新創建集團有限公司*
NWS Holdings Limited
(incorporated in Bermuda with limited liability)
(stock code: 0659)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

RESULTS

The board of directors (the "Board") of NWS Holdings Limited (the "Company") announces the unaudited and condensed consolidated results of the Company and its subsidiary companies (collectively the "Group") for the six months ended 31 December 2004 (the "Current Period") together with comparative figures for the same period in 2003 (the "Last Period") as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

	Note	For the six months ended 31 December **2004** *HK$'m*	2003 *HK$'m*
Turnover	*2*	**5,132.4**	6,542.5
Cost of sales		**(4,783.3)**	(5,792.3)
Gross profit		**349.1**	750.2
Other income	*3*	**228.9**	92.6
Annual amortization of net negative goodwill		**—**	33.1
General and administrative expenses		**(302.5)**	(410.4)
Other charges	*3*	**(9.5)**	(26.7)
Operating profit	*3*	**266.0**	438.8
Finance costs		**(71.9)**	(169.0)
Share of results of			
Jointly controlled entities		**641.0**	553.1
Associated companies		**206.2**	161.5
Profit before taxation		**1,041.3**	984.4
Taxation	*4*	**(156.6)**	(156.0)
Profit after taxation		**884.7**	828.4
Minority interests		**(3.1)**	(14.2)
Profit attributable to shareholders		**881.6**	814.2
Dividend	*5*	**325.2**	267.1
Earnings per share	*6*		
Basic		**HK$0.49**	HK$0.46
Diluted		**HK$0.49**	HK$0.45

CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

	Note	At 31 December 2004 HK$'m	At 30 June 2004 HK$'m
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		**345.3**	(516.1)
Fixed assets		**3,548.4**	3,621.8
Jointly controlled entities		**9,523.2**	9,685.5
Associated companies		**3,616.0**	1,966.0
Other non-current assets		**520.3**	492.9
		17,553.2	15,250.1
Current assets			
Inventories		**140.7**	123.8
Debtors, deposits and prepayments	*7*	**4,584.7**	5,038.1
Trading securities		**1.2**	1.3
Bank balances and cash		**3,221.8**	3,501.8
		7,948.4	8,665.0
Current liabilities			
Creditors and accrued charges	*8*	**4,454.0**	4,293.1
Amounts due to related companies		**181.6**	181.6
Taxation		**86.5**	105.9
Current portion of loans and borrowings		**1,246.8**	1,346.2
Short term bank loans and overdrafts			
- Secured		**2.6**	0.8
- Unsecured		**773.3**	1,209.2
		6,744.8	7,136.8
Net current assets		**1,203.6**	1,528.2
Total assets less current liabilities		**18,756.8**	16,778.3
Non-current liabilities			
Loans and borrowings		**6,083.5**	5,563.7
Other long term liabilities		**790.9**	794.2
Minority interests and loans		**853.7**	869.8
		7,728.1	7,227.7
Net assets		**11,028.7**	9,550.6
CAPITAL AND RESERVES			
Share capital		**1,806.4**	1,792.5
Reserves		**9,222.3**	7,758.1
Shareholders' funds		**11,028.7**	9,550.6

Notes:

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 Institute of Certified Public Accountants (the "HKICPA") 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 2004 annual accounts.

The principal accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 30 June 2004, except that the Group early adopted the accounting standards below with effect from 1 July 2004:

Hong Kong Financial Reporting Standard 3 (issued 2004) ("HKFRS 3") Business Combination
Hong Kong Accounting Standard 36 (revised 2004) ("HKAS 36") Impairment of Assets
Hong Kong Accounting Standard 38 (revised 2004) ("HKAS 38") Intangible Assets

The adoption of these standards resulted in changes to certain accounting policies of the Group. The revised policies are:

(i) Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(ii) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company/associated company/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiary companies is included in intangible assets. Goodwill on acquisitions of associated companies/jointly controlled entities is included in investments in associated companies/jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The key impacts to the Group are as follow:

— The Group ceased amortization of goodwill and negative goodwill from 1 July 2004;

— Accumulated amortization as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

— Negative goodwill has been derecognized and credited to the equity;

— Goodwill is tested annually for impairment, as well as when there are indications of impairment; and

— For goodwill which arose before 1 January 2001 and which has been taken into reserves, it would not be recognized in the profit and loss account when the Group disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively. In particular, negative goodwill arising on acquisitions has been derecognized in accordance with the transitional provisions of HKFRS 3, resulting in the following:

	HK$'m
Increase in opening reserves	976.5
Decrease in negative goodwill	861.4
Increase in jointly controlled entities	32.0
Increase in associated companies	83.1

2. **Turnover and segment information**

The Group is principally engaged in the businesses of container handling, logistics and warehousing, infrastructure operations, facilities, contracting, transport and other services. The Group's turnover and contribution from operations are analyzed as follows:

	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 2004									
External sales	**6.5**	**106.5**	**—**	**1,694.3**	**3,144.9**	**—**	**180.2**	**—**	**5,132.4**
Inter-segment sales	**—**	**—**	**—**	**69.5**	**215.1**	**—**	**10.4**	**(295.0)**	**—**
Total turnover	**6.5**	**106.5**	**—**	**1,763.8**	**3,360.0**	**—**	**190.6**	**(295.0)**	**5,132.4**
Segment results	**3.1**	**48.2**	**5.9**	**228.3**	**(148.6)**	**—**	**2.3**	**—**	**139.2**
Profit on disposal of an investment	**—**	**190.7**	**—**	**—**	**—**	**—**	**—**	**—**	**190.7**
Loss on disposal of a jointly controlled entity	**—**	**—**	**(2.1)**	**—**	**—**	**—**	**—**	**—**	**(2.1)**
Assets impairment	**(7.4)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7.4)**
Unallocated corporate expenses									**(54.4)**
Operating profit									**266.0**

	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 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	8.9	222.8	0.9	1,439.7	4,276.2	829.6	171.9	(407.5)	6,542.5
Segment results	11.9	100.6	5.7	203.7	93.1	58.9	24.0	—	497.9
Annual amortization of net negative goodwill	—	(2.5)	—	5.4	44.2	(4.8)	(9.2)	—	33.1
Loss on disposal of fixed assets	(26.7)	—	—	—	—	—	—	—	(26.7)
Unallocated corporate expenses									(65.5)
Operating profit									438.8

3. **Operating profit**

Operating profit of the Group is arrived at after crediting and charging the following:

		For the six months ended 31 December	
		2004	2003
	Note	***HK$'m***	*HK$'m*
Crediting: -			
Gross rental income from investment properties		**20.4**	20.5
Less: Outgoings		**(5.2)**	(5.5)
		15.2	15.0
Other income			
Profit on disposal of an investment	(a)	**190.7**	—
Interest income		**6.3**	4.6
Management fee		**19.2**	59.1
Machinery hire income		**10.2**	15.2
Others		**2.5**	13.7
		228.9	92.6
Charging: -			
Cost of inventories sold		**440.2**	344.6
Depreciation		**106.7**	266.0
Operating lease rental expenses			
Land and buildings		**27.2**	48.9
Other equipment		**—**	37.2
Other charges			
Assets impairment		**7.4**	—
Loss on disposal of a jointly controlled entity		**2.1**	—
Loss on disposal of fixed assets		**—**	26.7
		9.5	26.7

(a) 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% effective interest in Wuhan Bridge Construction Co., Ltd. ("WBC"), a sino-foreign joint stock company incorporated in Mainland China which operated the Yangtze River Bridge No. 2 in Wuhan. The consideration is RMB1.18 billion (equivalent to approximately HK$1.1 billion). As at 31 December 2004, the Group has received more than 95% of the agreed consideration and all the major terms and conditions of the AIP have been fulfilled. Accordingly, the Group has recognized a gain of approximately HK$190.7 million arising from the disposal of its interests in WBC.

4. **Taxation**

Hong Kong profits tax is provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the Current Period. Taxation 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.

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

	For the six months ended 31 December	
	2004	2003
	HK$'m	*HK$'m*
Company and subsidiary companies		
Hong Kong profits tax	**35.3**	32.4
Mainland China and overseas taxation	**3.4**	6.0
Deferred taxation	**(4.5)**	32.9
	34.2	71.3
Jointly controlled entities		
Hong Kong profits tax	**33.5**	17.4
Mainland China and overseas taxation	**51.3**	31.8
Deferred taxation	**6.4**	5.9
	91.2	55.1
Associated companies		
Hong Kong profits tax	**26.5**	30.1
Mainland China and overseas taxation	**5.5**	—
Deferred taxation	**(0.8)**	(0.5)
	31.2	29.6
	156.6	156.0

5. **Dividend**

	For the six months ended 31 December	
	2004	2003
	HK$'m	*HK$'m*
Interim dividend declared of HK$0.18 (2003: HK$0.15) per share	**325.2**	267.1

6. **Earnings per share**

The calculation of basic earnings per share is based on the profit of HK$881.6 million (2003: HK$814.2 million) and the weighted average of 1,800.4 million (2003: 1,780.8 million) shares in issue during the Current Period.

The calculation of diluted earnings per share is based on 1,810.3 million (2003: 1,796.8 million) shares which were the weighted average number of 1,800.4 million (2003: 1,780.8 million) shares in issue during the Current Period plus the weighted average of 9.9 million (2003: 16.0 million) shares deemed to be issued at HK$3.725, if all outstanding share options had been exercised.

7. **Debtors, deposits and prepayments**

		At 31 December 2004	At 30 June 2004
	Note	***HK$'m***	*HK$'m*
Trade debtors	(a)	**1,091.8**	1,274.8
Retention receivables		**717.7**	716.6
Current portion of long-term receivables		**64.8**	64.8
Amounts due from customers for contract works		**592.0**	330.0
Other debtors, deposits and prepayments		**1,956.4**	2,543.8
Amounts due from jointly controlled entities		**142.5**	88.6
Amounts due from associated companies		**19.5**	19.5
		4,584.7	5,038.1

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

	At 31 December 2004	At 30 June 2004
	HK$'m	*HK$'m*
Under 3 months	**811.8**	945.6
4 - 6 months	**77.2**	75.9
Over 6 months	**202.8**	253.3
	1,091.8	1,274.8

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.

8. **Creditors and accrued charges**

	Note	At **31 December 2004** *HK$'m*	At 30 June 2004 *HK$'m*
Trade creditors	(a)	**601.3**	561.8
Retention payables		**460.5**	436.3
Advance received from customers		**25.8**	39.1
Amounts due to customers for contract works		**628.8**	458.9
Other creditors		**—**	87.4
Other payables and accruals		**2,729.0**	2,709.3
Amounts due to jointly controlled entities		**8.6**	0.3
		4,454.0	4,293.1

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

	At **31 December 2004** *HK$'m*	At 30 June 2004 *HK$'m*
Under 3 months	**494.4**	445.6
4 - 6 months	**31.9**	39.6
Over 6 months	**75.0**	76.6
	601.3	561.8

9. **Subsequent events**

On 4 February 2005, the Group entered into a share sale agreement with PSA International Pte Ltd ("PSA") to dispose of its 31.4% interest in Asia Container Terminals Holdings Limited ("ACTH"), an investment holding company with Asia Container Terminals Limited ("ACT") as its wholly owned subsidiary company, and the shareholder loans owing from ACTH at a consideration of HK$1.9 billion. ACT is engaged in the operation of Container Terminal No. 8 West in Kwai Chung, Hong Kong ("CT8W"). The completion of the disposal is expected in March 2005.

On the same day, the Group entered into another share sale agreement with PSA to dispose of its entire interests in Keen Sales Limited, a wholly owned subsidiary company of the Group, which indirectly holds 33.34% in CSX World Terminals Hong Kong Limited ("CSXWTHK"), currently the operator of Container Terminal No. 3 ("CT3"), at a consideration of HK$1.1 billion. The disposal was completed on 21 February 2005. Upon completion, the Group entered into a trust deed, pursuant to which PSA would hold the beneficial title and interest in and to the indirect 16.67% shareholding interest in ATL Logistics Centre Hong Kong Limited ("ATL") for the benefit of the Group as if such interests had been retained in their entirety by the Group.

The aforesaid disposals would give rise to a gain on disposal of approximately HK$1.8 billion.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the year ending 30 June 2005 in scrip form equivalent to HK$0.18 per share with a cash option to shareholders registered on 12 April 2005.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK$0.18 per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 10 May 2005.

BOOK CLOSE DATE

Book close dates (both days inclusive):	7 April 2005 to 12 April 2005
Latest time to lodge transfer with branch share registrars:	4:00 p.m. on 6 April 2005
Name and address of branch share registrars:	Standard Registrars Limited G/F., Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai, Hong Kong

FINANCIAL AND OPERATIONAL REVIEW

Group Overview

The Group reported a profit attributable to shareholders of HK$881.6 million for the Current Period, an increase of HK$67.4 million or 8%, as compared to HK$814.2 million for the Last Period. Attributable operating profit ("AOP") was HK$833.7 million, a decrease of HK$162.9 million as compared to HK$996.6 million in the Last Period. NWS Infrastructure Management Limited ("NWSI") was still the major contributor and reported AOP of HK$531.2 million. NWS Service Management Limited ("NWSS") and NWS Ports Management Limited ("NWSP") maintained AOP of HK$131.6 million and HK$170.9 million respectively. As the new HKFRS 3, HKAS 36 and HKAS 38 issued by the HKICPA have been early adopted, no amortization of goodwill was recorded, as compared to a HK$33.1 million amortization of net negative goodwill in the Last Period. As a result of our steady pace of reducing debt and the prevailing low interest rate environment, finance costs of head office have been reduced significantly by 43%.

Hong Kong and Mainland China were still the two dominant sources of AOP, contributing a total of 33% and 67% respectively, as compared to 55% and 45% respectively in the Last Period.

NWSS

NWSS achieved an AOP of HK$131.6 million for the Current Period, about 65% lower than that in the Last Period.

Facilities

Facilities segment achieved good results with an AOP of HK$196.2 million for the Current Period, 4% increased over the Last Period. Hong Kong Convention and Exhibition Centre ("HKCEC") attained excellent result mainly due to the expansion in scale of most major recurrent exhibitions following the local economic recovery. The total number of events reached 777 attracting around 3 million guests, the second highest attendance of any previous periods. Kiu Lok Group continues to focus on the Mainland China market and was awarded a pre-opening consultancy contract to market and manage the landmark "Merchandise City" in Tianjin. Urban Property Management Group, despite the tough market competitions, continued to contribute a stable profit to the Group and successfully maintained a clientele of around 168,000 residential units and 32,000 carparks under management. Sky Connection Limited, the holding company of Free Duty engaging in sales of duty free tobacco and liquor recorded a satisfactory result for the period.

Contracting

Contracting segment recorded an attributable operating loss of HK$136.0 million for the Current Period. The lagging property construction market activities because of the consistently low level of Government capital expenditure and the cautious investments in the private sector had led to severe competition among major contractors and continued erosion to gross profit margin of the division. It was evidenced that the drop in profit margin and the surge of the contract risks had resulted in substantial exposures with some projects making losses or requiring provision. As at 31 December 2004, the Contracting segment had a gross contract-on-hand of HK$18.3 billion with HK$11.5 billion being the remaining value for completion. The strategic investment in Wai Kee Holdings Limited delivered a good result for the Current Period mainly due to the contribution from its subsidiary company, Road King Infrastructure Limited.

Transport

The transport segment achieved an AOP of HK$46.4 million for the Current Period, some 29% above that of the Last Period, mainly due to a gradual recovery of business after SARS. The reorganization of Citybus Limited and New World First Holdings Limited has brought clear benefits to both the investors and the general public through synergies achieved in the areas of management alignment, resource integration, route rationalization and other customer service improvement measures. Despite the recovery of local economy, the performance of the bus operation was still adversely affected by competitors such as West Rail and Tsim Sha Tsui rail extension, and higher operating costs due to the increase in oil price and tunnel charges. In addition, cost for staff voluntary exit scheme imposed short-term pressure on the profitability of the business, yet the long term cost savings in future years would justify the action taken. New World First Ferry Services Limited incurred a minor loss as a result of high fuel cost and repair and maintenance cost. The guaranteed profit from Chow Tai Fook Enterprises Limited had ensured the profit contribution from New World First Ferry Services (Macau) Limited ("NWFFM") for the Current Period. With the recent approval obtained from the Government for extension in operating hours, NWFFM will be in a stronger position to capture more passengers particularly those casino patrons.

Financial, Environmental and Others

The Financial segment, the Environmental segment together with other investments posted an AOP of HK$25.0 million for the Current Period, 31% below the Last Period.

NWSI

The AOP of NWSI increased to HK$531.2 million, an increase of HK$117.8 million or 28% over the Last Period.

Energy

The AOP of the Energy segment increased by HK$65.6 million to HK$306.8 million, up 27% from the Last Period. Although the electricity demand in Guangdong Province is surging, the increase in the average standard coal price has seized part of the profitability from Zhujiang Power Phase I and II. The combined electricity sales of Phase I and II increased by only 3% as one of the power generating units of Phase I was under regular maintenance during the Current Period. In October 2004, the Group, through both Phase I and II, acquired an effective 35% interest in a joint venture which produces aerated concrete and supplies to the Pearl River Delta region. The joint venture had been in operation and contributed profit to the Group during the Current Period. The performance of Macau Power was satisfactory with 9% increase in electricity sales but AOP maintained at the same level as a result of the profit control scheme. Conditional sales and purchase agreements were entered into with the Mainland joint venture partner in respect of the disposal of the Group's 60% interest in Sichuan Qianwei Dali Power Company Limited for a consideration of RMB48.0 million. A loss on disposal of HK$2.1 million was recognized in the Current Period.

Water Treatment and Waste Management

The AOP of the Water Treatment and Waste Management segment increased by 51% to HK$32.4 million. The increase was attributable to the contribution from new water project in Sanya City, Hainan and the improved performance of water projects in Mainland China. The performance of the Macau Water Plant was satisfactory with average daily water sales volume increased by 3%. Tianjin Tanggu water project was contracted at the end of April 2004 and commencement of operations of the joint venture is expected to be in the first half of 2005.

Roads and Bridges

The AOP of the Roads and Bridges segment was HK$192.0 million, an increase of 27% when compared to the Last Period. Average daily traffic flow of Guangzhou City Northern Ring Road increased slightly by 3% and toll income increased by HK$22.5 million during the Current Period. Average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 9% and 23% respectively and the overall toll income of both sections increased by HK$44.2 million. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 23%. To capture the robust economic growth in the Pearl River Delta region, the Group acquired a 15% effective interest in Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) in September

2004 and subsequently in December 2004, an agreement to acquire 25% interest in the Guangzhou-Zhaoqing Expressway was also signed. Furthermore, our bid for a 25% interest in the Pearl River Delta Ring Road (South-Western Section) was accepted in December 2004.

The Group entered into the AIP with the Wuhan Fund Office in December 2003. As at 31 December 2004, the Group has received over 95% of the agreed consideration and all major terms and conditions of the AIP have been fulfilled. Accordingly the Group has recognized a gain of approximately HK$190.7 million, arising from the disposal of our interests to the Wuhan party, in the Current Period.

NWSP

NWSP reported total AOP of HK$170.9 million, a decrease by 16% compared to HK$202.6 million in the Last Period. CSXWTHK and ATL reported a combined AOP of HK$157.8 million, a decrease of 13% over the Last Period. CSXWTHK handled 506,000 twenty-foot equivalent units ("TEUs"), a decrease of around 25% compared to 676,000 TEUs in the Last Period. The average occupancy rate of ATL Logistics Centre increased to 93% in the Current Period from 91% in the Last Period.

On 31 December 2004, NWSP's shareholding in ACT, operator of CT8W, was increased from 13.5% to 31.4%. NWSP entered into two separate share sale agreements with PSA on 4 February 2005 to sell the 33.34% interest in CT3 ("CT3 transaction") and 31.4% interest in CT8W ("CT8W transaction") to PSA at a total consideration of HK$3.0 billion. It is expected that a gain of approximately HK$1.8 billion would be derived from these transactions. The CT3 transaction was completed on 21 February 2005 while the completion of the CT8W transaction is expected in March 2005.

CSX Orient (Tianjin) Container Terminals Co., Limited ("CSXOT"), operator of four container berths and one coal berth in Tianjin Xingang, contributed an AOP of HK$18.0 million, same as that of the Last Period. During Current Period, CSXOT handled approximately 560,000 TEUs, 3% decrease over the Last Period. Xiamen New World Xiangyu Terminals Co., Ltd. (formerly known as Xiamen Xiang Yu Quay Co., Ltd.) reported an AOP of HK$12.0 million as compared to HK$8.0 million in the Last Period. The increase in AOP was mainly due to 9% volume growth from 281,000 TEUs in the Last Period to 307,000 TEUs in the Current Period.

OUTLOOK

As a forward-looking company, the Company always takes proactive measures in hedging risks ahead. The expansion of HKCEC being promulgated by the Hong Kong Trade Development Council will boost future profitability of the Facilities segment. Amid a shrinking construction market and cutthroat competition in Hong Kong, the amount and value of contracts of our Contracting segment dropped substantially.

Along with economic recovery in Hong Kong, the opening of Disneyland in September 2005 is expected to give a further impetus to the local economy and attract more visitors, particularly those from Mainland China following further relaxation of the Individual Travel Scheme. This will in turn benefit the Group's transport operations and its sales of duty free tobacco and liquor. Further liberation of the public transport market in Mainland China is also positive to the Group's expansion plan across the border.

After duly considering the views of various stakeholders, the Company has changed its reconstruction plan of Hunghom Peninsula, a joint project with Sun Hung Kai Properties Limited, to unit renovation and reconfiguration, as well as enhancement of estate facilities. The Group will continue with its proposed green construction programme and community involvement plans to minimize the impact of any future work on the neighborhood. With a pick-up in Hong Kong's property market, the Group is expected to share a satisfactory return upon sales of the units in Hunghom Peninsula.

The Central Government's long-term plan to build inter-provincial/cities expressway networks paints a positive picture for business opportunities for our Roads and Bridges segment. Growth in contributions from the Water Treatment and Waste Management segment is expected as our water treatment plants in the Shanghai Chemical Industry Park commenced operation in early March 2005. We are also exploring sewage treatment opportunities in the cities where we have a significant presence. Electricity is essential to economic growth in Mainland China as the "World Factory". Therefore, despite pressures from government's stringent environmental policies and the introduction of Kyoto Protocol, the Energy segment will remain as a growth agent in our Infrastructure business unit.

Following the disposal of our interests of certain container terminals in Hong Kong, the Group will turn its focus to securing other viable ports and logistics and warehousing projects in Mainland China in maintaining our earnings capability. We have just signed up the investment in Tianjin Five Continents project, a 4-berth container terminal which is already operational. Its contribution will be recorded in the Group's result once the agreement formalities are completed.

We believe that Mainland China will remain as a strong growth region and we have set up representative offices in Hebei and Guangzhou to tap the future growth.

FINANCIAL RESOURCES

The Group's funding and treasury policy is to maintain a balanced debt profile with significant risk diversification. As at 31 December 2004, total cash and bank balances amounted to HK$3.222 billion, as compared to HK$3.502 billion as at 30 June 2004. Net debt increased slightly to HK$4.884 billion, as compared to HK$4.618 billion as at 30 June 2004. The gearing ratio, which represents net debt to shareholders' funds plus minority interests and loans, further decreased from 44% as at 30 June 2004 to 41% as at 31 December 2004. The capital structure of the Group remained similar to the position as at 30 June 2004.

As at 31 December 2004, total debt amounted to HK$8.106 billion, similar as HK$8.120 billion as at 30 June 2004. Besides the HK$1.350 billion zero coupon guaranteed convertible bonds due 2009, long-term bank loans and borrowings increased to HK$4.734 billion, with HK$1.620 billion maturing in the second year and the remaining in the third to fifth year, as compared to HK$4.214 billion as at 30 June 2004. Secured bank loans and overdrafts amounted to HK$44.7 million, of which HK$42.1 million was secured by the toll collection right of a toll road in Mainland China. Bank loans of HK$46.3 million were denominated in RMB; all other bank loans were denominated in Hong Kong dollars. Except for the secured bank loan and the convertible bonds, all other debts were at floating rate. The Group did not have any material exposure in exchange risk other than RMB 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 as at 31 December 2004 were HK$9.3 million and HK$14.5 million respectively as compared to HK$9.4 million and HK$15.5 million as at 30 June 2004.

Total Group commitments for capital expenditure were HK$26.3 million as at 31 December 2004 as compared to HK$69.4 million as at 30 June 2004, and the share of commitments for capital expenditure committed by jointly controlled entities was HK$390.5 million as at 31 December 2004 as compared to HK$473.5 million as at 30 June 2004. Sources of funding for commitments for capital expenditure are internally generated resources and banking facilities.

CONTINGENT LIABILITIES

Contingent liabilities of the Group were HK$2.480 billion as at 31 December 2004 as compared to HK$2.150 billion as at 30 June 2004. These were composed of guarantees for credit facilities granted to associated companies and jointly controlled entities of HK$82.4 million and HK$2.397 billion as at 31 December 2004 as compared to HK$82.4 million and HK$2.068 billion respectively as at 30 June 2004. These guarantees included a corporate guarantee given by the Group for banking facilities granted to ACT of approximately HK$1.323 billion as at 31 December 2004 as compared to HK$858.0 million as at 30 June 2004, 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$643.9 million as compared to HK$351.4 million as at 30 June 2004. CSXWTHK has agreed to counter-indemnify the Group of the guarantee of approximately HK$507.0 million as at 31 December 2004 and 30 June 2004.

EMPLOYEES

As at 31 December 2004, about 43,000 staff were employed by entities under the Group's management of which over 28,000 were employed in Hong Kong. Total staff related costs incurred were HK$1.117 billion, of which provident funds and staff bonuses were included. Remuneration packages including salaries, bonuses and share options are granted to employees according to individual performance and are reviewed according to general market conditions every year. Structured training programmes are provided to employees on an ongoing basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 31 December 2004. 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 2004.

AUDIT COMMITTEE

The Audit Committee currently comprises four members including three independent non-executive directors and a non-executive director. The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 31 December 2004 and discussed the financial related matters with management.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Company for the Current Period have been reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA.

CODE OF BEST PRACTICE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1 January 2005 and remains applicable for the financial period commencing before 1 January 2005, during the six months ended 31 December 2004 except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Code during the six months ended 31 December 2004.

THE BOARD

As at the date of this announcement: (a) the executive directors of the Company are Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, Mr. Chan Kam Ling, Mr. Tsang Yam Pui, Mr. Wong Kwok Kin, Andrew, Mr. Lam Wai Hon, Patrick and Mr. Cheung Chin Cheung; (b) the non-executive directors of the Company are Mr. Wilfried Ernst Kaffenberger (alternate director to Mr. Wilfried Ernst Kaffenberger: Mr. Yeung Kun Wah, David), Mr. To Hin Tsun, Gerald and Mr. Dominic Lai; and (c) the independent non-executive directors of the Company are Mr. Kwong Che Keung, Gordon, Mr. Cheng Wai Chee, Christopher and The Honourable Shek Lai Him, Abraham.

Dr. Cheng Kar Shun, Henry
Chairman

Hong Kong, 14 March 2005

* *For identification purposes only*

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