trust from customers during such a difficult period. The cohesion among colleagues empowers us to face any crisis that may occur in the future. In addition, the Group's tripod structure (Service, Infrastructure and Ports) proved to be strong as the shortfall of one division could be compensated by the other two.

Interim Review

For the 6 months under review, Hong Kong was gradually walking out of the economic trough after SARS. Most of the service business units achieved excellent results, especially Facilities segment which mainly represented Hong Kong Convention and Exhibition Centre (Management) Limited ("HKCEC"). Construction Segment was still tough with the prevailing lukewarm construction market and the shrinking public sector investments. New World First Bus Services Limited, the major contributor of Transport segment, returned to a pre-SARS patronage level at the end of 2003.

For the Infrastructure division, all segments showed improvement in operations. Zhujiang Power Station Phase I and II recorded a 22% increase in electricity sold. For the Water Treatment and Waste Management segment, the projects also posed steady growth. Guangzhou City Northern Ring Road, the major contributor of the Roads and Bridges segment, had a 15% increase in toll income due to the change in toll rates and vehicle types classification since August 2003. Our port operations in Hong Kong faced challenges from the surfacing of the SARS impact and the slowing down of throughput growth in Hong Kong.

Our Strategy

We are optimistic about the economy of the Greater China region, especially Mainland China. We are actively looking for growth opportunities in infrastructure and port projects in Mainland China while enhancing and expanding our Hong Kong businesses.

As the corporate strategy is to divest low-yielding projects and re-invest in more rewarding ones, we are in the process of disposing the 13 toll road projects in Zhaoqing and Wuhan Bridge Construction Co., Ltd. ("WBC"). In January 2004, we expanded the water treatment operations to Sanya of Hainan Province. In addition, we intend to increase our participation in the Mainland China construction market given its greater volume and higher return. Apart from forming wholly foreign-owned enterprises in Beijing, we have invested in one of the largest construction groups in Mainland China, 中建三局建築股份有限公司 (unofficial translation being China Construction Third Engineering Bureau Co., Ltd., "CCTEB"), with a 10% interest.

In Hong Kong, we are expanding our facilities business. Wai Hong Cleaning Group ("Wai Hong") secured more premier cleaning contracts in the Hong Kong International Airport and Central Plaza. Our new investment in Sky Connection Limited, which operates the liquor and tobacco duty free shops – Free Duty at the Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre, has become a major contributor. Moreover our Transport segment underwent a business reorganization to form a joint venture with Chow Tai Fook Enterprises Limited ("CTF") called Merryhill Group Limited ("Merryhill"), which encompasses all the transport and related businesses under NWSH and CTF. We believe the synergistic benefits will ultimately enhance shareholders' value.

Looking Forward

Along with the revival in the Hong Kong economy as well as the continuous prosperity in Mainland China, our service businesses comprising of service elites in various business sectors with a strong foothold in both Hong Kong and Mainland China, are 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 cities in Mainland China 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 ("CT9") 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 port operations in Hong Kong will no doubt face a challenging period.

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 18 March 2004



AUDITORS' REVIEW REPORT

TO THE BOARD OF DIRECTORS OF NWS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim accounts set out on pages 5 to 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim accounts to be in compliance with the Statement of Standard Accounting Practice 2.125 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim accounts are the responsibility of, and have been approved by, the Board of Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim accounts and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim accounts.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim accounts for the six months ended 31 December 2003.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 March 2004

INTERIM RESULTS

The Board of Directors (the "Directors") of the Company is pleased to present the interim report and condensed accounts of the Group for the six months ended 31 December 2003 (the "Current Period"). The condensed accounts of the Group include the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the six months ended 31 December 2003 and the consolidated balance sheet as at 31 December 2003, all of which are unaudited and condensed, along with explanatory notes, and are set out on pages 5 to 23 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

		For the six months ended 31 December	
		2003	(Restated) 2002
	<i>Note</i>	HK\$'m	<i>HK\$'m</i>
Turnover	2	6,542.5	6.1
Cost of sales		(5,619.5)	(7.3)
Gross profit/(loss)		923.0	(1.2)
Other revenues	2	92.6	3.6
Amortization of net negative goodwill		33.1	–
General and administrative expenses		(583.2)	(14.2)
Other charges	3	(26.7)	(35.0)
Operating profit/(loss)	3	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	4	(156.0)	(28.9)
Profit after taxation		828.4	185.9
Minority interests		(14.2)	(0.1)
Profit attributable to shareholders		814.2	185.8
Dividend	5	267.1	11.4
Earnings per ordinary share	6		
Basic		HK\$0.46	HK\$0.85
Diluted		HK\$0.45	HK\$0.35

The Group completed the Reorganization on 29 January 2003 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 the Current Period were substantially changed from the position presented in the above results for the six months ended 31 December 2002 (the "Last Period").

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

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

		At 31 December 2003 HK\$'m	(Restated) At 30 June 2003 HK\$'m
Non-current assets			
Goodwill	7	(319.7)	(349.6)
Fixed assets		7,727.4	9,350.1
Jointly controlled entities		8,683.9	8,493.7
Associated companies		1,973.9	2,012.0
Deferred tax assets		13.1	19.0
Other non-current assets		43.6	27.6
		18,122.2	19,552.8
Current assets			
Inventories		210.5	135.1
Debtors, deposits and prepayments	8	5,840.4	4,964.2
Trading investments		16.2	17.7
Bank balances and cash		2,331.7	2,548.4
		8,398.8	7,665.4
Current liabilities			
Creditors and accrued charges	9	5,380.0	5,072.2
Amounts due to related companies		103.5	652.6
Taxation		75.8	133.6
Current portion of bank loans and borrowings		881.1	423.7
Short term bank loans and borrowings			
– Secured		2.6	99.1
– Unsecured		1,349.6	1,163.7
		7,792.6	7,544.9
Net current assets		606.2	120.5
Total assets less current liabilities		18,728.4	19,673.3
Financed by			
Share capital	10	1,780.8	1,780.8
Reserves		6,942.7	6,469.7
Shareholders' funds		8,723.5	8,250.5
Deferred tax liabilities		271.5	254.5
Bank loans and borrowings		7,077.9	7,754.6
Other long term liabilities		916.3	903.0
Minority interests and loans		1,739.2	2,510.7
		10,004.9	11,422.8
		18,728.4	19,673.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	For the six months ended 31 December	
	2003 <i>HK\$'m</i>	(Restated) 2002 <i>HK\$'m</i>
Total equity at 1 July, as previously reported	8,557.9	3,717.4
Change in accounting policy for deferred taxation	(307.4)	(287.2)
Total equity at 1 July, as restated	8,250.5	3,430.2
Issue of new shares	0.4	–
Change in fair value of non-trading securities recognized in investment revaluation reserve	14.6	0.9
Profit for the period	814.2	185.8
Dividend	(356.2)	(11.4)
Total equity at 31 December	8,723.5	3,605.5



CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	For the six months ended 31 December	
	2003 HK\$m	2002 HK\$m
Net cash generated from/(used in) operating activities	121.0	(13.4)
Net cash generated from investing activities	705.6	166.5
Net cash used in financing activities	<u>(1,032.1)</u>	<u>(66.4)</u>
(Decrease)/Increase in cash and cash equivalents	(205.5)	86.7
Cash and cash equivalents at 1 July	<u>2,537.2</u>	<u>349.3</u>
Cash and cash equivalents at 31 December	<u>2,331.7</u>	<u>436.0</u>
Bank balances and cash, including short term deposits with maturity within three months	<u>2,331.7</u>	<u>436.0</u>

NOTES TO CONDENSED INTERIM ACCOUNTS**1. Basis of preparation and accounting policies**

The unaudited consolidated condensed interim accounts for the Current Period (the "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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim accounts should be read in conjunction with the 2003 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 2003, except that the Group has adopted the revised Statement of Standard Accounting Practice 2.112 "Income Taxes" ("SSAP 12"), issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

On adoption of the revised SSAP 12, deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, jointly controlled entities and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening equity at 1 July 2002 and 2003 have been reduced by HK\$287.2 million and HK\$307.4 million, respectively. In addition such change in accounting policy has resulted in an increase in profit attributable to shareholders for the six months ended 31 December 2002 by HK\$11.1 million.

1. Basis of preparation and accounting policies *(Continued)*

In December 2003, the HKSA further clarified that depreciation of toll roads should reflect the consumption of economic benefits from the associated assets and should be either time or usage based. On the basis that the recognition principles previously adopted by the Group under the sinking fund depreciation method was by reference to the economic usage of the assets, the Directors concluded that there is no material impact to the financial statements as a result of this further clarification from the HKSA.

2. Turnover, revenue and segment information

The Group is principally engaged in container handling, logistics and warehousing, infrastructure operations, facilities, contracting, transport and other services. Turnover and other revenues recognized during the Current Period are as follows:

	For the six months ended 31 December	
	2003	2002
	HK\$'m	<i>HK\$'m</i>
Turnover		
Container handling, logistics and warehousing	8.9	6.1
Roads and bridges	222.8	–
Energy, water treatment and waste management	0.9	–
Facilities	1,367.7	–
Contracting	3,950.4	–
Transport	829.6	–
Others	162.2	–
	<hr/>	<hr/>
	6,542.5	6.1
	<hr/>	<hr/>
Other revenues		
Interest income	4.6	3.1
Management fee	59.1	–
Machinery hire income	15.2	–
Others	13.7	0.5
	<hr/>	<hr/>
	92.6	3.6
	<hr/>	<hr/>
	6,635.1	9.7
	<hr/>	<hr/>

In accordance with the Group's internal financial reporting and operating activities, the primary reporting format is by business segments and the secondary reporting format is by geographical segments.

Segment information under the "Primary reporting format – business segments" is set out overleaf. There are no other significant identifiable business segments.

2. Turnover, revenue and segment information (Continued)

Primary reporting format – business segments

	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
For the six months ended 31 December 2003									
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									438.8
Finance costs									(169.0)
Share of results of Jointly controlled entities	100.5	134.0	256.4	22.5	31.3	-	8.4		553.1
Associated companies	134.3	-	-	0.2	11.9	1.0	14.1		161.5
Profit before taxation									984.4
Taxation									(156.0)
Profit after taxation									828.4
Minority interests									(14.2)
Profit attributable to shareholders									<u>814.2</u>

2. Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

	Container handling, logistics and warehousing	Roads and bridges	Energy, water treatment and waste management	Facilities	Contracting	Transport	Others	Eliminations	Consolidated
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
For the six months ended 31 December 2002									
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									<u>(8.9)</u>
Operating loss									(46.8)
Finance costs									-
Share of results of Jointly controlled entities	107.5	-	-	-	-	-	-	-	107.5
Associated companies	154.1	-	-	-	-	-	-	-	<u>154.1</u>
Profit before taxation									214.8
Taxation									<u>(28.9)</u>
Profit after taxation									185.9
Minority interests									<u>(0.1)</u>
Profit attributable to shareholders									<u>185.8</u>

3. 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>

4. Taxation

Hong Kong profits tax is provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the Current 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 Current Period at the rates of taxation prevailing in the countries in which the Group operates.

4. Taxation (Continued)

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

	For the six months ended 31 December	
	2003	(Restated) 2002
	HK\$m	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>
	156.0	28.9

The change in accounting policy in accordance with the revised SSAP 12 has been applied retrospectively and the comparatives have been restated (Note 1).

4. Taxation (Continued)

The adjustments to total equity at 30 June 2003 are as follows:

	<i>HK\$m</i>
Decrease in net negative goodwill	98.3
Decrease in jointly controlled entities	(227.9)
Decrease in associated companies	(79.7)
Increase in deferred tax assets	19.0
Increase in deferred tax liabilities	(172.7)
Decrease in minority interests and loans	55.6
	<hr/>
Decrease in reserves	(307.4)
	<hr/>

5. Dividend

	For the six months ended 31 December	
	2003	2002
	<i>HK\$m</i>	<i>HK\$m</i>
Interim dividend declared of HK\$0.15 (2002: Nil) per ordinary share	267.1	–
4% cumulative convertible redeemable preference shares	–	11.4
	<hr/>	<hr/>
	267.1	11.4
	<hr/>	<hr/>

6. 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 Current Period.

The calculation of 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 Current Period plus the weighted average of 16.0 million ordinary shares deemed to be issued at HK\$3.725 if all outstanding share options had been exercised.

The calculation of 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 Last 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 share options was higher than the average market price per ordinary share for the six months ended 31 December 2002.

7. Goodwill

	Goodwill <i>HK\$'m</i>	Negative Goodwill <i>HK\$'m</i>	Total <i>HK\$'m</i>
Cost			
At 1 July 2003, as previously reported	517.0	(1,510.9)	(993.9)
Change in accounting policy for deferred taxation	<u>133.5</u>	<u>(32.3)</u>	<u>101.2</u>
At 1 July 2003, as restated	650.5	(1,543.2)	(892.7)
Transfer upon deconsolidation of a subsidiary company	<u>(3.2)</u>	<u>–</u>	<u>(3.2)</u>
At 31 December 2003	<u><u>647.3</u></u>	<u><u>(1,543.2)</u></u>	<u><u>(895.9)</u></u>
Accumulated amortization			
At 1 July 2003, as previously reported	26.0	(572.0)	(546.0)
Change in accounting policy for deferred taxation	<u>3.6</u>	<u>(0.7)</u>	<u>2.9</u>
At 1 July 2003, as restated	29.6	(572.7)	(543.1)
Amortization	<u>16.7</u>	<u>(49.8)</u>	<u>(33.1)</u>
At 31 December 2003	<u><u>46.3</u></u>	<u><u>(622.5)</u></u>	<u><u>(576.2)</u></u>
Net book value			
At 31 December 2003	<u><u>601.0</u></u>	<u><u>(920.7)</u></u>	<u><u>(319.7)</u></u>
At 30 June 2003, as restated	<u>620.9</u>	<u>(970.5)</u>	<u>(349.6)</u>

The prior year adjustments of deferred taxation has led to corresponding adjustments to the identifiable assets and liabilities of certain subsidiary companies, jointly controlled entities and associated companies acquired as part of the Reorganization (refer to the Company's 2003 annual report). Accordingly, the previously calculated goodwill and negative goodwill have been adjusted in accordance with the Statement of Standard Accounting Practice 2.130 "Business Combinations".

8. Debtors, deposits and prepayments

	At 31 December 2003 HK\$'m	At 30 June 2003 HK\$'m
Trade debtors	1,375.1	1,299.6
Retention receivables	800.3	807.8
Amounts due from customers for contract works	609.3	330.9
Other debtors, deposits and prepayments	2,744.5	2,310.9
Amounts due from jointly controlled entities	85.0	88.2
Amounts due from associated companies	226.2	126.8
	<u>5,840.4</u>	<u>4,964.2</u>

(a) Included in debtors, deposits and prepayments are trade debtors with their ageing analysis as follows:

	At 31 December 2003 HK\$'m	At 30 June 2003 HK\$'m
Under 3 months	1,018.7	986.5
4 – 6 months	119.7	111.6
Over 6 months	236.7	201.5
	<u>1,375.1</u>	<u>1,299.6</u>

The Group has various credit policies for different business operations depending on the requirements of the markets and businesses in which these businesses operate. Retention money receivables in respect of contracting services are settled in accordance with the terms of respective contracts.

(b) The Group entered into an agreement in principle (the "AIP") on 12 December 2003 with Wuhan City Construction Fund Management Office ("Wuhan Fund Office") for the disposal of its approximately 48.86% interest in WBC, 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 later. Notwithstanding the proposed disposal requires the entering into of a formal sale and purchase agreement and formal approval by the relevant PRC authorities, the Group considers that it no longer has control over the operations of WBC following the signing of the AIP. Accordingly, WBC, which was previously accounted for as a subsidiary company, has been deconsolidated and the carrying value of the Group's share of net assets of WBC net of the amount received, i.e. HK\$187.7 million, has been reclassified and included in other debtors, deposits and prepayments as at 31 December 2003.

9. Creditors and accrued charges

	At 31 December 2003 HK\$'m	At 30 June 2003 HK\$'m
Trade creditors	739.4	711.5
Retention payables	530.4	512.4
Advance received from customers	65.3	31.2
Amounts due to customers for contract works	748.2	621.3
Other payables and accruals	3,285.3	3,178.8
Amounts due to jointly controlled entities	11.4	17.0
	<u>5,380.0</u>	<u>5,072.2</u>

Included in creditors and accrued charges are trade creditors with their ageing analysis as follows:

	At 31 December 2003 HK\$'m	At 30 June 2003 HK\$'m
Under 3 months	593.9	545.0
4 – 6 months	54.2	93.6
Over 6 months	91.3	72.9
	<u>739.4</u>	<u>711.5</u>

10. Share capital

	Ordinary shares	
	No. of shares	HK\$'m
Authorized		
At 30 June 2003 and 31 December 2003	<u>2,400,000,000</u>	<u>2,400.0</u>
Issued and fully paid		
At 1 July 2003	1,780,759,001	1,780.8
Exercise of share options	<u>70,000</u>	<u>–</u>
At 31 December 2003	<u>1,780,829,001</u>	<u>1,780.8</u>

10. Share capital (Continued)**Share options***1997 Share Option Scheme*

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 subsidiary companies to subscribe for ordinary shares of the Company. The 1997 Share Option Scheme expired on 11 April 2000. No further share option can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable.

70,000 share options granted under this scheme were exercised at the exercise price of HK\$6.93 per ordinary share during the Current Period (2002: Nil).

2001 Share Option Scheme

A share option scheme was adopted by the Company on 6 December 2001 and amended on 12 March 2003 (the "2001 Share Option Scheme") which will be valid and effective for a period of ten years from the date of adoption. The Directors may, at their discretion, grant options to any eligible participant as defined under the 2001 Share Option Scheme to subscribe for ordinary shares of the Company. The total number of ordinary shares which may be issued upon exercise of all options to be granted under the 2001 Share Option Scheme must not in aggregate exceed 10% of the existing ordinary share capital of the Company in issue, i.e. up to 178,075,900 ordinary shares.

On 21 July 2003, a total of 41,497,000 share options were granted to directors of the Company and certain eligible participants at the exercise price of HK\$3.725 per ordinary share, which represents the average of the closing price of the Company's ordinary shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") for the five trading days immediately preceding the date of grant. The closing price per ordinary share immediately before 21 July 2003, the date of grant, was HK\$3.6. Such share options will expire on 21 July 2008.

No share option granted under this scheme was exercised during the Current Period (2002: Nil).

11. Commitments

- (a) The outstanding commitments for capital expenditure are as follows:

	At 31 December 2003 HK\$m	At 30 June 2003 HK\$m
Contracted but not provided for	13.4	12.6
Authorised but not contracted for	17.4	37.8
	<u>30.8</u>	<u>50.4</u>

- (b) The Group's share of commitments for capital expenditure committed by the jointly controlled entities not included above are as follows:

	At 31 December 2003 HK\$m	At 30 June 2003 HK\$m
Contracted but not provided for	171.2	287.6
Authorised but not contracted for	173.9	123.9
	<u>345.1</u>	<u>411.5</u>

A subsidiary company and certain 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 funding. The Group's attributable share of such commitments for capital expenditure as at 31 December 2003 was HK\$236.9 million (30 June 2003: HK\$268.9 million) and has been included in above.

In the event of default of any of the third parties, the subsidiary company and the jointly controlled entities will be required to provide additional funds for the project. The Group had given guarantees in respect of these obligations to provide additional funds. During the Current Period, the Group entered into amendment agreements with an associated company and other third parties pursuant to which guaranteed amounts for the joint development of CT9 and the related berth swap arrangement have been substantially reduced. Accordingly, the Group was required to perform its obligations under the guarantees for the development of CT9 and the funding, the maximum amount of the additional liabilities assumed would be insignificant to the accounts of the Group (30 June 2003: HK\$1,321.8 million, out of which approximately HK\$781.0 million had been counter-indemnified by an associated company).

11. Commitments *(Continued)*

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain jointly controlled entities under various joint venture contracts to finance relevant infrastructure projects. The Directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$125.0 million (30 June 2003: HK\$28.3 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities.

12. Contingent liabilities

	At 31 December 2003 HK\$m	At 30 June 2003 HK\$m
Guarantees for credit facilities granted to		
Jointly controlled entities	2,015.8	931.2
Associated companies	82.4	1,279.9
	<u>2,098.2</u>	<u>2,211.1</u>

Included in the above, a corporate guarantee has been given by the Company in favour of certain banks for banking facilities granted to Asia Container Terminals Limited ("ACT"), a jointly controlled entity of CSX World Terminals Hong Kong Limited ("CSXWTHK", an associated company of the Group) to the extent of approximately HK\$858.0 million as at 31 December 2003 (30 June 2003: HK\$858.0 million), in proportion to the Group's interest in ACT. The proportionate amount utilized against such facilities at 31 December 2003 which was 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 as at 31 December 2003 of approximately HK\$507.0 million (30 June 2003: HK\$507.0 million) as included above given in relation to ACT.

13. Related party transactions

The following is a summary of significant related party transactions during the Current Period carried out in the normal course of the Group's business:

		For the six months ended 31 December	
		2003	2002
		HK\$m	<i>HK\$m</i>
	Note		
Transactions with affiliated companies	(a)		
Provision of contracting work service	(b)	169.0	–
Interest income	(c)	8.6	–
Management fee	(d)	50.8	–
Transactions with other related parties	(a)		
Provision of contracting work service	(b)	850.2	–
Provision of other services	(e)	57.3	–
Rental and other related expenses	(f)	(16.3)	(1.0)
Secondment fee	(g)	–	(1.7)
Charter hire	(h)	(31.2)	–

Notes:

- (a) Affiliated companies include associated companies and jointly controlled entities. Related parties are group companies, associated companies and jointly controlled entities of New World Development Company Limited ("NWD") and of CTF which are not companies within the Group. NWD is the ultimate holding company of NWSH and CTF is a substantial shareholder of NWD.
- (b) Revenue from the provision of contracting work was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.
- (c) Interest income was charged at interest rates in accordance with relevant contracts.
- (d) Management fee was charged at rates in accordance with relevant contracts.
- (e) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. Revenues were made in the normal course of business at prices and at terms no less favourable than those charged to other third party customers of the Group in accordance with the relevant contracts.
- (f) The Group entered into a number of lease agreements with other related companies to lease office space with various terms based on fixed monthly rates in accordance with tenancy agreements.

13. Related party transactions *(Continued)*

Notes: *(Continued)*

- (g) Staff secondment fee was charged based on payroll costs of certain staffs who were seconded from a fellow subsidiary company to the Group as specified in the secondment agreement.
- (h) On 19 March 2003, the Group and certain companies controlled by CTF entered into a master charter agreement (the "Master Charter Agreement"), pursuant to which the Group agreed to enter into eight separate bareboat charters. Under such bareboat charters, the Group paid HK\$31.2 million charter hire to the related parties for the Current Period. Pursuant to the Master Charter Agreement, CTF has agreed to provide guarantees in favour of the Group that the net profit before tax attributable to the operation of the vessels is no less than HK\$10 million.

14. 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 engaging 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 had been approved by the relevant PRC approving authorities.
- (b) On 8 December 2003, the Company, CTF and 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. Each of the Group and CTF currently 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 loans 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 were set out in the circular to shareholders of the Company dated 23 December 2003.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the Current Period's presentation.



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.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group reported a profit attributable to shareholders of HK\$814.2 million for the Current Period, an increase of HK\$628.4 million or 338%, as compared to HK\$185.8 million for the Last Period. 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 the 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 the 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.

GROUP OVERVIEW (Continued)*Contribution by Division*

	For the six months ended 31 December	
	2003 HK\$'m	2002 HK\$'m
Service	380.6	–
Infrastructure	413.4	–
Ports	202.6	229.6
	<hr/>	<hr/>
Attributable operating profit	996.6	229.6
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Head office and non-recurring items		
Impairment loss on fixed assets	–	(35.0)
Loss on disposal of fixed assets	(26.7)	–
Fair value adjustment arising from the Reorganization	(25.3)	–
Amortization of net negative goodwill	33.1	–
Other interest income	0.6	3.1
Other finance costs	(100.8)	–
Other operating expenses	(63.3)	(11.9)
	<hr/>	<hr/>
	(182.4)	(43.8)
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Profit attributable to shareholders	814.2	185.8
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(Certain comparative figures have been restated upon the adoption of the revised SSAP 12)

Geographical breakdown

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

Earnings per ordinary share

Basic earnings per ordinary share was HK\$0.46 for the Current Period, as compared to HK\$0.85 in the Last Period. The decrease was due to the dilution as a result of the new issue of ordinary shares for the Reorganization.

GROUP OVERVIEW *(Continued)***Liquidity and 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 increased slightly 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, increased slightly 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 the 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.

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 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 guarantee of approximately HK\$507.0 million (30 June 2003: HK\$507.0 million).

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.

OPERATIONAL REVIEW

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 the Last Period. In addition, we have restated certain comparative figures to conform to the Current Period's presentation.

Operational review – Service management

The recovery of the Hong Kong economy after the SARS period ended in July 2003 together with the opening up of the individual travel restriction by the Central Government of the PRC have helped boost many retail businesses and the service sector as a whole. The overall performance of NWSS for the Current Period was satisfactory, with an AOP of HK\$380.6 million through a turnover of HK\$6,309.9 million. Significant improvement was attained in Facilities segment and from other investments but the performance of Transport segment was lower than expected and that of Contracting segment was suppressed. The overall AOP of NWSS was 3% above the Last Period.

AOP Contribution by Segment

	For the six months ended 31 December		
	2003 HK\$m	2002 HK\$m	Change % Fav./Unfav.)
Facilities	188.9	157.5	20
Contracting	119.4	134.8	(11)
Transport	36.0	53.4	(33)
Financial, Environmental and Others	36.3	22.5	61
Total	380.6	368.2	3

Operational review – Service management *(Continued)**Facilities*

Facilities segment achieved an outstanding performance since SARS ended in July 2003 with an AOP of HK\$188.9 million for the Current Period, 20% increased from the Last Period.

HKCEC, attained excellent results 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 the Last Period.

Strong growth was also attained by Wai Hong and Kiu Lok Group. Wai Hong obtained three cleaning contracts from Hong Kong International Airport and Central Plaza recently and achieved growth of 26% and 39% in turnover and profit respectively as compared to the Last Period. Kiu Lok Group focused on the Mainland China's market and had growth of 14% and 42% in turnover and profit respectively as compared to the Last Period.

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 the Current Period, a drop of 11% as compared to the Last Period. The major contributor to Contracting segment remained as Hip Hing Construction Group ("Hip Hing"), which contributed around 43% of the segment's AOP for the Current Period while NWS Engineering Group ("NWS Engineering") also contributed 19% to the segment's AOP for the Current Period. While Hip Hing's profit contribution reduced significantly due to the tough building construction market, NWS Engineering's remained steady. 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. Despite the smaller contribution to the segment by Barbican Construction Company, Limited, its proactive bidding for auspicious civil engineering projects were evidenced from its escalating contract-on-hand value, which stood at HK\$1.9 billion at the period end. Apart from setting up of wholly foreign-owned enterprises in Beijing to tap on local construction projects, aiming at future business growth, the Group invested in 10% interest in CCTEB.

Transport

Transport segment achieved an AOP of HK\$36.0 million for the Current Period, 33% below the 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.

Operational review – Service management *(Continued)**Transport (Continued)*

New World First Ferry Services Limited, serving the ferry business in Hong Kong, maintained a small profit contribution for the Current Period. Supported by a vessel reorganization arrangement previously entered into with CTF in March 2003, the guaranteed profit from CTF had ensured the profit contribution from New World First Ferry Services (Macau) Limited for the Current Period.

The investment by New World First Bus Services (China) Limited in a Kunming bus operation commenced business in early 2004 and is expected to bring in profit contribution in the second half of the 2003/04 financial year.

After the completion of the Share Exchange, Merryhill has become a comprehensive transport services provider, which encompasses 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

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

Operational review – Infrastructure management

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

AOP Contribution by Segment

	For the six months ended 31 December		
	2003 <i>HK\$'m</i>	2002 <i>HK\$'m</i>	Change % Fav./Unfav.)
Energy	241.2	185.9	30
Water Treatment and Waste Management	21.4	17.3	24
Roads and Bridges	150.8	142.1	6
Total	413.4	345.3	20

Operational review – Infrastructure management *(Continued)**Energy*

The AOP of Energy segment surged by HK\$55.3 million to HK\$241.2 million, up 30% from the 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 the 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 Water Treatment and Waste Management segment increased 24% to HK\$21.4 million in the 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 that commenced operations in November 2002. The performance of the Macau Water Plant was satisfactory with sales of water increased by 7% when compared to the Last Period.

Roads and Bridges

The AOP of Roads and Bridges segment was HK\$150.8 million for the Current Period, an increase of 6% compared to the 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 and 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. On the operation front, 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% as the toll income of the expressway in the Last Period benefited from a traffic diversion due to repair and maintenance works in nearby roadways and was therefore exceptionally high. Both the average daily traffic flow and toll income of expressway decreased by 23% and 25% respectively.

The overall AOP of the Guangxi Roadway Network was quite stable and decreased slightly 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 the 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.

Operational review – Infrastructure management *(Continued)**Roads and Bridges (Continued)*

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.

Operational review – Ports management

During the Current Period, NWSP faced challenges from the surfacing of SARS impact and the slowing down of throughput growth in Hong Kong.

NWSP's activities include container handling, as well as logistics and warehousing services. Hong Kong is a key AOP contributor and Mainland China projects have steadily improved contributions. Our strategy is to follow through on a business model that entails expansion in Hong Kong with the completion of CT9 and builds on existing operations in Xiamen and Tianjin. In the future, NWSP will shift more attention to Mainland China by investing in profitable projects.

AOP Contribution by Segment

	For the six months ended 31 December		
	2003	2002	Change %
	<i>HK\$'m</i>	<i>HK\$'m</i>	Fav./Unfav.)
Container Handling	104.4	131.4	(21)
Logistics and Warehousing	98.2	98.2	–
Total	202.6	229.6	(12)

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

Hong Kong

Hong Kong still was the most important AOP contributor to NWSP. CSXWTHK and ATL Logistics Centre Hong Kong Limited reported a combined AOP of HK\$182.3 million, a decrease of 9% over the Last Period.

Operational review – Ports management *(Continued)**Hong Kong (Continued)*

The decline in the combined AOP was mainly due to the decrease in throughput of CSXWTHK and the 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 the Last Period. The average occupancy rate of ATL Logistics Centre decreased to 91% in Current Period from 97% in the Last Period.

ACT holds an interest in two berths of CT9 and upon completion scheduled in mid 2004, these two berths will be swapped for Modern Terminals Limited’s two berths at Container Terminal No. 8 West. Marketing strategies to build up ACT’s clientele, procurement of major container-handling equipment, installation of computer terminal operating systems and outsourcing of related terminal services have been initiated to prepare for the commencement of operation in the second half of 2004.

Mainland China

The ports in Tianjin and Xiamen continue to lead the way in the Mainland China port sector on the back of solid expansion in trade flows.

Tianjin

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 the Last Period. During the Current Period, CSXOT handled approximately 578,000 TEUs, a 16% increase over the Last Period.

Xiamen

The AOP of Xiamen Xiang Yu Quay Co., Ltd. (“Xiangyu”) remained at HK\$8.0 million (Last Period: HK\$8.0 million). Xiangyu’s operation has been improving steadily with throughput handled in the Current Period increased by 39% to approximately 281,000 TEUs from approximately 202,000 TEUs in the Last Period. 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. Xiangyu is now in a better position to compete with the other major terminal operators in the region.

PRACTICE NOTE 19 OF THE LISTING RULES

As at 31 December 2003, the amount of financial assistance provided by way of shareholders' loans/advances to and guarantees in respect of facilities for the benefits of affiliated companies of the Group were about HK\$4,766.4 million (30 June 2003: HK\$4,586.8 million) in aggregate and represented about 54% (30 June 2003 restated: 54%) of the consolidated net tangible assets of the Group. The following information is disclosed in compliance with the continuing disclosure requirement of Practice Note 19 of the Listing Rules ("PN19"):

(a) Financial assistance and guarantees to affiliated companies

As at 31 December 2003, the Company and its subsidiary companies advanced an aggregate of HK\$2,338.7 million (30 June 2003: HK\$2,347.4 million) to affiliated companies, guaranteed borrowing facilities and performance bonds for the benefit of the affiliated companies in the amount of HK\$2,302.7 million (30 June 2003: HK\$2,211.1 million) and contracted to provide an aggregate amount of approximately HK\$125.0 million (30 June 2003: HK\$28.3 million) in capital and loans to affiliated companies. The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of HK\$633.1 million (30 June 2003: HK\$486.6 million) which carries interest ranging from 2% to 15% per annum, an amount of HK\$9.0 million (30 June 2003: HK\$13.7 million) which carries interest at 3 months HIBOR per annum and an amount of HK\$8.0 million (30 June 2003: HK\$4.0 million) which carries interest at Hong Kong prime rate per annum, and an amount of HK\$661.0 million (30 June 2003: HK\$665.7 million) which is repayable on or before 2013. Contracted capital and loan contributions to affiliated companies would be funded by borrowings or internal resources of the Group.

In addition to the above, the Company had given certain guarantees in respect of obligations of a subsidiary company and certain jointly controlled entities to provide additional funds in relation to the joint development of CT9 in Hong Kong. During the Current Period, the Company entered into amendment agreements pursuant to which the guaranteed amounts were substantially reduced. As at 31 December 2003, the maximum additional liabilities as a result of the guarantee were not significant.

In accordance with the requirements under paragraph 3.10 of PN19, the Company is required to include in its interim report a pro forma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Company in the affiliated companies. The Company has numerous affiliated companies and is of the opinion that it is not practical nor meaningful to prepare a pro forma combined balance sheet and such information may be misleading. Pursuant to PN19, the Company made an application to and has received a confirmation from the Stock Exchange for its acceptance as an alternative to provide the following statement.

(a) Financial assistance and guarantees to affiliated companies *(Continued)*

As at 31 December 2003, based on the financial statements of the respective affiliated companies of the Group, these affiliated companies had outstanding borrowings of about HK\$16,271.8 million (30 June 2003: HK\$16,815.9 million), comprising secured bank loans of about HK\$7,520.5 million (30 June 2003: HK\$6,361.4 million), unsecured bank loans of about HK\$2,993.6 million (30 June 2003: HK\$4,652.4 million) and other loans of about HK\$5,757.7 million (30 June 2003: HK\$5,802.1 million). The total commitments for capital expenditure of the affiliated companies amounted to about HK\$2,100.7 million (30 June 2003: HK\$1,385.5 million) and total contingent liabilities amounted to about HK\$2,006.8 million as at 31 December 2003 (30 June 2003: HK\$1,263.8 million).

(b) Specific performance of the controlling shareholder

On 17 November 2003, the Company entered into the an agreement (the "Facility Agreement") under which a syndicate of banks and financial institutions agreed to grant to the Company a term loan facility in the principal amount of HK\$6,000.0 million (the "Facility"). The Facility is for a term of five years and unsecured. The purpose of the Facility is to refinance the remaining balance of a bridging facility in the principal amount of HK\$7,000.0 million obtained by the Company in December 2002 and for financing the Group's general working capital.

The Facility Agreement contains a requirement that NWD shall own, whether directly or indirectly, more than 50% of the voting share capital of the Company. A breach of such requirement will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and payable.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies contained in the Listing Rules were as follows:

(a) Interests in ordinary shares of the Company

Name	Number of shares			Total	Approximate percentage of issued share capital of the Company as at 31.12.03
	Personal interests	Family interests	Corporate interests		
Dr. Cheng Kar Shun, Henry	–	587,000 ⁽¹⁾	–	587,000	0.03%
Mr. Doo Wai Hoi, William	–	–	492,000 ⁽²⁾	492,000	0.03%
Mr. Chan Kam Ling	3,991	–	10,254,321 ⁽³⁾	10,258,312	0.58%
Mr. Wong Kwok Kin, Andrew	3,135,015	2,650,051 ⁽¹⁾	–	5,785,066	0.32%
Mr. Lam Wai Hon, Patrick	35,800	–	265,139 ⁽²⁾	300,939	0.02%
Mr. Cheung Chin Cheung	58,700	–	–	58,700	0.00%
Mr. Cheng Chi Pang ⁽⁴⁾	176,759	–	–	176,759	0.01%

Notes:

- (1) The shares are held by the spouse of the relevant director.
- (2) The shares are beneficially owned by a company wholly-owned by the relevant director.
- (3) The shares are beneficially owned by a company of which Mr. Chan Kam Ling owns 50% interest.
- (4) Mr. Cheng Chi Pang is the chief executive of the Company.
- (5) All the interests stated above represent long positions.

(b) Interests in shares of associated corporations of the Company

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued/ registered capital as at 31.12.03
	Personal interests	Family interests	Corporate interests		
NWD					
(Ordinary shares of HK\$1.00 each)					
Mr. Chan Kam Ling	96,669	–	–	96,669	0.00%
Mr. Cheung Chin Cheung	43,323	–	–	43,323	0.00%
Mr. Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
Mr. Cheng Chi Pang ⁽¹⁾	1,000	–	–	1,000	0.00%
New World TMT Limited ("NWTMT")					
(Ordinary shares of HK\$1.00 each)					
Dr. Cheng Kar Shun, Henry	–	1,000,000 ⁽²⁾	–	1,000,000	0.11%
Mr. Doo Wai Hoi, William	–	–	12,000,000 ⁽³⁾	12,000,000	1.26%
Mr. Chan Kam Ling	6,800	–	–	6,800	0.00%
Mr. Cheung Chin Cheung	100,000	–	–	100,000	0.01%
Mr. Cheng Chi Pang ⁽¹⁾	200	–	–	200	0.00%
New World China Land Limited ("NWCL")					
(Ordinary shares of HK\$0.10 each)					
Mr. Doo Wai Hoi, William	700,000	–	–	700,000	0.05%
Mr. Chan Kam Ling	100,000	–	–	100,000	0.01%
Mr. Lam Wai Hon, Patrick	30,000	–	–	30,000	0.00%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai Hoi, William	–	–	3,000,000 ⁽⁴⁾	3,000,000	30.00%
HH Holdings Corporation					
(Ordinary shares of HK\$1.00 each)					
Mr. Chan Kam Ling	15,000	–	–	15,000	2.50%
Master Services Limited					
(Ordinary shares of US\$0.01 each)					
Mr. Chan Kam Ling	16,335	–	–	16,335	1.63%
Mr. Wong Kwok Kin, Andrew	44,915	–	–	44,915	4.49%

(b) Interests in shares of associated corporations of the Company (Continued)

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued/ registered capital as at 31.12.03
	Personal interests	Family interests	Corporate interests		
Nanjing New World Chang Jiang Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr. Doo Wai Hoi, William	–	–	5,357,275 ⁽³⁾	5,357,275	21.18%
Nanjing Xinlidao Property Development Limited					
(Registered capital in HK\$)					
Mr. Doo Wai Hoi, William	–	–	21,000,000 ⁽³⁾	21,000,000	35.00%
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr. Doo Wai Hoi, William	–	–	200 ⁽³⁾	200	20.00%
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in US\$)					
Mr. Doo Wai Hoi, William	–	–	105,000,000 ⁽⁴⁾	105,000,000	30.00%
Tai Fook Securities Group Limited					
(Ordinary shares of HK\$0.10 each)					
Mr. Wong Kwok Kin, Andrew	390,000	–	–	390,000	0.08%

Notes:

- (1) Mr. Cheng Chi Pang is the chief executive of the Company.
- (2) The shares are held by the spouse of Dr. Cheng Kar Shun, Henry.
- (3) The interests are beneficially owned by companies wholly-owned by Mr. Doo Wai Hoi, William.
- (4) The interests represent the participating interests held by a company wholly-owned by Mr. Doo Wai Hoi, William.
- (5) All the interests stated above represent long positions.

(c) Interests in underlying shares of the Company – share options

As at 31 December 2003, the following directors and chief executive of the Company have personal interests in options to subscribe for shares granted under the share option schemes of the Company:

Name	Date of grant	Number of share options			Exercisable period	Exercise price per share HK\$
		Outstanding at 01.7.03	Granted during the period	Outstanding at 31.12.03		
Dr. Cheng Kar Shun, Henry	21 July 2003	–	3,000,000	3,000,000	(1)	3.725
Mr. Doo Wai Hoi, William	21 July 2003	–	2,000,000	2,000,000	(1)	3.725
Mr. Chan Kam Ling	21 July 2003	–	2,000,000	2,000,000	(1)	3.725
Mr. Wong Kwok Kin, Andrew	21 July 2003	–	1,400,000	1,400,000	(1)	3.725
Mr. Lam Wai Hon, Patrick	21 July 2003	–	1,400,000	1,400,000	(1)	3.725
Mr. Cheung Chin Cheung	11 May 1999	300,000	–	300,000	(2)	6.930
	21 July 2003	–	600,000	600,000	(1)	3.725
Mr. Wilfried Ernst Kaffenberger	21 July 2003	–	600,000	600,000	(1)	3.725
Mr. To Hin Tsun, Gerald	21 July 2003	–	600,000	600,000	(1)	3.725
Mr. Kwong Che Keung, Gordon	21 July 2003	–	600,000	600,000	(1)	3.725
Mr. Cheng Wai Chee, Christopher	21 July 2003	–	600,000	600,000	(1)	3.725
Mr. Dominic Lai	21 July 2003	–	600,000	600,000	(1)	3.725
Mr. Cheng Chi Pang ⁽³⁾	21 July 2003	–	300,000	300,000	(1)	3.725

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004, 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (2) 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.
- (3) Mr. Cheng Chi Pang is the chief executive of the Company.
- (4) The closing price per share immediately before 21 July 2003 (the date of grant) was HK\$3.6 and the cash consideration paid by each director for the share options granted on that day is HK\$10.
- (5) All the interests stated above represent long positions.

No share option of the Company was exercised by the above directors and chief executive during the Current Period.

(d) Interests in underlying shares in the associated corporations of the Company – share options*(i) NWTMT*

Under a share option scheme of NWTMT (formerly known as New World Infrastructure Limited), a fellow subsidiary company of the Company, options may be granted to directors and employees of NWTMT or its subsidiaries to subscribe for shares in NWTMT. The following director of the Company, who is also director of NWTMT, has personal interest in options to subscribe for shares in NWTMT which had been granted to him as follows:

Name	Date of grant	Number of share options outstanding at 31.12.03 with exercise price per share of	
		HK\$10.20 ⁽¹⁾	HK\$12.00 ⁽²⁾
Dr. Cheng Kar Shun, Henry	2 December 1998	600,000	2,400,000

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 the above director for the grant of share options is HK\$10.
- (4) The interest stated above represent long position.

No share option of NWTMT was exercised by the above director during the Current Period.

(d) Interests in underlying shares in the associated corporations of the Company – share options
(Continued)
(ii) NWCL

Under a share option scheme of NWCL, a fellow subsidiary company of the Company, the following directors of the Company, who are also directors of NWCL, have personal interests in options to subscribe for shares in NWCL which had been granted to them as follows:

Name	Date of grant	Exercisable period	Number of share options outstanding at 31.12.03 with exercise price per share of HK\$1.955
Dr. Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006 ⁽¹⁾	5,000,000
Mr. Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006 ⁽²⁾	2,800,000
Mr. Chan Kam Ling	9 February 2001	10 March 2002 to 9 March 2006 ⁽²⁾	400,000

Notes:

- (1) The share options are exercisable during a period of five years commencing from the expiry of one month after the dates of each grant when the offers of share options were accepted, provided that the maximum number of share options that can be exercised during a year is 20% of the total number of the share options granted together with any unexercised share options carried forward from the previous years.
- (2) The share options are 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 dates of the exercisable period.
- (3) The cash consideration paid by each director for each grant of share options is HK\$10.
- (4) All the interests stated above represent long positions.

No share option of NWCL was exercised by the above directors during the Current Period.

(d) Interests in underlying shares in the associated corporations of the Company – share options*(Continued)**(iii) Wai Kee Holdings Limited (“Wai Kee”)*

Under a share option scheme of Wai Kee, an associated company of the Company, the following director and chief executive of the Company, who are also directors of Wai Kee, have personal interests in options to subscribe for shares in Wai Kee which had been granted to them as follows:

Name	Date of grant	Exercisable period	Number of share options outstanding at 31.12.03 with exercise price per share of HK\$0.34
Mr. Lam Wai Hon, Patrick	29 November 2000	29 November 2001 to 28 November 2004	500,000
Mr. Cheng Chi Pang ⁽¹⁾	29 November 2000	29 November 2001 to 28 November 2004	500,000

Notes:

- (1) Mr. Cheng Chi Pang is the chief executive of the Company.
- (2) The cash consideration paid by each director of Wai Kee for each grant of the share options is HK\$1.
- (3) All the interests stated above represent long positions.

No share option of Wai Kee was exercised by the above director and chief executive during the Current Period.

(e) Interests in debentures of the associated corporations of the Company

The following director of the Company has interests in the debentures issued by New World Capital Finance Limited, a fellow subsidiary company of the Company, as follows:

Name	Amount of debentures			Percentage to the total debentures in issue as at 31.12.03
	Interests as founder of discretionary trust⁽¹⁾	Family interests⁽²⁾	Total	
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	
Mr. Cheng Wai Chee, Christopher	9,200,000	200,000	9,400,000	2.73%

Notes:

- (1) The debentures are convertible into 2,898,522 shares of HK\$1 each of NWD, representing 0.12% of its issued share capital as at 31 December 2003, for the period from 9 August 1999 to 9 May 2004.
- (2) The debentures are convertible into 63,010 shares of HK\$1 each of NWD, representing 0.003% of its issued share capital as at 31 December 2003, for the period from 9 August 1999 to 9 May 2004. The interests are held by the spouse of Mr. Cheng Wai Chee, Christopher.
- (3) The interests stated above represent long positions.

Save as disclosed above, none of the directors or chief executive of the Company had or were deemed under the SFO, to have any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2003.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2003, so far as are known to the directors of the Company, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name	Number of shares			Approximate percentage of the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
CTF	59,831,893	969,779,643 ⁽¹⁾	1,029,611,536	57.82%
NWD	664,587,141	305,192,502 ⁽²⁾	969,779,643	54.46%
Mombasa Limited ("Mombasa")	303,221,591	–	303,221,591	17.03%

Notes:

- (1) CTF (together with its subsidiaries) have interests in more than one-third of the issued shares of NWD and CTF is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.
- (2) NWD indirectly holds 100% interest in Mombasa and is accordingly deemed to have an interest in the shares held by Mombasa in the Company. NWD is also deemed to be interested in 1,970,911 shares in the Company which are held by Financial Concepts Investment Limited, a non-wholly owned subsidiary of NWD.
- (3) All the interests stated above represent long positions.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under section 336 of the SFO as at 31 December 2003.

SHARE OPTION SCHEMES

On 11 April 1997, the Company adopted 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 and no further share options can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable.

Moreover, the Company adopted the 2001 Share Option Scheme 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 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.

During the six months ended 31 December 2003, movements of share options granted by the Company under the 1997 Share Option Scheme and the 2001 Share Option Scheme were as follows:

- (a) Movement of share options to directors and chief executive of the Company was disclosed under the section headed “Directors’ and chief executive’s interests in securities” above.
- (b) Movement of share options to other eligible persons was as follows:–
- (i) *Under the 1997 Share Option Scheme*

Date of grant	Number of share options						Exercise price per share
	Outstanding as at 01.07.03	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31.12.03		
11 May 1999 ⁽¹⁾	1,600,000	–	–	–	1,600,000	HK\$6.93	
11 May 1999 ⁽²⁾	100,000	–	70,000	–	30,000	HK\$6.93	

Notes:

- (1) Divided into 4 tranches exercisable from 5 November 1999, 5 May 2002, 5 May 2003 respectively to 4 November 2004, both dates inclusive.
- (2) 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.
- (3) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$7.75.

SHARE OPTION SCHEMES *(Continued)**(ii) Under the 2001 Share Option Scheme*

Date of grant	Number of share options				Outstanding as at 31.12.03	Exercise price per share
	Outstanding as at 01.07.03	Granted during the period	Exercised during the period	Lapsed during the period		
21 July 2003 ⁽¹⁾	–	27,797,000	–	260,000	27,537,000	HK\$3.725

Notes:

- (1) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (2) The closing price per share immediately before 21 July 2003, the date of grant, was HK\$3.6.

The fair value of the share options granted during the Current Period with exercise price per share of HK\$3.725 is estimated at HK\$1.74 using the Black-Scholes option pricing model. The fair value is estimated based on the risk-free rate of 3.023% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 70.78%, assuming a dividend yield of approximately 5% per annum and an expected option life of 5 years.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the Current Period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the Current Period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during the six months ended 31 December 2003.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises Mr. Kwong Che Keung, Gordon (Chairman of the Audit Committee), 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 the unaudited interim accounts for the six months ended 31 December 2003 and discussed the financial related matters with management.

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 2003, 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 in accordance with Bye-law 87 of the Company's Bye-laws.

Dr. Cheng Kar Shun, Henry

Chairman

Hong Kong, 18 March 2004