

Driving Forward Seeking Excellence



Leading service
provider in
Hong Kong,
Mainland China
and Macau

Service

Infrastructure

Ports



Core Values

- Reputable customer care
- Pride and teamwork
- Innovation
- Community contributions and environmental awareness
- Stakeholders' interest

Vision To build a dynamic and premier group of service companies driven by a shared passion for customer value and care

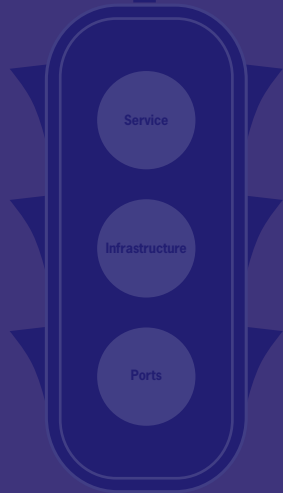
Mission **Synergize and develop business units that:**

- Nurture total integrity
- Attain total customer satisfaction
- Foster learning culture and employee pride
- Build a world-class service provider brand
- Maximize financial returns

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Corporate Profile



About NWS Holdings

- ● ● NWS Holdings (stock code: 0659) is the service flagship of the New World Group. With a staff of approximately 43,000, NWS Holdings is one of the leading conglomerates embracing Service, Infrastructure and Ports businesses in Hong Kong, Mainland China and Macau. The Group's corporate culture and long-term objectives are based on its commitment to service excellence and best results.

While Hong Kong remains a key market for NWS Holdings, the Group is gradually extending its expertise and its commitment to quality to key locations in Mainland China where rapid economic growth offers unprecedented business opportunities. NWS Holdings also aspires to be a leader in Service, Infrastructure and Ports in the region and to achieve an outstanding reputation in these sectors.

Service

NWS Holdings is a diversified service provider in Hong Kong, Mainland China and Macau encompassing five distinct segments: Facilities, Contracting, Transport, Financial and Environmental. Through its highly complementary business units, it is able to deliver value-added efficiency in planning and delivering projects, and in after-sales management.

Facilities

Contracting

Transport

Financial

Environmental



Infrastructure

As a major infrastructure player in Hong Kong, Mainland China and Macau and one of the largest investors in Mainland China, the Group operates 46 projects in the three segments of Energy, Water Treatment and Waste Management, and Roads and Bridges. The portfolio encompasses approximately 643 km of roads and bridges, 1,742 MW of power-generating capacity, and a water treatment capacity of 3.95 million cbms per day.

Energy

Water Treatment and Waste Management

Roads and Bridges



Ports

The Ports division is principally engaged in container handling as well as logistics and warehousing in Hong Kong and Mainland China. With a container handling capacity of 5.4 million TEUs per year, NWS Holdings has a major presence in the ports of Hong Kong and strategic coastal locations in Mainland China, most notably at the ports of Xiamen and Tianjin.

Container Handling

Logistics and Warehousing



Milestones

2003

November

NWS Holdings Limited signed a facility agreement for a HK\$6 billion five-year syndicated loan with 15 international and local banks.

Sky Connection Limited, which retails tobacco and liquor at Free Duty shops in the Hong Kong International Airport and the ferry terminals in China Hong Kong City and Shun Tak Centre, became a wholly owned subsidiary company of NWS Holdings Limited.



Hong Kong Convention and Exhibition Centre was named Asia Pacific's Leading Conference Centre in the 10th World Travel Awards.



Urban Property Management Limited won – for the fourth time – the Best Property Management Agent Award organized by the Hong Kong Housing Authority. It also won the 2003 Best Practices in Innovation Award organized by *Best Practice Management* magazine.

December

NWS Holdings Limited was named as one of the top 10 private corporations in Hong Kong in terms of the number of hours it contributed to public service. This award by the Social Welfare Department recognized the Group's contribution of more than 3,000 hours of community service during the year.



Guangzhou City Northern Ring Road was named One of the Most Creditable Enterprises and One of the 100 Most Competitive Enterprises in Guangzhou by the Corporate Review Association of Guangzhou City.

2004

January

NWS Holdings Limited expanded into the water treatment market in Sanya, Hainan Province.



Kunming New World First Bus Services Limited, a joint venture between New World First Bus Services (China) Limited and Kunming Bus General Company, commenced bus services in Kunming, Yunnan Province.



February

NWS Holdings Limited's Annual Report 2003 won a gold award for Cover Design, a silver award for Overall Presentation, and a bronze award for Interior Design at the Mercury Awards 2003, a premier global competition organized by MerComm, Inc.

Guangzhou City Northern Ring Road's laboratory of the Operations Department was certified as The Most Advanced Organization 2003 by the Guangzhou Municipal Government.

March

NWS Holdings Limited and Chow Tai Fook Enterprises Limited formed Merryhill Group Limited, a 50/50 joint venture providing comprehensive transport services.



NWSH Capital Finance Limited issued convertible bonds worth HK\$1.35 billion which are convertible into shares of NWS Holdings Limited at HK\$13.63 per share.

NWS Holdings Limited launched a brand-building campaign to demonstrate the Group's commitment to providing quality service.

Xiamen Municipal Port Authority selected Xiamen Xiang Yu Quay for its 2003 Xiamen Excellent Container Terminal for Domestic Transshipment and Comprehensive Services award.

April

NWS Holdings Limited expanded its water treatment operations to Tianjin's Tanggu District.

Hip Hing Construction (China) Company Limited and NWS Engineering Limited set up foreign invested construction enterprises in Beijing and were granted qualification certificates of construction enterprises by the Ministry of Construction that allow them to undertake projects throughout Mainland China.

Urban Property Management Limited was appointed by Hong Kong's Government Property Agency to manage 55 government properties in the New Territories for three years.

May

NWS Holdings Limited was presented with the Gold Award for Volunteer Service for the third consecutive year by the Social Welfare Department in appreciation of the Group's contribution of over 1,000 hours' community service in 2003.

Sky Connection Limited won prestigious awards at the Raven Fox Awards. These awards included Best Travel Retailer Operating in a Single Country in Asia/Pacific and Best Tobacco Travel Retailer in Asia/Pacific. It also ranked as Highly Commended: Best Liquor Travel Retailer in Asia/Pacific, and Highly Commended: Asia/Pacific Travel Retailer of the Year.



June

Merryhill Group Limited signed an agreement for a HK\$3.3 billion transferable secured loan with 11 international and local banks.

NWS Holdings Limited won the Silver Award in the Community Relations category of the Sixth China Golden Awards for Excellence in Public Relations. The Awards, organized by the China International Public Relations Association, recognized the success of an essay competition cum fundraising campaign to help people affected by SARS in 2003.

Financial Highlights

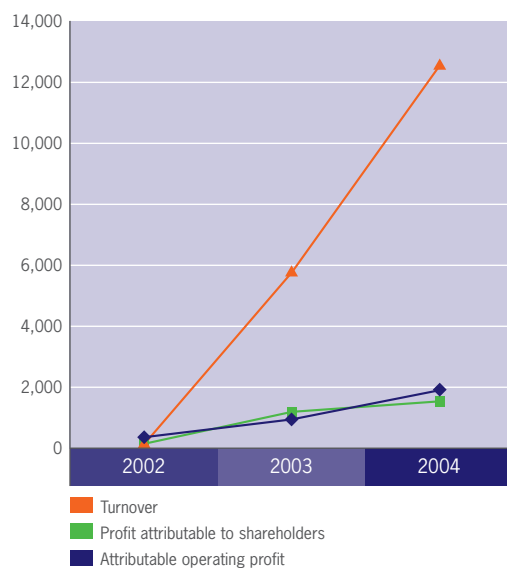
	Note	2004 HK\$m	As restated 2003 HK\$m
Turnover		12,552.9	5,770.0
Earnings before interest and taxation		2,148.5	1,547.5
Profit attributable to shareholders		1,538.2	1,193.2
Net Debt		4,618.1	6,892.7
Total assets		23,915.1	27,218.2
Shareholders' funds		9,550.6	8,250.5
Net Tangible Assets		9,544.7	8,469.5
Earnings per Share	1	HK\$0.86	HK\$1.36
Net Assets per Share	2	HK\$5.33	HK\$4.63
<hr/>			
Gearing Ratio	3	44%	64%
Return on Shareholders' Funds	4	16%	14%
Return on Capital Employed	5	9%	6%

Notes:

- (1) Earnings per Share have been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year.
- (2) Net Assets per Share have been calculated by dividing Net Assets by the number of issued shares as at year ends.
- (3) Gearing Ratio represents Net Debt divided by shareholders' funds plus minority interest and loans.
- (4) Return on Shareholders' Funds represents profit attributable to shareholders divided by shareholders' funds.
- (5) Return on Capital Employed represents profit attributable to shareholders divided by the total of shareholders' funds and non-current liabilities.

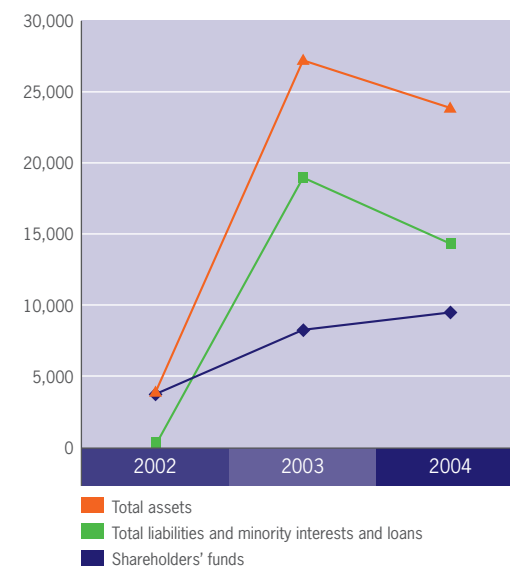
Consolidated Profit and Loss Highlights

HK\$m



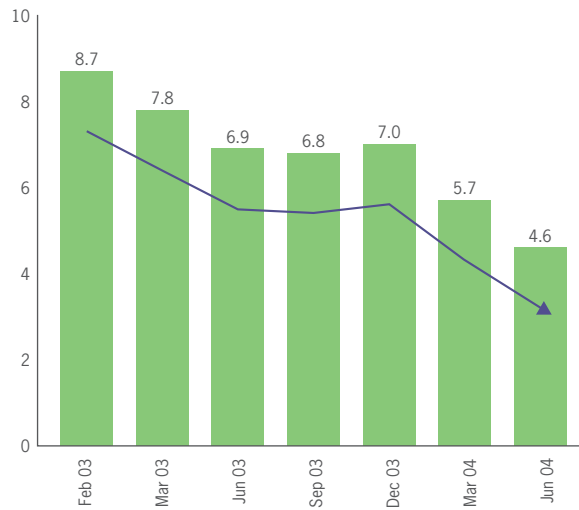
Consolidated Balance Sheet Highlights

HK\$m



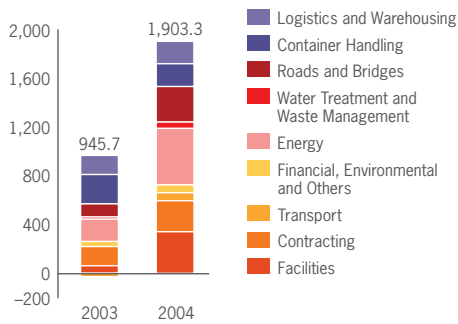
Encouraging Progress in Debt Reduction

Net Debt
HK\$' billion



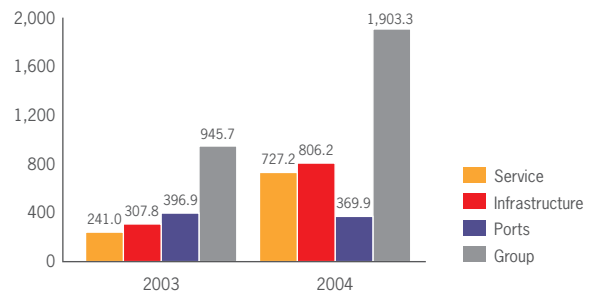
AOP – by Business Segment

HK\$m

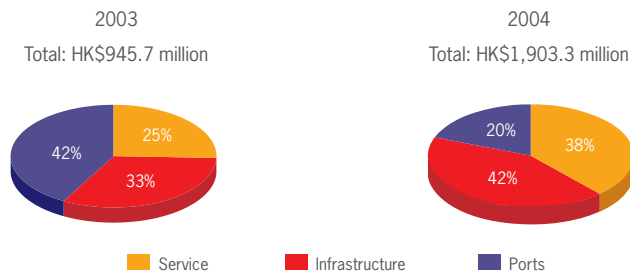


AOP – by Division

HK\$m



AOP Mix – by Division



Chairman's Statement



While we have many strong utilities assets, the Group wishes to be more than a conventional utilities company offering only stable cash flow. We are determined to become a “utilities-plus” company, one that adds value for shareholders by actively seeking growth and high performance. We are now well positioned to grow and excel.

Fellow shareholders,

Subsequent to the reorganization completed in January 2003, NWS Holdings faced the turmoil of SARS. During this difficult period, the Group's tripod structure (Service, Infrastructure and Ports) proved to be a strong and effective shield as the shortfall of any one division was compensated by the other two.

FY2004 marked the first year in which our businesses made full contributions. NWS Holdings reported a FY2004 net profit of HK\$1,538.2 million, a growth of 29% over the same period in the previous year. The robust results reflect the success of the reorganization and the achievement of distinct synergies. We are now well positioned to grow and excel.

With the strong and stable cash flow from our project portfolio, we reduced Net Debt significantly by 33% to HK\$4.6 billion, taking Gearing Ratio down from 64% to 44% by the end of FY2004.

Targeting Future Growth

NWS Holdings has a stable structure and a prudent management team. However, this does not imply the Group is content with the current portfolio or that it is resistant to change. We are always seeking new opportunities. At the same time, when projects do not satisfy our investment objectives, we will not hesitate to dispose of them and reinvest in assets offering better returns. For example, we have disposed of or arranged for disposals of the Zhaoqing Roadways Network, the Tianjin Yonghe Bridge,

the Wuhan Bridges project, the Sichuan Qianwei Dali Power Plant, the Shunde Desheng Power Plant and the Suzhou Huisu container terminal project.

The Group has already enhanced its business in many ways. In Hong Kong, for example, we have acquired Sky Connection Limited, which retails tobacco and liquor at Free Duty shops at Hong Kong International Airport and key ferry terminals in Hong Kong. In addition, the Group formed Merryhill Group Limited, a 50/50 joint venture with CTF, to provide a comprehensive range of bus and ferry services in Hong Kong, Mainland China and Macau.

In Mainland China, our joint venture bus business, Kunming New World First Bus Services Limited, commenced services in Kunming,

Yunnan Province. Our water treatment operations also expanded coverage to Sanya, Hainan Province and Tianjin's Tanggu District. Hip Hing Construction (China) Company Limited and NWS Engineering Limited set up wholly owned enterprises in Beijing and were granted qualification certificates of construction enterprises by the Ministry of Construction that will open the door to huge market potential.

In addition to these new investments, the Group is also considering opportunities in power plants, toll roads and ports. We have just invested in Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section). It is expected the expressway would be operational by the end of 2005. While our strong capital base and recurrent cash flow provide a springboard for expansion, all major new investments will be prudently reviewed by the Executive Committee.

Our "Utilities-Plus" Ambition

Just 18 months since the reorganization, NWS Holdings is still a young company, although our employees are all experienced professionals. While we have many strong utilities assets, the Group wishes to be more than a conventional utilities company offering only stable cash flow. We are determined to become a "utilities-plus" company, one that adds value for shareholders by actively seeking growth and high performance.

For instance, HKCEC has been operating close to capacity during peak seasons. To accommodate the ever increasing demand from exhibitors and convention organizers, the Hong Kong Trade Development Council has proposed an extension to the HKCEC Atrium link. Once completed, the new extension will bring additional business to the Facilities segment as we enhance our first-class operations in the HKCEC to accommodate the "mega shows" of

the future. As existing trade events expand and new events are added to the HKCEC's portfolio, these will all generate extra income from food and beverage and other supporting services.

Driving Forward

The revival of Hong Kong's economy and the stable economic growth in Mainland China are together underpinning a gradual improvement in the performance of all our operations.

We remain optimistic about the China economy, although competition among corporate investors remains keen. Winning new projects at reasonable rates of return has become increasingly challenging. However, our long-standing relationships with local authorities and our track record of success in many parts of Mainland China should help us in winning higher-yield new investments.

In our Ports operations, the loss of a major customer in Hong Kong and fierce competition from Shenzhen will adversely affect performance. While we have enjoyed strong growth in Mainland China and expect to see continued strength, this will not be sufficient to fully mitigate the negative impact of the customer loss and the increasingly competitive environment in which we operate. We are therefore unable to be overly optimistic about the outlook of our Ports business.

Service is Our Business

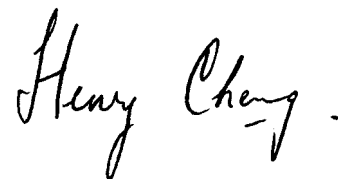
Our business is all about providing people with high quality services that are indispensable to the people in Hong Kong, Mainland China and Macau. In FY2004, for example, HKCEC hosted 1,890 events attended by 4.8 million people. In our Facilities segment, our property management team is now managing 180,000 residential units and over

20 million sq ft of commercial and industrial space. Our Roads and Bridges segment sees a daily traffic of over 350,000 vehicles. Our Energy projects sell around 10,000 GWh of electricity per year. Our Water Treatment and Waste Management operations can process up to 3.95 million cbms of water and 60,000 tonnes of waste per day. Our Ports facilities have a total handling capacity of 5.4 million TEUs per year.

Dedicated professional staff can make a real difference to our performance. Our corporate mentor system and career development programme will deliver the talent we need to take the Group forward in the years to come.

As one of the core values of the Group, our sustained commitment to the wider community in which we operate has gained full support from our staff. Their enthusiasm for community service has won wide recognition and praise for the Group. I am very proud of their selfless contribution and the care they show for society.

On behalf of all the directors, I would like to thank our staff for their hard work and dedication in an important year which – I firmly believe – has set us on a path to greater prosperity.



Dr Cheng Kar Shun, Henry
Chairman

Hong Kong, 15 October 2004

Board of Directors



Mr Dominic Lai

Mr Kwong Che Keung, Gordon

Mr Wong Kwok Kin, Andrew

Mr Chan Kam Ling

Dr Cheng Kar Shun, Henry

Mr Doo Wai Hoi, William

Board of Directors

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

Dr Cheng (57) was appointed as Executive Director in March 2000 and became the Chairman in March 2001. Dr Cheng is the Managing Director of New World Development Company Limited, the Chairman and Managing Director of New World China Land Limited and the Chairman of New World TMT Limited, New World Mobile Holdings Limited and Tai Fook Securities Group Limited. He is also the Managing Director of NWD (Hotels Investments) Limited and a director of Chow Tai Fook Enterprises Limited and HKR International Limited. Dr Cheng is the Chairman of the Advisory Council for The Better Hong Kong Foundation and a Committee Member of the Tenth Chinese People's Political Consultative Conference of The People's Republic of China. In 2001, he was awarded the Gold Bauhinia Star by the Government of the HKSAR. Dr Cheng is the brother-in-law of Mr Doo Wai Hoi, William.

Mr Doo Wai Hoi, William *JP* **Deputy Chairman**

Mr Doo (60) was appointed as Executive Director in March 2000 and became the Deputy Chairman in January 2003. Mr Doo's corporate positions include: Vice Chairman of New World China Land Limited and New World Mobile Holdings Limited; Deputy Chairman of Tai Fook Securities Group Limited; Director of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr Doo is appointed by The People's Republic of China as a member of the Executive Committee of the Tenth Chinese People's Political Consultative Conference in Shanghai and the Convener of the Shanghai Committee in Hong Kong. He has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. Mr Doo is the brother-in-law of Dr Cheng Kar Shun, Henry.

Mr Chan Kam Ling *BBS* **Executive Director and** **Chief Executive Officer**

Mr Chan (64) was appointed as Executive Director and the Chief Executive Officer in January 2003. He is currently the Managing Director of Sino-French Holdings (Hong Kong) Limited and The Macao Water Supply Company

Limited. Mr Chan is also a Director of New World First Bus Services Limited and Companhia de Electricidade de Macau - CEM, S.A. Mr Chan has more than 30 years of experience in construction, property development and infrastructure industry.

Mr Tsang Yam Pui *GBS, OBE* **Executive Director**

Mr Tsang (58) was appointed as Executive Director in June 2004. He is also the Vice Chairman of New World First Bus Services Limited, New World First Bus Services (China) Limited, Citybus Limited, New World First Ferry Services Limited and New World First Ferry Services (Macau) Limited. Mr Tsang had served with the Hong Kong Police Force for 38 years when he retired as its Commissioner in December 2003. He has extensive experience in corporate leadership and public administration. Mr Tsang was awarded the Gold Bauhinia Star, the OBE, the Queen's Police Medal, the Colonial Police Medal for Meritorious Service, the Commissioner's Commendation, and the HKSAR Police Long Service Medal.

Mr Wong Kwok Kin, Andrew **Executive Director**

Mr Wong (58) was appointed as Executive Director in January 2003. Mr Wong is an executive director of Sky Connection Limited and several subsidiaries and affiliates of New World Group providing duty-free liquor and tobacco concessions, communication services, cleaning and laundry services, and estate management in both Hong Kong and Mainland China. He is also director of New World First Holdings Limited, Citybus Limited, New World Telephone Holdings Limited and Tai Fook Securities Group Limited. Mr Wong had been an executive director of New World Hotels (International) Limited and Renaissance Hotel Group N.V., a company listed on the New York Stock Exchange, from 1995 to 1997. Mr Wong has over 25 years of experience in the hospitality and the service industries, as well as finance and human resources administration.

Mr Lam Wai Hon, Patrick **Executive Director**

Mr Lam (42) was appointed as Executive Director in January 2003. Mr Lam is a director of Tai Fook Securities Group Limited and Wai Kee

Holdings Limited as well as the Assistant General Manager of New World Development Company Limited. His area of responsibilities in New World Group includes property investment and development and service business. Mr Lam is a Chartered Accountant by training; a Fellow of the Institute of Chartered Accountants of England and Wales, and the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Chartered Accountants of Ontario, Canada.

Mr Cheung Chin Cheung **Executive Director**

Mr Cheung (48) was appointed as Executive Director in October 2003. He had been an executive director of the Company during the period from May 1998 to January 2003. Mr Cheung is also the Director and General Manager of NWS Infrastructure Management Limited and NWS Ports Management Limited. He is a director of CSX World Terminals Hong Kong Limited, ATL Logistics Centre Hong Kong Limited, Sino-French Holdings (Hong Kong) Limited, Sino-French Water Development Company Limited and The Macao Water Supply Company Limited as well as director of a number of companies in Mainland China. Mr Cheung is a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council.

Mr Wilfried Ernst Kaffenberger **Non-executive Director**

Mr Kaffenberger (60) was appointed as Non-executive Director in January 2003. He is also a non-executive director of New World TMT Limited. Mr Kaffenberger is the Chief Executive Officer of AIG Asian Infrastructure Fund II, a US\$1.67 billion direct equity investment pool he organized in 1997. He is also the Managing Director of Emerging Markets Partnership ("EMP"), a Washington-based asset management firm. Prior to joining EMP, Mr Kaffenberger was the Vice President, Operations, of International Finance Corporation ("IFC"), a World Bank affiliate. His career at IFC covered 25 years.

Mr To Hin Tsun, Gerald **Non-executive Director**

Mr To (55) was appointed as Independent Non-executive Director in May 1998 and was re-designated to Non-executive Director in August 2002. Mr To has been a practising



Mr Tsang Yam Pui

Mr Lam Wai Hon, Patrick

Mr Cheung Chin Cheung

Mr Cheng Wai Chee, Christopher

Mr Shek Lai Him, Abraham

Mr To Hin Tsun, Gerald

Mr Wilfried Ernst Kaffenberger

solicitor in Hong Kong since 1975. He is also qualified solicitor in the United Kingdom as well as an advocate and a solicitor in Singapore. He is currently the senior and managing partner of Messrs. T. S. Tong & Co., Solicitors and Notaries. Mr To is also an executive director of New World Mobile Holdings Limited and a non-executive director of New World Cyberbase Limited, Tai Fook Securities Group Limited and The Kwong Sang Hong International Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange.

Mr Dominic Lai
Non-executive Director

Mr Lai (57) was appointed as Independent Non-executive Director in August 2002 and was re-designated to Non-executive Director on 28 September 2004. Mr Lai is a practicing solicitor in Hong Kong and is also admitted in England and Wales, the Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is a senior partner of the Hong Kong law firm, Iu, Lai & Li and has been in practice for more than 30 years. He is also a non-executive director of several other public companies listed on the Hong Kong Stock Exchange.

Mr Yeung Kun Wah, David
Alternate Director to
Mr Wilfried Ernst Kaffenberger

Mr Yeung (54) was appointed as Alternate Director to Mr. Wilfried Ernst Kaffenberger in January 2003. Mr Yeung is the Managing Director of AIG Global Investment Group. He is responsible for AIG's infrastructure investments in Asia, Latin America, Emerging Europe and Africa. He represents AIG on five AIG-sponsored infrastructure funds with total committed funds of US\$4.7 billion. In addition, Mr Yeung sits on the Investment Committees of other AIG sponsored global and regional direct investment funds and on the board of various companies in AIG's investment portfolio. Mr Yeung is a US Certified Public Accountant and a Canadian Chartered Accountant.

Mr Kwong Che Keung, Gordon
Independent Non-executive Director

Mr Kwong (55) was appointed as Independent Non-executive Director in October 2002. He is a non-executive director of COSCO Pacific Limited and COSCO International Holdings Limited and

also independent non-executive director of a number of Hong Kong listed companies. Mr. Kwong graduated from the University of Hong Kong in 1972, qualifying as a Chartered Accountant in England in 1977 and was a partner of PricewaterhouseCoopers from 1984 to 1998. He had served as a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee. He was a member of the Panel of Inquiry appointed by the Financial Secretary on the Penny Stocks Incident in 2002.

Mr Cheng Wai Chee, Christopher
GBS, OBE, JP

Independent Non-executive Director
Mr Cheng (56) was appointed as Independent Non-executive Director in January 2003. He is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited, and a director of New World China Land Limited, DBS Bank (Hong Kong) Limited and PICC Property and Casualty Company Limited. In the public service sector, he is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service, a member of the Exchange Fund Advisory Committee of the Government of the HKSAR, a non-executive director of the Securities and Futures Commission as well as a steward of the Hong Kong Jockey Club. Mr Cheng also serves on the Hong Kong Trade Development Council, Court of the Hong Kong University of Science and Technology and Council of the University of Hong Kong. He was formerly Chairman of the Hong Kong General Chamber of Commerce and member of the Public Service Commission. Mr Cheng was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2004.

The Honourable Shek Lai Him, Abraham JP

Independent Non-executive Director
Mr Shek (59) was appointed as Independent Non-executive Director on 28 September 2004. Mr Shek graduated from the University of Sydney with Bachelor of Arts. He is currently a member of the Legislative Council for the HKSAR. Mr Shek is also an independent non-executive director of New World TMT Limited, Midas

International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited and Chuang's Consortium International Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange.

Senior Management

Dr Cheng Chi Pang, Leslie
Qualified Accountant

Dr Cheng (47) joined the New World Group in 1992 and was appointed as the Group Financial Controller and the Chief Executive of the Company in 2003. Moreover, he is currently the Qualified Accountant of the Company. Dr Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. He is a Certified Public Accountant in Hong Kong and has over 20 years' experience in financial and business management as well as corporate advisory. Dr Cheng is a non-executive director of Wai Kee Holdings Limited and Build King Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange. Prior to joining the New World Group, Dr Cheng was a senior manager of an international accounting firm.

Mr Chow Tak Wing
Company Secretary

Mr Chow (37) joined the Company in 2002 and was appointed as Company Secretary of the Company in October 2004. He is also the Assistant Group Financial Controller of the Company. Mr Chow is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow member of the Association of Chartered Certified Accountants. He has more than 15 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, he was a manager of an international accounting firm and senior executive of several Hong Kong listed companies.

Corporate Governance

NWS Holdings views corporate governance as a responsibility that must be taken with the utmost seriousness. The board of directors (the “Board”) and management of the Company are fully committed to fostering and maintaining a high standard of corporate governance by fair disclosure and transparent reporting. We endeavour to ensure long-term, sustainable growth and competitiveness that will maximize shareholder value in a socially responsible manner, while recognizing the interests of other stakeholders including our customers, employees, business partners and the community at large.

The Board

Meeting formally at least four times a year, the Board is made up of 13 directors who have distinguished themselves in their field of expertise. The Board currently comprises seven executive directors and six non-executive directors (including three independent non-executive directors) whose biographical details are set out in the “Board of Directors” section in pages 10 and 11 of this annual report.

The Board is responsible to shareholders for the proper management of the Group. All directors have a wide range of experience, bringing independent judgement to bear in the interests of the Group on issues such as

strategy, performance, resources and standards of conduct. Non-executive directors of the Company have played an active role on the Board to ensure any proposed strategies are fully discussed and critically examined and are in the best interests of the shareholders.

To facilitate directors’ full participation, all of them have comprehensive and timely access to

all relevant information. Moreover, Board papers are circulated about a week before Board meetings to ensure that directors have sufficient time to review them. Board members are invited to put forward agenda items for the Board meetings. The number of meetings held and the attendance record of the Board members in the past two years are as follows:

Attendance Record of Board Meetings in FY2003 and FY2004

	2004	2003*
Number of Board meetings	6	3
Attendance		
Independent Non-executive Directors	78%	100%
Non-executive Directors	75%	84%
Executive Directors	92%	87%
All Board Members	86%	94%

* For the period from 29 January 2003 to 30 June 2003

Each of the three independent non-executive directors has submitted to the Hong Kong Stock Exchange and the Company a written confirmation under Rule 3.13 of the Listing Rules concerning his independence status. The Board considers each of the three independent non-executive directors to be fully independent.

All directors, apart from the Chairman, are subject to retirement by rotation at the Company's annual general meetings. To enhance accountability, the Company's bye-laws is proposed to be amended to include the Chairman under the rotational plan at the annual general meetings.

To ensure our performing the role of a responsible corporate citizen, the Board is in the process of establishing an advisory committee to oversee the Group's policies concerning corporate social responsibilities. This underlines the Company's ongoing commitment to serving the best interests of all stakeholders.

Executive Committee

In 2003, the Board established the Executive Committee and delegated its powers, authorities and discretion to this committee for managing day-to-day business of the Group.

Currently, the Executive Committee is constituted by all the executive directors of the Company.

The meetings and proceedings of the Executive Committee are governed by the provisions contained in the Company's bye-laws for regulating the meetings and proceedings of the Board. The Executive Committee meets regularly with approximately one meeting every week during FY2004 and with average attendance rate over 77%.

Three separate Executive Committees have also been set up for the principal investment divisions of NWSS, NWSI and NWSP.

Audit Committee

The Company established the Audit Committee in accordance with Appendix 14 of the Listing Rules in 1998. It currently comprises Mr Kwong Che Keung, Gordon as Chairman and three members namely Mr Cheng Wai Chee, Christopher, Mr Dominic Lai and Mr Shek Lai Him, Abraham; all of them are non-executive directors of the Company. All members of the Audit Committee possess professional qualifications or extensive experience in financial matters. The Audit Committee meets at least twice a year.

The main duties of the Audit Committee are as follows:

- to consider the appointment of external auditors, audit fees and issues related to resignations or dismissals
- to discuss with external auditors the audit plans for each financial year
- to review and discuss with external auditors the interim and annual results of the Company
- to review the internal control systems of the Company

The Audit Committee meets regularly with management and external auditors, and reviews their reports. During FY2004, it met twice with an average attendance rate of 83%. To enhance independent reporting by external auditors, no executive directors attended the Audit Committee meetings held during the year.

The Audit Committee has reviewed the audited financial results of the Group for FY2004 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors, the Audit Committee also reviewed

Corporate Governance

the adequacy and effectiveness of the Company's internal control systems and made recommendations to the Board.

Treasury Committee

The Treasury Committee monitors the Group's liquidity and financial resources including its borrowing level, maturity profile of borrowings, banking facilities and cash level. The Treasury Committee is responsible for ensuring all subsidiaries comply with the Group's corporate treasury policies, procedures and reporting requirements. It aims at all times to enhance financial resources and to reduce finance costs.

Internal Control

Group Audit & Management Services

The Board is committed to managing business risks and maintaining a proper and effective system of internal control. The effectiveness of internal control of the Group is reviewed regularly by the Board, the Audit Committee, senior management, and the Group Audit and Management Services Department ("Group Audit"). The Group Audit assists the Board in carrying out continuing assessments of the quality of risk management and control. It also promotes effective risk management across the Group's respective business operations.

All staff members of Group Audit are qualified professionals. The Chief Internal Auditor reports to the Board and the Audit Committee. The internal auditors have unrestricted access to review all aspects of the Group's activities and internal controls.

Group Audit performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. In addition, the works carried out by Group Audit will ensure that internal controls are in place and functioning as intended, and the operations are conducted in an effective and efficient manner.

Group Audit provides written internal audit reports regularly to the Audit Committee for consideration at its meetings. Concerns reported by Group Audit are monitored regularly by management until appropriate corrective measures have been implemented.

Central Monitoring Board

The Central Monitoring Board participates in and monitors the Group's tender subcontracting activities. It issues guidelines on efficient operational practices from time to time to relevant subsidiaries and conducts regular review and assessment of information concerning contracted projects and

the subcontractors that undertake these projects. It also assists subsidiaries in setting up effective cost control systems for the purpose of contracting projects out to third parties.

Code of Best Practice

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during FY2004, except that 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 a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors contained in the Listing Rules. The Board confirmed that all the directors had complied with the required standards of the said code during FY2004.

Investor Relations

NWS Holdings is dedicated to maximizing shareholder value, and high standards of disclosure and financial transparency are key ingredients to achieving this aim. The Group works to ensure that information concerning our financial and business activities is disseminated to the public in a timely and equitable manner. This is done through a number of means including interim and annual reports, announcements, circulars, newsletters, press releases, and other communications tools as required, which are made available on

our corporate website and distributed electronically to subscribers.

The Group is also keen to maintain effective two-way communication with the investment community. Our investor relations core team, which comprises senior management of the Group, meets institutional investors and financial analysts from time to time, either in international roadshows, one-on-one company visits or through conference calls. A total of 61 such meetings were conducted with institutional investors and financial analysts during the year.

Our strong pursuit of excellence in corporate governance to inspire investor confidence has been recognized by the investment community. In early 2004, NWS Holdings was included in both the Hang Seng HK MidCap Index and the FTSE Asia Pacific Ex-Japan Index. In addition, the Group's 2003 annual report won three honours in the international Mercury Awards, including a silver award in overall presentation. The award recognized effective communication of corporate information as well as presentation and readability of financial information and written text.

Share Price of NWS Holdings Limited from February 2003 to September 2004



Human Capital

Fostering Employee

As part of our philosophy of human capital management, we aim to foster a learning culture and build employee pride. As one of the largest employers in Hong Kong, Mainland China and Macau, we strive to create a nurturing and rewarding environment for the 43,000-strong workforce that is the cornerstone of our people-oriented service businesses.

Investing in Training and Development

By optimizing investment in staff training, NWS Holdings provides a working environment where everyone can grow.

Headed by an Executive Director, the Training and Development Steering Committee develops comprehensive strategies for staff training and development. It also assists the Training and Development Department by pooling resources within subsidiaries to plan programmes that align with the Group's goals and objectives. Our training emphasizes

the importance of staff involvement to ensure their requirements are properly addressed. Group-wide staff surveys ensure our training and development plan meets specific needs.

In pursuit of service excellence, we instill a culture of lifelong learning among our staff. During the year, we conducted a total of 78 training courses. Some 1,700 staff devoted nearly 5,900 hours to sharpening their management and supervisory skills, customer service techniques, language proficiency, IT knowledge and other capabilities. Individual subsidiaries also implemented tailor-made training courses to cater for their specific functional needs. Apart from conventional classroom training, we have invested in an effective e-learning platform that allows staff to take a variety of courses anytime, anywhere. Complementing this, seminars and talks for senior management cover a broad range of topics from listing rules and security laws to the changing political environment and economic outlook.



Recognizing Outstanding Performance

NWS Holdings launched the Outstanding Employee Grand Award to recognize exceptional performance, strengthen employees' sense of belonging, and promote a learning culture. Presented by the Group's Chief Executive Officer at the annual Management Conference, the awards honour both office and frontline staff who have demonstrated significant achievements in their work and shown a high level of productivity, drive and enthusiasm.



we grow!

Pride

Nurturing Young Talent

Identifying and developing talent for management succession is a key discipline. Our Management Trainee Programme actively grooms young talent for future leadership roles. This year, we expanded the programme to recruit eight high calibre graduates for three years of comprehensive training. Led by a senior management committee, the scheme embraces structured training focusing on communication, management and social skills. Extensive exposure and work experience can be gained during job rotation in the Corporate Office, and in subsidiaries that encompass our contracting, facility management, infrastructure and ports management businesses.

Rewarding Employees

We recognize that dedicated staff are key to success. Our Human Resources team is constantly looking for ways to recruit, motivate and



retain staff who possess the skills, knowledge and abilities necessary to grow with the Group. In this connection, we offer a competitive compensation package composed of salary, benefits and bonuses that reflect individual performance. Regular reviews ensure that the pay scale is fair and equitable. The Staff Career Development and Advancement Plan is a strategic approach to enhancing staff performance and productivity for long-term achievement. Our mentor system assists staff in reaching their performance targets. A stock options plan for managerial staff serves as an incentive for best results and ensures management priorities align with those of shareholders.

Sharing a Common Vision

Enhancing team spirit and employees' sense of belonging is at the heart of the Group's human resources strategy. The Group shares its vision and values throughout its sizeable workforce and encourages all

employees to strive for common goals. Our corporate intranet facilitates exchange of information and resources, while our quarterly internal newsletter – *New Voice* – ensures staff are kept abreast of key developments within the Group.

NWS Holdings brings staff together from different subsidiaries in regular sports competitions and recreational activities. Our annual Sports Fun Day, which attracts thousands of staff and their family members, underlines our commitment to the idea of building team spirit throughout the Group.

Close contact among different management teams also plays an important part in strengthening synergy within the Group. We enhance communication through our annual Management Conference, regular management meetings and seminars, lunch meetings and a number of planned outings. At every level, managers interact regularly and have ample opportunities to build relationships throughout the Group.



Corporate Citizenship

Cultivating a Caring

At NWS Holdings, we create a caring spirit across the Group. NWS Volunteer Alliance helps to translate this philosophy into reality. Since its inception in 2001, it has successfully mobilized staff throughout the company to help support the needy. To date, we have organized and participated in no less than 140 charitable events, involving about 2,500 volunteers and their associates who together devoted more than 9,700 hours to meet genuine social needs.

In appreciation of their dedication and enthusiasm, and to recognize individual business or corporate units engaged in community service, we present the Corporate Volunteer Award at our annual Management Conference. We also recognize individuals who help people in need by making annual awards to our top 10 outstanding volunteers.

Making a Gift of Service

In providing community support, we call upon our workforce and our diverse businesses. The year under review provides many good examples. Hong Kong Island Landscape Company Limited recommended the greening of a drug rehabilitation centre and facilitated this by donating plants. Our food trader True Success

Hong Kong Limited donated 4,000 packs of frozen food to the underprivileged. New World First Travel Services Limited took a group of youths in a drug rehabilitation programme on a Christmas bus tour in an open-top double-decker.

Reaching Out to Small Groups

When it comes to care, we set no artificial boundaries. Over the past three years, we have collaborated with 28 non-profit organizations, large and small. We have supported young and old, low-income families, new arrivals to Hong Kong, disabled people, psychiatric patients, youths in drug rehabilitation programmes and more. We initiate and support projects



wherever we can add value, never hesitating to reach out to small organizations and vulnerable groups. The following three projects undertaken during the year are good examples of the breadth and depth of our community involvement.



We care!

Culture

Soup for Single Elderly People

As a part of our food donation project for the underprivileged, more than 60 volunteers from NWS Volunteer Alliance visited 200 single elderly people in Lam Tin with packets of Chinese soup ingredients. The service was coordinated with Kwun Tong Methodist Social Service.

Life Rejuvenation Scheme for Drug Dependent Persons

Now in its second year, the Life Rejuvenation Scheme expanded its focus from psychiatric patients to youths in drug rehabilitation programmes. Jointly organized with Caritas Wong Yiu Nam Centre, the project helped young people starting out on a new life through sports and leisure activities.

Fun with English for "new arrival" children

This pilot project helped "new arrival" children starting out at kindergartens learn the basics of English phonics. A total of 47 volunteers taught 60 pupils at the Moon Lok Kindergarten in Tsuen Wan over a period of three months. The programme featured interactive games with our volunteers designing the curriculum and preparing course materials. We will run similar projects in the future.

Our community involvement goes far beyond these few examples. We have supported large charitable events such as Hong Kong's ACCA Charity Fun Day, environmental campaigns including Corporate Afforestation as



well as schemes to recycle eyeglasses and CDs. We are equally committed to less prominent initiatives, such as providing haircuts for elderly people. If it helps society, we get involved.



Winning Recognition

Our work has won wide praise. Since 2001, we have won the Gold Award for Volunteer Service from Hong Kong's Social Welfare Department three years in a row. The same organization named NWS Holdings as one of the top 10 corporations in Hong Kong in 2002 in terms of the number of service hours it has contributed.

Our community project that boosted public morale during the 2003 SARS crisis was a key achievement. Including an essay competition and a SARS commemorative book to raise funds for charity, our work won the silver award in the Community Relations category of the Sixth China Golden Awards for Excellence in Public Relations.

Our values are shared throughout the Group. In 2004, eight of our subsidiaries joined NWS Holdings in gaining recognition from the Hong Kong Council of Social Service as Caring Companies. We promote corporate citizenship among many companies in Hong Kong, sharing our experience through workshops organized by Hong Kong's Social Welfare Department. NWS Holdings is committed to cultivating a caring culture. We believe that by working together we can build a more compassionate society.

Management Discussion and Analysis

Group Overview

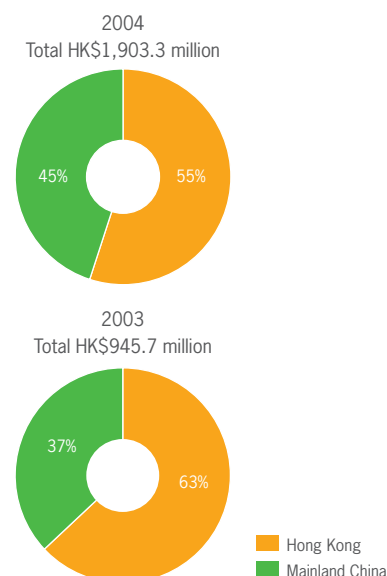
The Group reported a profit attributable to shareholders of HK\$1.538 billion for FY2004, an increase of HK\$345.0 million or 29%, as compared to HK\$1.193 billion for FY2003. AOP rose to HK\$1.903 billion, an increase of 101%, as compared to HK\$945.7 million in FY2003. As this is the first year with full year contributions from the service businesses and infrastructure assets acquired in the reorganization completed in January 2003 (the "Reorganization"), NWSS and NWSI contributed AOP of HK\$727.2 million and HK\$806.2 million respectively, as compared to the five-month contributions of HK\$241.0 million and HK\$307.8 million respectively in FY2003. NWSP reported an AOP of HK\$369.9 million, representing a

decrease of 7% from FY2003. In addition, an annual amortization of net negative goodwill amounted to HK\$70.8 million in FY2004 as compared to HK\$69.0 million in FY2003, while a one-off negative goodwill of HK\$474.0 million was also recognized in FY2003.

Hong Kong and Mainland China continued to be the two dominant sources of AOP, contributing 55% and 45% respectively. As compared to FY2003, the Group achieved a more balanced investment portfolio by region.

A detailed analysis on the operating performance of the businesses is prepared under the section headed "operational review". As the service businesses and infrastructure assets

AOP by Region



Contribution by Division

For the year ended 30 June	2004 HK\$m	As restated 2003 HK\$m
Service	727.2	241.0
Infrastructure	806.2	307.8
Ports	369.9	396.9
Attributable operating profit	1,903.3	945.7
<i>Head office and non-recurring items</i>		
Net profit on disposal of subsidiary companies	392.3	27.1
Profit on disposal of a jointly controlled entity	13.1	–
Impairment loss on investment in a jointly controlled entity	(29.0)	–
Impairment loss on goodwill of an associated company	(310.0)	–
Impairment loss on fixed assets	(36.4)	(74.8)
Loss on disposal of fixed assets	(26.7)	–
Recognition of one-off negative goodwill	–	474.0
Annual amortization of net negative goodwill	70.8	69.0
Fair value adjustment arising from the Reorganization	(46.8)	(20.9)
Other interest income	4.4	6.5
Other finance costs	(170.8)	(131.5)
Other operating expenses	(226.0)	(77.9)
Expenses arising from the Reorganization	–	(24.0)
Profit attributable to shareholders	1,538.2	1,193.2

were acquired in January 2003 pursuant to the Reorganization, for easier comparison, the performances of NWSS and NWSI are analyzed on full-year basis with the unaudited pro forma results for FY2003 as comparatives. In addition, we have restated certain comparative figures to conform to this year's presentation.

Earnings per Share

Basic earnings per share were HK\$0.86 for FY2004, a decrease from HK\$1.36 in FY2003 due to the expansion of the number of shares arising from the Reorganization. Diluted earnings per share for FY2004 were HK\$0.86 after accounting for share options and the convertible bonds. There was no dilutive effect in FY2003.

Liquidity and Financial Resources

Following the treasury policy to maintain a balanced debt profile, the Group continued to reduce debt. As at 30 June 2004, total cash and bank balances increased to HK\$3.502 billion, as compared to HK\$2.548 billion as at 30 June 2003. Net Debt dropped significantly by 33% from HK\$6.893 billion as at 30 June 2003 to HK\$4.618 billion as at 30 June

2004. The Gearing Ratio decreased significantly from 64% as at 30 June 2003 to 44% as at 30 June 2004. As at 30 June 2004, the capital structure was 46% debt and 54% equity, as compared to 53% and 47% respectively as at 30 June 2003.

As at 30 June 2004, Total Debt decreased to HK\$8.120 billion from HK\$9.441 billion as at 30 June 2003. Long term bank loans and borrowings decreased to HK\$5.564 billion, compared to HK\$7.755 billion as at 30 June 2003. Among these, an unsecured HK\$6.0 billion 5-year syndicated term loan was drawn on 24 November 2003 to refinance the remaining balance of the previous secured bridging loan and the balance was reduced to HK\$4.917 billion as at 30 June 2004. Secured bank loans and overdrafts amounted to HK\$42.9 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. In April 2004, the Group issued zero coupon guaranteed convertible bonds due 2009 in the aggregate principal amount of HK\$1.350 billion to optimize the capital structure. Except for the secured bank loan and the

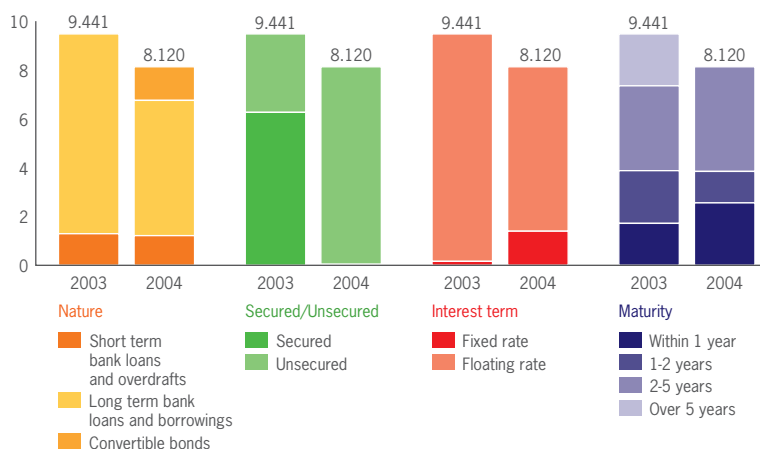
convertible bonds, all other debts were at floating rate. The Group did not have any material exposure in exchange risk other than RMB during the year. The aggregate net book value of pledged fixed assets and the amount of deposits pledged as securities for certain banking facilities as at 30 June 2004 were HK\$9.4 million and HK\$15.5 million respectively as compared to HK\$14.1 million and HK\$113.8 million as at 30 June 2003.

Total Group commitments for capital expenditure were HK\$69.4 million, and the share of commitments for capital expenditure committed by jointly controlled entities was HK\$473.5 million. Sources of funding for commitments for capital expenditure are from internally generated resources and banking facilities.

Contingent liabilities of the Group were HK\$2.150 billion as at 30 June 2004 as compared to HK\$2.211 billion as at 30 June 2003. These were composed of guarantees for credit facilities granted to associated companies and jointly controlled entities of HK\$82.4 million and HK\$2.068 billion as at 30 June 2004 as compared to HK\$1.280 billion and HK\$931.2 million respectively as at 30 June 2003. These guarantees included a corporate guarantee given by the Group for banking facilities granted to Asia Container Terminals Limited ("ACT") of approximately HK\$858.0 million as at 30 June 2004 and 30 June 2003, 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\$351.4 million as at 30 June 2004 as compared to HK\$267.3 million as at 30 June 2003. CSX World Terminals Hong Kong Limited ("CSXWTHK") has agreed to counter-indemnify the guarantee of approximately HK\$507.0 million as at 30 June 2004 and 30 June 2003.

Debt Profile

Total Debt
HK\$' billion



Management Discussion and Analysis

operational review

Service

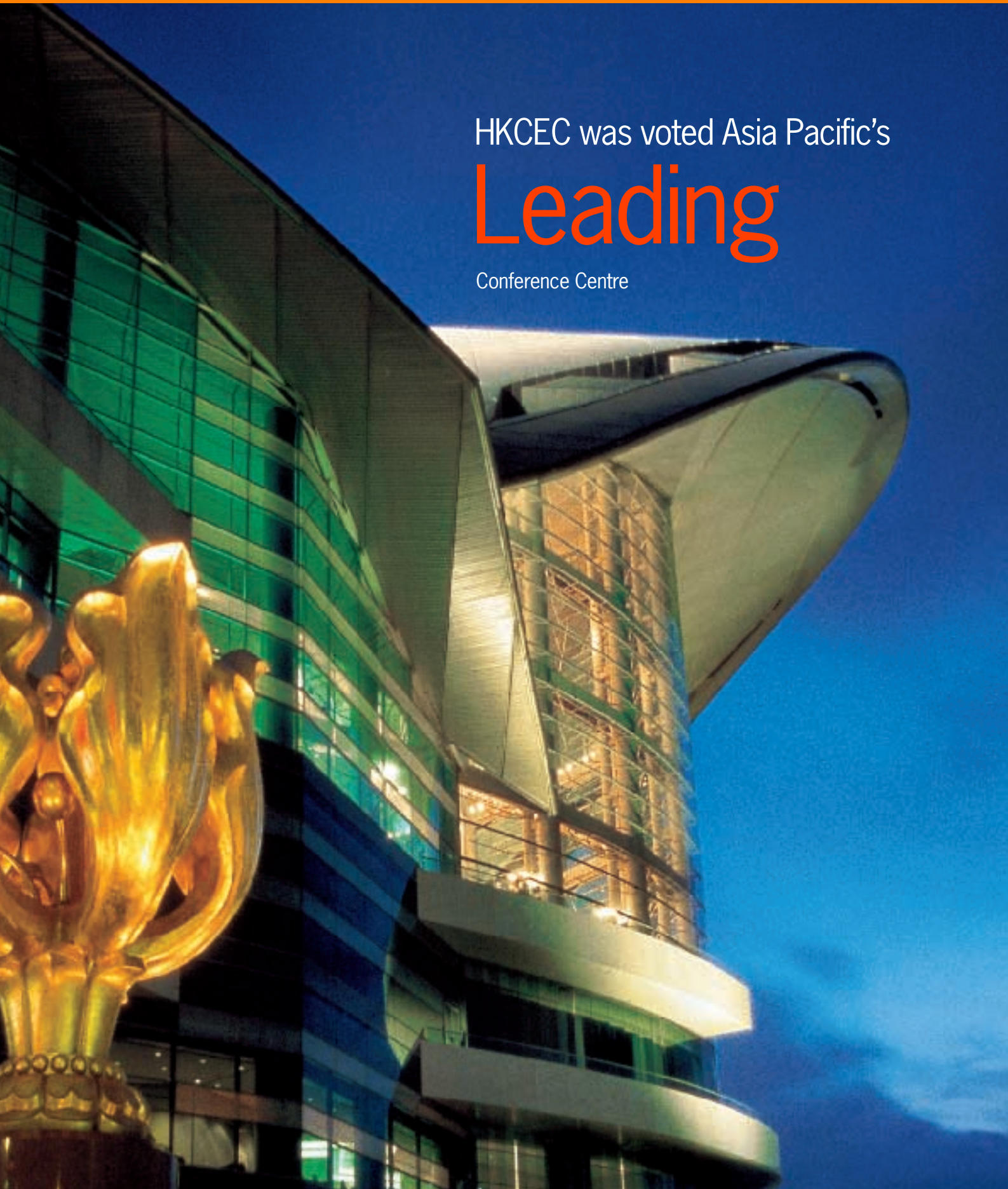
- ● ● Hong Kong's economy enjoyed a fast-paced recovery after SARS crisis. Benefited from economic revival and the strong support from the Central Government, the performance of NWSS for FY2004 was satisfactory. Particularly, the Facilities segment achieved significant improvement.



HKCEC was voted Asia Pacific's

Leading

Conference Centre



Management Discussion and Analysis

After the end of the SARS crisis, Hong Kong enjoyed a fast-paced recovery during the second half of 2003. With strong support from the Central Government - seen in measures such as the endorsement of CEPA and the lifting of travel restrictions on Mainlanders wishing to visit Hong Kong - the majority of business sectors have benefited from the ensuing economic revival.



Wai Hong Cleaning & Pest Control Company Limited

The overall performance of NWSS for FY2004 was satisfactory, with an AOP of HK\$727.2 million based on a turnover of HK\$12.166 billion, as compared to an AOP of HK\$632.1 million in FY2003.

Significant improvement was achieved in the Facilities segment and the Transport segment. With the improved sentiment in the stock market, the Financial segment achieved a marked growth in profitability despite its relatively small contribution. The Contracting segment was suppressed as a result of the deflated construction market. The overall performance of NWSS was 15% above FY2003.

Facilities

The Facilities segment achieved outstanding results with an AOP of HK\$344.3 million for FY2004, an increase of 33% over FY2003.

Hong Kong Convention and Exhibition Centre ("HKCEC") achieved an excellent result by successfully capturing businesses that were deferred and rescheduled to the first quarter of FY2004 as a result of the SARS outbreak. The management of HKCEC carried out stringent cost-saving measures and successfully improved efficiency.

AOP Contribution by Segment

For the year ended 30 June			
	2004 HK\$'m	As restated 2003 HK\$'m	Change % Fav./Unfav.)
Facilities	344.3	258.1	33
Contracting	253.6	253.3	–
Transport	65.7	33.5	96
Financial, Environmental & Others	63.6	87.2	(27)
Total	727.2	632.1	15

service



Free Duty operated by Sky Connection Limited

Strong growth marked the performance of both Wai Hong Cleaning & Pest Control Company Limited ("Wai Hong") and Pollution & Protection Services Limited ("PPS"), which achieved growth of 38% and 29% in profit respectively as compared to FY2003. Wai Hong successfully secured new and prestigious contracts from quality clients such as Hong Kong International Airport while PPS retained important HKSAR Government cleaning contracts.

Kiu Lok Group focused on the market in Mainland China and grew turnover by 4% and profit by 8% as compared to FY2003. Urban Property Management Group, despite tough market competitions, continued to contribute a stable profit to the Group and successfully maintained a

clientele of over 180,000 residential units under management. Recovered from a loss in FY2003, New China Laundry Limited improved its performance significantly and delivered a profit in FY2004.

Sky Connection Limited is a newly acquired business and is the holding company of Free Duty. It sells duty free tobacco and liquor at Hong Kong International Airport as well as the ferry terminals in China Hong Kong City and Shun Tak Centre. Patronage of these retail outlets remains robust owing to the rebound in Hong Kong's tourism sector.

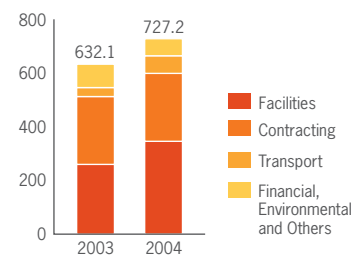
Contracting

The Contracting segment achieved an AOP of HK\$253.6 million for FY2004, a similar figure to FY2003. Apart from

the share of results from the investment in Wai Kee Holdings Limited, the major contributor to the Contracting segment was Hip Hing Construction Group ("Hip Hing"), which contributed over 25% of the segment's AOP for FY2004. NWS Engineering Group ("NWE") also contributed 10%.

AOP Contribution by Segment

HK\$m



Management Discussion and Analysis

As at 30 June 2004, the Contracting segment had total contracts-on-hand worth HK\$17.4 billion with HK\$11.4 billion representing the total value accruing upon completion of these projects. Despite the smaller contribution to the segment by Barbican Construction Company Limited, its success in bidding for civil engineering projects was evident from the increased value of contracts-on-hand, which stood at HK\$1.976 billion at the end of FY2004, as compared to HK\$1.886 billion in the previous year.

Recognizing that Mainland China is a vast potential market for our contracting business, Hip Hing and NWSE each has set up a wholly foreign owned enterprise ("WFOE") in Beijing to compete for local construction projects. Hip Hing also took a 10% interest in one of the largest construction groups in

Mainland China, namely 中建三局建築股份有限公司 (unofficial translation being China Construction Third Engineering Bureau Co., Ltd.). Apart from Mainland China, the Group is also tendering for construction projects in Macau and Dubai.

Transport

The Transport segment achieved an AOP of HK\$65.7 million for FY2004, 96% above FY2003. Yet, neither Citybus Limited nor New World First Bus Services Limited has regained its profitability back to pre-SARS level. The dramatic increase in oil prices and competition from other modes of transport have further affected their profitability.

Under a business reorganization carried out this year, CTF and the Company each holds 50% of the total issued share capital of Merryhill Group Limited ("Merryhill") that encompasses all the transport and related businesses of New World First Holdings Group and Citybus Group have made Merryhill a comprehensive transport services provider. The Group believes that this business realignment will allow Merryhill to improve operational efficiency through better deployment of resources and enhanced service quality.

The FY2004 results for the bus operation after the realignment suffered from additional costs arising from a staff voluntary exit scheme implemented. While the scheme resulted in costs that had a short-term negative effect on profitability, it is expected to deliver cost savings in the long term.

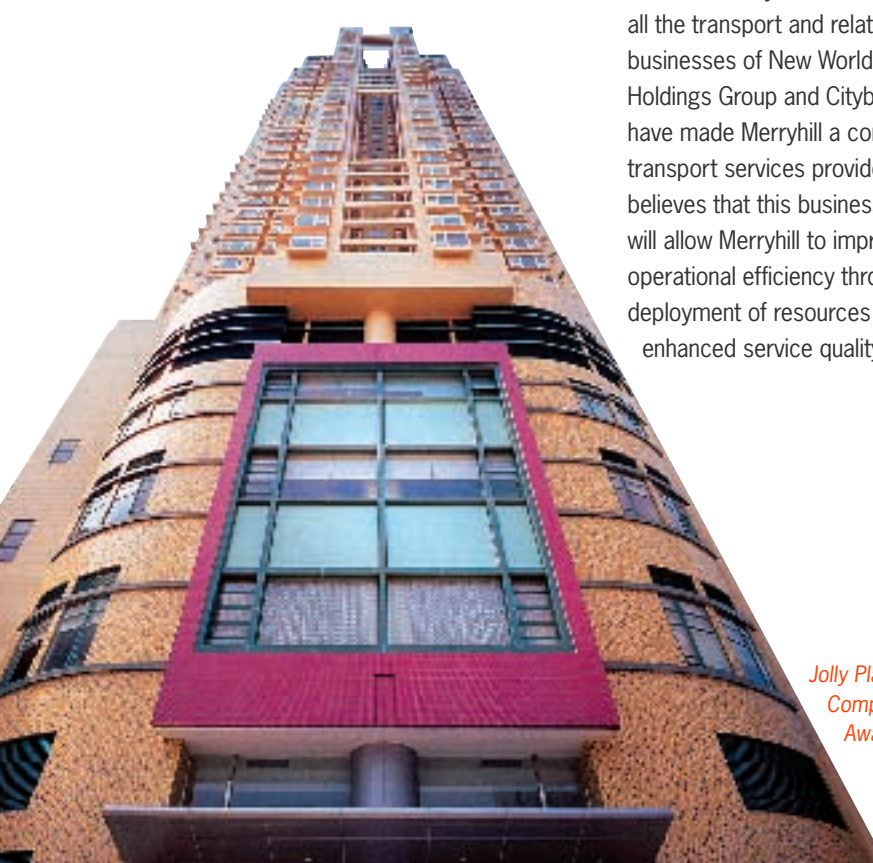
The Group's investment in a bus operation in Kunming, which commenced business in January 2004, made an immediate profit contribution.

New World First Ferry Services Limited, a provider of ferry services in Hong Kong, contributed a small profit in FY2004. Supported by a vessel reorganization arrangement undertaken in conjunction with CTF in March 2003, the guaranteed profit from CTF ensured the profitability of New World First Ferry Services (Macau) Limited.

Financial, Environmental and Others

The Financial segment and Environmental segment together with other investments, posted an AOP of HK\$63.6 million for FY2004, 27% below FY2003. The contribution from Tai Fook Securities Group Limited for

Jolly Place built by Hip Hing Construction Company Limited won Quality Building Award 2004



service

FY2004 marked a substantial improvement which was in line with the more positive stock market sentiment. Operating results from Tricor also improved.

Business Outlook

The Hong Kong economic rebound continues to favour business recovery in many of the service sectors of Hong Kong. However, the escalating oil price, the start of a new interest-rate cycle in the US, and the cooling off of Mainland China's economy as a result of the macro-economic realignment measures mandated by the Central Government, have had a distinct dampening effect on market sentiment in Hong Kong.

Despite these pressures, the Group believes that NWSS, as a diversified organization with multi-faceted service businesses, is well-positioned to withstand the often volatile movements in Hong Kong's economy. Synergies in the Transport segment following the business merger are also expected to enhance profit.



Citybus Limited and New World First Bus Services Limited

While continuing to manage the service businesses in Hong Kong carefully, the Group is seeking new business opportunities in Mainland China for all segments in the Service Division. This push for expansion will also strengthen the operations going forward.

In Contracting, the setting up of WFOEs in Beijing and the strategic investment in a major construction company in Wuhan, are both excellent steps

forward in this context. In Transport, the direct investment in a public transport operation in Kunming underlines the Group's determination to invest across the border. With transportation between provinces providing major opportunities in the future in Mainland China, the Group is also actively bidding for construction projects related to mass transit railway development in Southern China.

The Facilities segment is likewise penetrating the Mainland China market. Initiatives include provision of landscaping and plantation services, laundry services as well as property management and agency services.



Chateau Regalia Beijing managed by Kiu Lok Property Services (China) Limited

Management Discussion and Analysis

operational review

Infrastructure

- ● ● Despite the Central Government's measures to cool down the overheated economy, NWSI maintained stable growth in AOP in FY2004, mainly benefited from surging electricity generation, increased demand for treated water and growth in high quality logistics service.

ENERGY

WATER TREATMENT
AND WASTE MANAGEMENT

ROADS AND BRIDGES



Zhujiang Power was named

First Class

Fired Power Plants



Management Discussion and Analysis

Despite measures by the Central Government in the first half of 2004 to curb excessive investment and cool down the overheated economy, NWSI still managed to maintain stable growth in its profitability in FY2004. The Energy segment benefited from surging electricity generation and consumption caused by economic growth, especially in Guangdong Province. The improved performance of the Water Treatment and Waste Management segment resulted from increased demand for treated water in Mainland China. Likewise, the road and expressway projects benefited from the growth in high quality logistics services in Mainland China.



Zhujiang Power Station

AOP Contribution by Segment			
For the year ended 30 June	2004 HK\$m	As restated 2003 HK\$m	Change % Fav./Unfav.)
Energy	463.1	396.7	17
Water Treatment and Waste Management	52.1	26.1	99
Roads and Bridges	291.0	346.3	(16)
Total	806.2	769.1	5

Energy

The AOP of the Energy segment increased by HK\$66.4 million to HK\$463.1 million, up 17% from FY2003.

Overall electricity sales of Zhujiang Power Phases I and II increased by 16%. This was mainly due to the rapid growth of local heavy industrial activities which typically demand generous electricity supply. The significant increase in the AOP of Zhujiang Power Phase I was

infrastructure



Macau Power Plant

attributable to the increase in electricity sales. It also reflected the enhanced operating profit that resulted from the extension of the power plant's estimated useful life which in turn reduced the depreciation charge for the year. The performance of Macau Power was satisfactory with a 7% increase in electricity sales. However, the contribution from this business decreased when compared to FY2003 as last year's results were supported by a gain on disposal in

May 2003 of an effective interest of 1.35% in Macau Power to China Power International Holding Limited.

During FY2004, the Group consolidated its energy portfolio by disposing of certain under-performing projects. In June 2004, the Group disposed of its 60% interest in Shunde

Desheng Power Plant for a consideration of approximately HK\$660.0 million. Subsequent to the year end (August 2004), it also entered into a conditional sale and purchase agreement with a Mainland Chinese party in respect of the disposal of Sichuan Qianwei Power Plant for a consideration of RMB48.0 million.

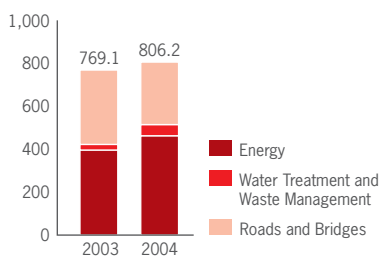
Water Treatment and Waste Management

The AOP of the Water Treatment and Waste Management segment increased by 99% to HK\$52.1 million in FY2004. The increase was attributable to the improved performance of certain projects in Mainland China, especially a full-year contribution from a project in Chongqing that commenced operations in November 2002. Furthermore, the increase in AOP was also attributable to a net reduction in provision for under-performing projects.

The Macao Water Supply Company Limited was once again the highest profit contributor to the Water

AOP Contribution by Segment

HK\$m



The Macao Water Supply Company Limited

Management Discussion and Analysis



Guangzhou City Northern Ring Road

Treatment segment. The average daily water sales volume increased by 5% over FY2003.

During the year, the Group, through its 50% owned jointly controlled entity, contracted new investments in the water sector in Hainan Province and Tianjin Municipality in Mainland China. The water plant in Sanya City, Hainan Province commenced operation in January 2004 while the project in Tanggu District,

Tianjin Municipality is expected to start operation later this year.

Roads and Bridges

During FY2004, the Roads and Bridges segment strengthened its operations by divesting several under-performing projects - including the Tianjin Yonghe Bridge, the Zhaoqing Roadways Network and the Wuhan Bridges project - and

exploring new investment opportunities with solid returns.

The AOP of the Roads and Bridges segment was HK\$291.0 million for FY2004, a decrease of 16% compared to FY2003. The decrease in AOP was mainly due to certain one-off gains recognized in FY2003.

The increase in toll income of Guangzhou City Northern Ring Road by 19% mainly resulted from the change in classification of toll rates/ vehicle types that took effect in August 2003 under the Guangdong Province joint toll collection scheme. Average daily traffic flow increased slightly by 5% in FY2004 while toll income increased by HK\$76.8 million. However, the favourable effect was partly offset by the one-off withholding tax refund of HK\$8.4 million recognized in FY2003. The combined effect led to an overall increase in AOP of 44%.

Average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 18% and 19% respectively. However, the overall AOP decreased by HK\$34.8 million due to the recognition of a one-off net interest income to the Group of approximately HK\$36.0 million, which was previously deferred, as a result of the restructuring of the project's investment vehicle during FY2003. Another reason for the decrease in AOP is that no interest income from the joint venture to the Group was recognized in FY2004 as the joint

infrastructure

venture had fully repaid shareholder loans in February 2003.

The AOP of Shenzhen-Huizhou Roadway and Expressway decreased by HK\$7.4 million. Combined average daily traffic flow dropped by 2% in FY2004. The decrease in AOP was mainly attributable to increased repairs and maintenance expenditure.

Average daily traffic flow of Hui-Ao Roadway increased by 2%. However, a significant decrease in AOP contribution from Hui-Ao Roadway was noted in FY2004. During FY2003, the joint venture partner agreed to reduce the interest rate on shareholder loans from 10% to 2% effective retrospectively. This created a substantial interest credit in FY2003.

In November 2003, the Group announced the disposal of the Zhaoqing Roadways Network for a consideration of approximately HK\$1.168 billion. These disposals were all completed by March 2004 and the results from these projects were only recognized up to February 2004. Accordingly, AOP dropped slightly when compared to FY2003.

The performance of the Guangxi Roadways Network was satisfactory. Average daily traffic flow and toll income, on a combined basis, increased by 7% and 5% respectively.

Tangjin Expressway (Tianjin North Section) in Tianjin recorded an increase in toll income of 43% or HK\$76.4 million. Average daily traffic flow increased by 14% in FY2004 due to the opening of Tangjin Expressway

South Section in mid-November 2003. However, the favourable effect on AOP resulting from increased toll income was offset by repair and maintenance costs. Accordingly, the AOP of Tangjin Expressway (Tianjin North Section) increased only by HK\$6.1 million.

The average daily traffic flow of Shanxi Roadways, on a combined basis, decreased by 3% when compared to FY2003. Traffic on the Taiyuan to Changzhi Roadway (Changzhi Section) and Roadway No. 309 (Changzhi Section) was seriously affected by rarely occurred flooding problem with combined toll income dropped by 14%.

In Hong Kong, the AOP of Tate's Cairn Tunnel saw a slight decrease of 3% and the average daily traffic flow remained fairly constant in FY2004.

The AOP contribution from the Bridges segment was not significant. Negotiations of the detailed terms in respect of the compensation from the Wuhan City Government following the



The Macao Water Supply Company Limited

cessation of toll collection at the Wuhan Bridges project is still in progress and partial consideration has been received according to the agreed schedule.

Business Outlook

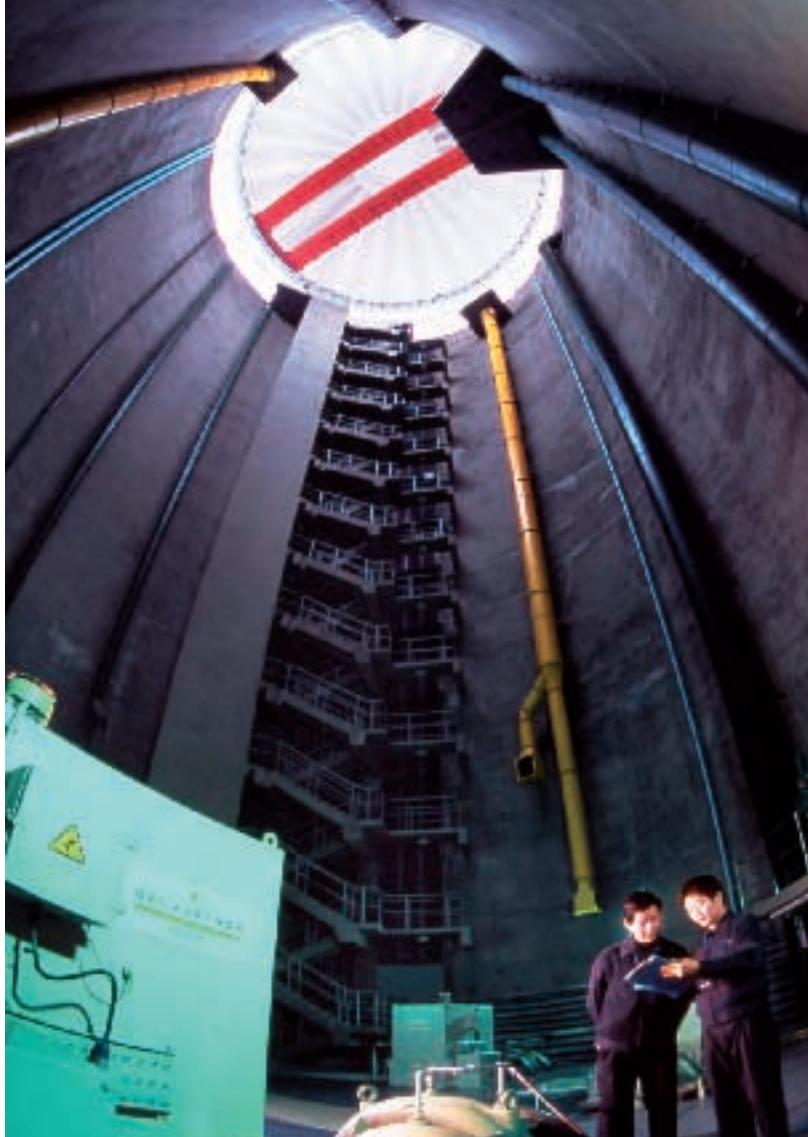
Energy

Despite measures aimed at curbing excessive investment, national electricity demand and consumption in Mainland China continued to surge in the first half of 2004 by 18.5% and 16% respectively. Demand for



Tate's Cairn Tunnel

Management Discussion and Analysis



Chongqing Water Plant

electricity in Guangdong Province is still rising. In the first half of 2004, electricity generated in Guangdong Province increased by 18% and GDP grew by 15% over the first half of 2003. GDP of secondary industries recorded growth of 19% while heavy industries reported growth of 25% in real terms.

Growth continued in the second quarter of 2004. Guangdong Province's electricity consumption rose by 21% over the second quarter of 2003. Due to a lack of rainfall in the Western Provinces, west-to-east electricity supply remained at the same level while hydro electricity supply in Guangdong Province

dropped by 16%. Meanwhile, supply from the Three Gorges commenced in March 2004 and supplied some 3% of Guangdong Province's electricity demand at the end of FY2004. In addition to newly installed capacity in Guangdong Province, total supply capacity will be increased by at least 8% by the end of 2004. Taking all these factors into consideration, sales prospects in Guangdong Province are still promising.

Although the National Development and Reform Commission announced two on-grid tariff increases and an increase in average end-user tariffs in 2004, the continuing increase in the price of coal is still hindering the profitability of both power producers and operators. Power producers unable to lock in coal supply at a fixed price have been especially affected. The tariff increases are expected to suppress overheated economic activity and to fund transmission network development, easing the pressure on financing future development costs in this segment. However, new environmental regulations imposed in July 2003 by the Central Government will increase investment and operation costs, negatively impacting the profitability of the Energy segment.

Looking ahead, Macau Power will benefit from the completion of new casinos in Macau. In the context of all markets, the steady growth in investment projects will ensure a steady increase in electricity consumption and so underpin demand for the Group's services.

infrastructure

Water Treatment and Waste Management

On 19 March 2004, the Ministry of Construction issued a set of guidelines/directives effective 1 May 2004 concerning provision of concessions for urban public utilities covering water, waste water, public transport and waste management. These guidelines stipulate that all future projects of this kind will only be awarded through open tender. Consequently, competition for new projects will increase significantly. Nevertheless, the AOP contribution from this segment is likely to grow as new projects come on stream.

Roads and Bridges

Sustainable development of Mainland China's economy, coupled with increased consumer purchasing power and private car ownership, will see an increase in the number of

vehicles on the nation's roads. In addition, the Central Government plans to build an expressway network with a total length of 82,000km. These factors create ample investment opportunities for investors. Counter-measures against over-loaded trucks by different authorities in Mainland China since June 2004 will also benefit highway investors by ensuring a longer useful life for highways owing to less onerous wear and tear, and by increasing traffic flow as each truck carries no more than its designated volume of goods.

Despite these favourable conditions, challenges still remain. Central Government policy measures in Mainland China to cool down the overheated economy, together with an expected rise in interest rates, will exert pressure on the financing costs of road and bridge projects. Furthermore, a sustained increase in



Guangzhou City Northern Ring Road

the price of oil may inhibit the growth of private car ownership.

The Group's development strategy is to focus on expressway projects located in cities and provinces with high growth potential, although rigorous competition from both local and foreign investors is expected. In early September 2004, the Group strengthened its Roads and Bridges segment by acquiring 15% effective interest in Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Northern Section) which locates in Guangdong Province.



Tate's Cairn Tunnel

Management Discussion and Analysis

operational review

Ports

- ● ● The earnings from Hong Kong ports businesses were shrunken due to the tough operation environment in Hong Kong and increasing pressures from Shenzhen. This was partly mitigated by the growth in throughput of ports in Mainland China arising from solid expansion in trade flows.



Xiamen Xiang Yu Quay
was bestowed Xiamen
Excellent

Container Terminal in
Comprehensive Services



Management Discussion and Analysis

NWSP saw a decline in AOP for FY2004 from the previous year. This was primarily due to lower earnings from Hong Kong port operations caused by the tough operation environment in Hong Kong. The negative impact was partly mitigated by increased container handling activity registered in Mainland China port operations.



Container Terminal No. 3 in Hong Kong

During FY2004, the disposal of a plot of land in Tianjin with an area of approximately 120,000 sq.m. resulted in a loss of around HK\$26.7 million. Due to the loss of a major customer and the current difficult business environment, NWSP incurred impairment loss on goodwill of around HK\$310.0 million for CSXWTHK. Besides, an impairment loss on fixed assets of around HK\$36.0 million for Xiamen New World Xiangyu Warehouse & Processing Zone Limited was recorded.

NWSP reported a total AOP of HK\$369.9 million, compared to HK\$396.9 million in FY2003. The NWSP AOP contribution to NWS Holdings for FY2004 can be classified into the following activities:

Container Handling

Hong Kong

Hong Kong remained the most important AOP contributor to NWSP. CSXWTHK and ATL Logistics Centre Hong Kong Limited ("ATL") reported a combined AOP of HK\$314.0 million, a decrease of 9% from FY2003.

CSXWTHK recorded a decline in AOP attributable to the decrease in throughput handled in FY2004. During the year, CSXWTHK handled approximately 1.11 million TEUs, a decrease of 17% from 1.34 million TEUs recorded in FY2003. The change was mainly due to the loss of a major customer. CSXWTHK is now undertaking aggressive marketing measures to seek replacement customers and implementing cost-saving measures to protect margins.

AOP Contribution by Segment			
For the year ended 30 June	2004 HK\$m	As restated 2003 HK\$m	Change % Fav./Unfav.)
Container Handling	186.5	240.4	(22)
Logistics and Warehousing	183.4	156.5	17
Total	369.9	396.9	(7)

ACT holds an interest in two berths at Container Terminal No.9 (“CT9”). The exchange of these two CT9 berths for Modern Terminals Limited’s two berths at Container Terminal No.8 West (“CT8W”) was completed during FY2004. By the end of the year under review, all equipment and system commissioning works at CT8W were nearly complete and the terminal is expected to be fully operational by the fourth quarter of 2004. The additional handling capacity from CT8W will deliver an important long-term benefit to NWSP by achieving key synergies with CT3.

Mainland China

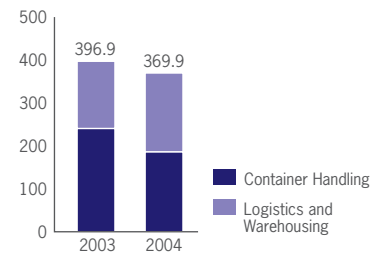
The ports of Tianjin and Xiamen continue to lead the way in the Mainland China port sector on the back of solid expansion in trade flows.

Tianjin

CSX Orient (Tianjin) Container Terminals Co., Limited, the operator of four container berths and one coal berth in Tianjin Xingang, contributed AOP that was 6% below FY2003. In FY2004, the throughput grew to 1.14 million TEUs, a rise of 11% from 1.03 million TEUs in the previous year. However, the AOP was partially eroded by rapidly increasing fuel prices and maintenance costs.

AOP Contribution by Segment

HK\$m



Xiamen

Xiamen Xiang Yu Quay Co., Ltd. (“Xiangyu”) reported a significant increase of 85% in AOP from FY2003. The increase in AOP was mainly due to the 25% increase in throughput from



ATL Logistics Centre

Management Discussion and Analysis



Xiamen Xiang Yu Quay

482,000 TEUs in FY2003 to 603,000 TEUs in FY2004. The throughput increase was primarily attributable to the volume increase of existing major customers. However, the volume-driven increase in AOP was partially offset by higher interest expenses following the replacement of shareholders' loans by bank loans after the merger.

To enhance competitiveness against other terminal operators within the region, Xiangyu has procured additional container handling equipment and is undertaking dredging works to accommodate larger container vessels.

Logistics and Warehousing

AOP in Logistics and Warehousing segment comprised contributions

from ATL and other projects in Mainland China.

ATL contributed an increase in AOP in FY2004 following an unfavourable adjustment recognized in FY2003. The average occupancy rate decreased slightly to 91% from 95% in the previous year. In order to maintain its premier position and increase competitiveness, ATL Logistics Centre is now upgrading both hardware and software to enhance the quality of customer service.

Business Outlook

The Hong Kong economic recovery, coupled with surging import and export trade in South China, contributed to the container throughput growth in Hong Kong in the first half of 2004. The Hong Kong Port

Development Council reported total throughput handled by Hong Kong in the first six months of 2004 at 10.6 million TEUs, an increase of 8.4% over the same period last year.

While these trends are welcome, the challenges facing the Group's port operations must not be overlooked. Hong Kong ports are facing fierce competition from Shenzhen ports and a recent McKinsey report sees an urgent need for the HKSAR Government to reduce cross-border trucking costs and local terminal handling charges before Hong Kong can compete effectively. The competitive pressure from Shenzhen, and the loss of a major customer at CT3, will have an adverse impact in future earnings. CSXWTHK is now implementing aggressive marketing measures to seek new customers. Potential customers include major and medium-size international shipping lines. In addition, CSXWTHK also implemented stringent cost-saving measures to retain its profit margin and maintain its competitiveness in the market.



Container Terminal No. 8 West in Hong Kong



CSX Orient (Tianjin) Container Terminals

Mainland China is the key to the success of the ports operation. As the nation continues to expand exports and accession to the World Trade Organization opens a dormant import market, Mainland China's ports are enjoying robust growth. Despite recent attempts by the Central Government to cool down Mainland China's overheated economy, the trade volume has maintained its growth rate. However, competition will certainly increase as major coastal container ports such as Dalian, Qingdao, Tianjin, Xiamen and Shanghai position themselves as regional hubs to eventually replace Busan and Kaohsiung.

Xiamen port, the shipment hub for Fujian Province in Southeast China, has continued its strong growth trend and has seen a year-on-year growth of 26% in container throughput in the first half of 2004. Both the Xiamen Municipal Government and the Fujian Provincial Government are committed to the future development of Xiamen port. NWSP's joint venture in Xiamen, with a quay length of nearly 1 km, is well positioned to accommodate and benefit from the long-term trade growth in this region.

There are also attractive prospects in Tianjin port. The increase in

throughput target for the calendar year 2004 from 3.6 million TEUs to 3.8 million TEUs bodes well for the future. Tianjin remains a key gateway to the north. The Group believes it is the port most likely to benefit from economic stimulus prior to the 2008 Olympics.

On balance, despite challenges ahead, NWSP will continue to explore new investment opportunities in the port and logistics sectors of Mainland China with a view to widening the earnings base and improving shareholder value.



Annual Report **2004**

Reports and Financial Statements

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Report of the Directors

The directors submit their report together with the audited accounts of the Group for the year ended 30 June 2004.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding.

The principal activities of its subsidiary companies include:

- (i) the investment in and/or operation of facilities, contracting, transport, financial and environmental services businesses;
- (ii) the development, investment, operation and/or management of toll roads, expressways, bridges and tunnel, power plant, water treatment and waste management plants; and
- (iii) the development, investment, operation and management of container handling, logistics and warehousing businesses.

An analysis of the Group's performance for FY2004 by business and geographical segments is set out in Note 2 to the accounts.

Results and appropriations

The results of the Group for FY2004 and the state of affairs of the Company and the Group at 30 June 2004 are set out in the accounts on pages 66 to 127.

The directors recommend the payment of a final dividend of HK\$0.25 (2003: HK\$0.20) per share which, together with the interim dividend paid on 30 April 2004 of HK\$0.15 (2003: Nil) per share, make total dividends for FY2004 of HK\$0.40 (2003: HK\$0.20) per share. This represents a total distribution for FY2004 of HK\$718.7 million (2003: HK\$367.6 million). Subject to the approval of the final dividend by the shareholders at the annual general meeting of the Company on 6 December 2004, it is expected that the final dividend will be paid to the shareholders whose names appear on the register of members of the Company on 6 December 2004.

The register of members of the Company will be closed from Wednesday, 1 December 2004 to Monday, 6 December 2004, both dates inclusive, during which period no transfer of shares will be registered. Dividend warrants will be despatched to shareholders on or about Wednesday, 15 December 2004. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, 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, 30 November 2004.

Subsidiary companies

Particulars of the Company's principal subsidiary companies are set out in Note 38 to the accounts.

Jointly controlled entities and associated companies

Particulars of the Group's principal jointly controlled entities and associated companies are set out in Notes 40 and 39 to the accounts respectively.

Report of the Directors

Reserves

Details of movements in the reserves of the Company and the Group during FY2004 are set out in Note 25 to the accounts.

Distributable reserves

At 30 June 2004, the Company's reserves available for distribution amounted to HK\$892.8 million. In addition, the Company's share premium account, in the amount of HK\$7.188 billion, may be distributed in the form of fully paid bonus shares.

Donations

During FY2004, the Group made charitable donations amounting to HK\$3.9 million (2003: HK\$0.1 million).

Fixed assets

Details of movement in the fixed assets of the Company and the Group during FY2004 are set out in Note 12 to the accounts.

Share capital

Details of movement in the share capital of the Company during FY2004 are set out in Note 24 to the accounts.

Convertible bonds

During FY2004, NWSH Capital Finance Limited, a wholly owned subsidiary company of the Company, issued zero coupon guaranteed convertible bonds in the aggregate principal amount of HK\$1.350 billion. The bonds are guaranteed by the Company and are convertible at any time on and after 27 May 2004 and prior to 11 April 2009 into shares of HK\$1.00 each in the share capital of the Company at the conversion price of HK\$13.63 per share.

The directors consider that the issue of the bonds can strengthen the capital base of the Group.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of the Company's listed securities

The Company has not redeemed any of its shares during FY2004. Neither the Company, nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during FY2004.

Major customers and suppliers

The aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively accounted for less than 30% of the Group's total turnover and purchases for FY2004.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2004.

Directors

The directors of the Company during FY2004 and up to the date of this report are:

Executive directors:

Dr Cheng Kar Shun, Henry

Mr Doo Wai Hoi, William

Mr Chan Kam Ling

Mr Wong Kwok Kin, Andrew

Mr Lam Wai Hon, Patrick

Mr Cheung Chin Cheung

(appointed on 1 October 2003)

Mr Tsang Yam Pui

(appointed on 10 June 2004)

Non-executive directors:

Mr Wilfried Ernst Kaffenberger

Mr To Hin Tsun, Gerald

Mr Dominic Lai

(re-designated from independent non-executive director to non-executive director on 28 September 2004)

Mr Yeung Kun Wah, David

(alternate director to Mr Wilfried Ernst Kaffenberger)

Mr Kwong Che Keung, Gordon *

Mr Cheng Wai Chee, Christopher *

The Honourable Shek Lai Him, Abraham *

(appointed on 28 September 2004)

Mr Wong Kin Chow, Michael *

(resigned on 1 August 2003)

* Independent non-executive directors

In accordance with the bye-laws of the Company, Messrs Tsang Yam Pui, Shek Lai Him, Abraham, To Hin Tsun, Gerald, Dominic Lai and Kwong Che Keung, Gordon will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests in contracts

Save for the contracts amongst group companies, no other contracts of significance to which the Company or any of its subsidiary companies was a party and in which a director of the Company had an interest, whether directly or indirectly, subsisted at the end of FY2004 or at any time during this year.

Report of the Directors

Directors' service contracts

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' interests in competing business

During FY2004 and up to the date of this report, the following directors are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the director in the entity
Dr Cheng Kar Shun, Henry	Chow Tai Fook Enterprises Limited group of companies	Investment in bus services business	Director
	HKR International Limited group of companies	Construction and property management	Director
	Shun Tak Holdings Limited group of companies	Investment in ferry services business	Director
	Tamman Developments Limited	Investment in airport operation business	Director
Mr Chan Kam Ling	Qingyuan Qiaoyuan Power Plant Company Limited	Operation of power plant	Director
Mr Lam Wai Hon, Patrick	Wai Kee Holdings Limited group of companies	Contracting	Director

Directors' rights to acquire shares or debentures

Save as the interests disclosed in the section headed "Directors' and Chief Executive's interests in securities" below, at no time during FY2004 was the Company, or any of its holding companies, subsidiary companies or fellow subsidiary companies a party to any arrangement to enable the directors or chief executive of the Company or their respective spouses or children under 18 years of age or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's interests in securities

As at 30 June 2004, the directors, the chief executive and their respective associates had the following interests in the shares and underlying shares 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 maintained by the Company pursuant to section 352 of the SFO:

(a) Interests in shares of the Company

Name	Number of shares			Total	Approximate percentage of issued share capital of the Company as at 30.06.04
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar Shun, Henry	1,000,000	587,000 ⁽¹⁾	–	1,587,000	0.09%
Mr Doo Wai Hoi, William	666,666	–	826,000 ⁽²⁾	1,492,666	0.08%
Mr Chan Kam Ling	670,657	–	10,254,321 ⁽³⁾	10,924,978	0.61%
Mr Wong Kwok Kin, Andrew	3,601,681	2,650,051 ⁽⁴⁾	–	6,251,732	0.35%
Mr Lam Wai Hon, Patrick	502,466	–	265,139 ⁽⁵⁾	767,605	0.04%
Mr Cheung Chin Cheung	258,700	–	–	258,700	0.01%
Mr Kwong Che Keung, Gordon	200,000	–	–	200,000	0.01%
Dr Cheng Chi Pang, Leslie	176,759	–	–	176,759	0.01%

Notes:

- (1) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (2) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (3) The shares are held by a company of which Mr Chan Kam Ling holds 50% equity interests.
- (4) The shares are held by the spouse of Mr Wong Kwok Kin, Andrew.
- (5) The shares are held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (6) All the interests stated above represent long positions.

Report of the Directors

Directors' and Chief Executive's interests in securities (Continued)

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

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued share capital as at 30.06.04
	Personal interests	Family interests	Corporate interests		
New World Development Company Limited					
(Ordinary shares of HK\$1.00 each)					
Mr Chan Kam Ling	135,335	–	–	135,335	0.00%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
Mr Cheung Chin Cheung	60,652	–	–	60,652	0.00%
Dr Cheng Chi Pang, Leslie	1,400	–	–	1,400	0.00%
New World TMT Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	1,000,000 ⁽¹⁾	–	1,000,000	0.11%
Mr Doo Wai Hoi, William	–	–	12,000,000 ⁽²⁾	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%
Dr Cheng Chi Pang, Leslie	200	–	–	200	0.00%
New World China Land Limited					
(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%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr Doo Wai Hoi, William	–	–	US\$3,000,000 ⁽³⁾	US\$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%

Directors' and Chief Executive's interests in securities (Continued)**(b) Interests in shares of associated corporations of the Company** (Continued)

	Number of shares/ amount of registered capital			Total	Approximate percentage of issued share capital as at 30.06.04
	Personal interests	Family interests	Corporate interests		
Nanjing New World Chang Jiang Equipment Co. Ltd.					
(Registered capital in RMB)					
Mr Doo Wai Hoi, William	–	–	RMB5,357,275 ⁽³⁾	RMB5,357,275	21.18%
Nanjing Xinlidao Property Development Limited					
(Registered capital in HK\$)					
Mr Doo Wai Hoi, William	–	–	HK\$21,000,000 ⁽⁴⁾	HK\$21,000,000	35.00%
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr Doo Wai Hoi, William	–	–	200 ⁽²⁾	200	20.00%
Shanghai Juyi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr Doo Wai Hoi, William	–	–	RMB105,000,000 ⁽⁴⁾	RMB105,000,000	30.00%
Tai Fook Securities Group Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Wong Kwok Kin, Andrew	–	390,000 ⁽⁵⁾	–	390,000	0.08%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	500,000	–	–	500,000	0.06%
Dr Cheng Chi Pang, Leslie	500,000	–	–	500,000	0.06%

Notes:

- (1) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (2) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (3) The interests represent the equity interests held by a company 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) The shares are held by the spouse of Mr Wong Kwok Kin, Andrew.
- (6) All the interests stated above represent long positions.

Report of the Directors

Directors' and Chief Executive's interests in securities (Continued)

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

As at 30 June 2004, the following directors and chief executive of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Number of share options				Balance as at 30.06.04	Exercisable period (Note)	Exercise price per share HK\$
		Balance as at 01.07.03	Granted during the year	Exercised during the year	Lapsed during the year			
Dr Cheng Kar Shun, Henry	21 July 2003	–	3,000,000	1,000,000	–	2,000,000	(1)	3.725
Mr Doo Wai Hoi, William	21 July 2003	–	2,000,000	666,666	–	1,333,334	(1)	3.725
Mr Chan Kam Ling	21 July 2003	–	2,000,000	666,666	–	1,333,334	(1)	3.725
Mr Wong Kwok Kin, Andrew	21 July 2003	–	1,400,000	466,666	–	933,334	(1)	3.725
Mr Lam Wai Hon, Patrick	21 July 2003	–	1,400,000	466,666	–	933,334	(1)	3.725
Mr Cheung Chin Cheung	11 May 1999	300,000	–	–	–	300,000	(2)	6.930
	21 July 2003	–	600,000	200,000	–	400,000	(1)	3.725
Mr Wilfried Ernst Kaffenberger	21 July 2003	–	600,000	–	–	600,000	(3)	3.725
Mr To Hin Tsun, Gerald	21 July 2003	–	600,000	200,000	–	400,000	(1)	3.725
Mr Kwong Che Keung, Gordon	21 July 2003	–	600,000	200,000	–	400,000	(1)	3.725
Mr Cheng Wai Chee, Christopher	21 July 2003	–	600,000	–	–	600,000	(3)	3.725
Mr Dominic Lai	21 July 2003	–	600,000	200,000	–	400,000	(1)	3.725
Dr Cheng Chi Pang, Leslie	21 July 2003	–	300,000	–	–	300,000	(3)	3.725

Notes:

- (1) Divided into 2 tranches exercisable from 21 July 2004 and 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) Divided into 3 tranches exercisable from 21 January 2004, 21 July 2004 and 21 July 2005 respectively to 20 July 2008, both dates inclusive.
- (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 or chief executive for the share options granted on that day is HK\$10.
- (5) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$9.47.
- (6) All the interests stated above represent long positions.

Directors' and Chief Executive's interests in securities (Continued)

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

(i) New World China Land Limited (“NWCL”)

Under the share option scheme of NWCL, a fellow subsidiary company of the Company, the following directors of the Company, who are also directors of NWCL during FY2004, have personal interests in options to subscribe for shares in NWCL which have been granted to them as follows:

Name	Date of grant	Exercisable period	Share options with exercise price per share of HK\$1.955	
			Balance as at 01.07.03	Balance as at 30.06.04
Dr Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006 ⁽¹⁾	5,000,000	5,000,000
Mr Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006 ⁽²⁾	2,800,000	2,800,000
Mr Chan Kam Ling	9 February 2001	10 March 2002 to 9 March 2006 ⁽²⁾	400,000	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, unless otherwise specified in Note (2).
- (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.
- (3) The cash consideration paid by each director for each grant of the 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 FY2004.

(ii) New World TMT Limited (“NWTMT”)

Under a share option scheme of NWTMT, a fellow subsidiary company of the Company, the following director of the Company, who is also director of NWTMT, has personal interest in options to subscribe for shares in NWTMT during FY2004, which were lapsed on 2 June 2004, as follows:

Name	Date of grant	Share options with exercise price per share of HK\$10.20 ⁽¹⁾		Share options with exercise price per share of HK\$12.00 ⁽²⁾	
		Balance as at 01.07.03	Balance as at 30.06.04	Balance as at 01.07.03	Balance as at 30.06.04
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 the 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 FY2004.

Report of the Directors

Directors' and Chief Executive's interests in securities (Continued)

(d) Interests in underlying shares of 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 as follows:

Name	Date of grant	Exercisable period	Share options with exercise price per share of HK\$0.34		
			Balance as at 01.07.03	Exercised during the year	Balance as at 30.06.04
Mr Lam Wai Hon, Patrick	29 November 2000	29 November 2001 to 28 November 2004	500,000	500,000	–
Dr Cheng Chi Pang, Leslie	29 November 2000	29 November 2001 to 28 November 2004	500,000	500,000	–

Notes:

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

(iv) New World Capital Finance Limited ("NWCF")

During FY2004, the following director of the Company has interests in the debentures issued by NWCF, a fellow subsidiary of the Company, which were finally redeemed by NWCF on 9 June 2004, with details as follows:

Name	Balance as at 01.07.2003		Balance as at 30.06.2004	
	Interest as founder of discretionary trust	Family interest	Interest as founder of discretionary trust	Family interest
	US\$	US\$	US\$	US\$
Mr Cheng Wai Chee, Christopher	9,200,000 ⁽¹⁾	100,000 ⁽²⁾	–	–

Notes:

- (1) The debentures were convertible into 2,898,522 shares of HK\$1 each of NWD up to 9 May 2004.
- (2) The debentures were convertible into 31,505 shares of HK\$1 each of NWD up to 9 May 2004.

Save as disclosed above, no interests and short positions were held or deemed to be taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares, the underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein.

Share option schemes

On 11 April 1997, a share option scheme was adopted by the Company (the “1997 Share Option Scheme”) under which the directors may, at their discretion grant options to executive directors or full-time employees of the Group to subscribe for shares in the Company. Subsequent to the amendment of Chapter 17 of the Listing Rules in 2001, a new share option scheme was adopted by the Company on 6 December 2001 (the “2001 Share Option Scheme”) thereafter certain rules of such scheme were altered and approved by the shareholders of the Company on 12 March 2003. Under the 2001 Share Option Scheme, the directors of the Company may at their discretion grant options to any eligible participants as defined in the scheme to subscribe for shares in the Company.

Summary of share option schemes of the Company disclosed in accordance with the Listing Rules is as follows:

	1997 Share Option Scheme	2001 Share Option Scheme
Purpose of the scheme	As incentive to executive directors and employees of the Group.	To reward directors and employees of the Group for past service or performance, to provide incentive and motivation or reward to eligible participants for increase performance or making contribution to the Group, to attract and retain persons of right caliber with the necessary experience to work for the Group and to foster a sense of corporate identity.
Participants of the scheme	Executive directors or full-time employees of the Group.	Eligible participant may be a person or entity belonging to any of the following classes: <ul style="list-style-type: none"> (i) any eligible employee; (ii) any non-executive director (including independent non-executive directors) of the Group or any invested entity of the Group (the “Invested Entity”); (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

Report of the Directors

Share option schemes (Continued)

	1997 Share Option Scheme	2001 Share Option Scheme
Total number of shares available for issue under the scheme and percentage of issued share capital as at the date of this annual report	Options to subscribe for 2,000,000 shares had been granted by the Company under this scheme. It was expired on 11 April 2000 and no further share option can be granted.	<p>(vi) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any Invested Entity;</p> <p>(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and</p> <p>(viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.</p> <p>Renewal of the 10% general limit on grant of options under the share option scheme was approved by the shareholders of the Company on 12 March 2003. Thus, the Company can grant options to subscribe for up to 178,075,900 shares of the Company under this scheme.</p> <p>On 21 July 2003, the Company granted options to certain eligible participants to subscribe for 41,497,000 shares of the Company. Therefore, the total number of shares available for issue under this scheme is 136,578,900 representing approximately 7.59% of the Company's issued share capital as at the date of this report.</p>
Maximum entitlement of each participant under the scheme	No eligible participant shall be granted an option or options for such number of shares which in aggregate would exceed 25% of the total number of shares for which share options may be granted.	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the share capital of the Company in issue.

Share option schemes (Continued)

	1997 Share Option Scheme	2001 Share Option Scheme
The period which the shares must be taken up under an option	At any time during a period as specified by the directors, which shall not be more than 10 years from the date of grant of the share options.	At any time during a period as specified by the directors, however in any event the share options must be exercised within 10 years from the date of grant of the share options.
The minimum period for which an option must be held before it can be exercised	Any period as determined by the directors.	Any period as determined by the directors.
The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	Nil	HK\$10 is to be paid as consideration for the grant of option within 14 days from the date of offer.
The basis of determining the exercise price	The exercise price is determined by the directors which shall be equal to the higher of the nominal value of the shares or a price not less than 80% of the average of the closing prices per share as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the five trading days immediately preceding the date of grant.	The exercise price is determined by the directors which must be at least the higher of the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant or the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
The remaining life of the scheme	The scheme was expired on 11 April 2000.	The scheme shall be valid and effective for a period of 10 years from the date of adoption, i.e. 6 December 2001.

Report of the Directors

Share option schemes (Continued)

During FY2004, movement of share options granted by the Company under the 1997 Share Option Scheme and the 2001 Share Option Scheme were as follows:

(1) Details of the movement of share options granted to directors and chief executive of the Company are disclosed under the section headed "Directors' and Chief Executive's interests in securities" above.

(2) Details of the movement of share options to other eligible persons were as follows:

(a) Under the 1997 Share Option Scheme

Date of grant	Number of share options				Balance as at 30.06.04	Exercisable period (Note)	Exercise price per share
	Balance as at 01.07.03	Granted during the year	Exercised during the year	Lapsed during the year			
11 May 1999	1,600,000	–	–	–	1,600,000	(1)	HK\$6.930
11 May 1999	100,000	–	70,000	–	30,000	(2)	HK\$6.930

Notes:

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

(b) Under the 2001 Share Option Scheme

Date of grant	Number of share options				Balance as at 30.06.04	Exercisable period (Note)	Exercise price per share
	Balance as at 01.07.03	Granted during the year	Exercised during the year	Lapsed during the year			
21 July 2003	–	27,797,000	7,558,651	1,036,347	19,202,002	(1)	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.
- (3) The weighted average closing price of the shares immediately before the date on which share options were exercised was HK\$8.49.

Share option schemes (Continued)

The fair value of the share options granted during the year with exercise price per share of HK\$3.725 is estimated at HK\$4.91 using the Black-Scholes option pricing model. The fair value is estimated based on the risk-free rate of 4.598% per annum with reference to the rate prevailing on the Exchange Fund Notes, a one-year period historical volatility of 56.72%, assuming a dividend yield of approximately 5% per annum and an expected option life of four 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 year 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.

Substantial shareholders' interest in securities

As at 30 June 2004, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) 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 to the issued share capital of the Company
	Beneficial interests	Corporate interests	Total	
CTF	59,831,893	969,779,643 ⁽¹⁾	1,029,611,536	57.44%
NWD	664,587,141	305,192,502 ⁽²⁾	969,779,643	54.10%
Mombasa Limited	303,221,591	–	303,221,591	16.92%

Notes:

- (1) CTF (together with its subsidiary companies) 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 holds 100% indirect interests in Mombasa Limited and is accordingly deemed to have an interest in the shares held by Mombasa Limited 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 company 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 30 June 2004.

Report of the Directors

Sufficiency of public float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Connected transactions

The Company has entered into the following connected transactions during FY2004 and up to the date of this report:

- (1) Following the reorganization of the Group, which was completed on 29 January 2003, the Company is expected to be engaged in a number of transactions of a recurrent nature which constitute connected transactions between the Group and NWD and its associates under the Listing Rules. Such transactions can be categorized as construction services, electrical and mechanical engineering services, facility management services, property management services, security and guarding services, cleaning and landscaping services, financial services, rental of properties, etc.

As NWD indirectly owns an aggregate of approximately 54% of the listed share capital of the Company, transactions between: (i) NWD and its associates; and (ii) the Group, constitute connected transactions for the Company under the Listing Rules. Such continuing connected transactions were approved by the independent shareholders at the special general meeting of the Company held on 12 March 2003.

As at 30 June 2004, an aggregate consideration of approximately HK\$2.113 billion had been received by the Group in respect of the services provided to NWD and its associates while an aggregate rental of approximately HK\$28.0 million had been paid by the Group to NWD and its associates.

- (2) On 19 March 2003, New World First Ferry Services (Macau) Limited ("NWFF (Macau)"), Best Conquer Properties Limited ("Best Conquer"), the registered owners of eight vessels (the "Vessel Owners"), CTF and Star Success Enterprises Limited ("Star Success") entered into a master charter agreement (the "Master Charter Agreement"), pursuant to which NWFF (Macau) conditionally agreed to enter into eight separate bareboat charters (the "Bareboat Charters") with the Vessel Owners. Under the Bareboat Charters, NWFF (Macau) chartered the eight vessels for an initial term of four years commencing from the date of the Bareboat Charters. The charter hire payable by NWFF (Macau) to each Vessel Owner each year is equal to 25% of the fare revenue from the operation of its respective vessel for that year.

Under the Master Charter Agreement, CTF and Star Success agreed to provide guarantees in favour of NWFF (Macau) for the fact that if the net profit before tax of NWFF (Macau) attributable to the operation of the vessels (the "Vessels Operation Profit") for any particular financial year as set out in its pro forma consolidated or combined profit and loss accounts during the charter period is less than HK\$10.0 million (or such lesser amount as is proportional, on the basis of a 365-day year, thereto in respect of any part of a charter period which does not extend to the entire financial year of NWFF (Macau)) (the "Guaranteed Sum"), CTF will pay NWFF (Macau) an amount equal to the shortfall in cash within two months after the issue of certificate by auditors upon finalization of the said accounts, provided that such amount shall not in any event exceed the aggregate charter hires payable and actually paid by NWFF (Macau) to the Vessel Owners under the Bareboat Charters for the relevant year (the "Shortfall").

Connected transactions (Continued)

(2) (Continued)

NWFF (Macau) was an indirect wholly owned subsidiary company of the Company. Star Success is an indirect wholly owned subsidiary company of CTF, which is the controlling shareholder of NWD, which in turns holds approximately 54% of the issued share capital (and hence a controlling shareholder) of the Company. Best Conquer and the Vessel Owners are direct or indirect wholly owned subsidiary companies of Star Success and, accordingly, are connected persons of the Company, the entering into and performance of the Master Charter Agreement constituted connected transactions for the Company under the Listing Rules. Moreover, given the ongoing nature of the transactions contemplated under the Bareboat Charters, such transactions constituted continuing connected transactions for the Company under the Listing Rules.

NWD and the Company made a joint announcement on 12 August 2004 stating the fact that based on the unaudited profit and loss account of NWFF (Macau) for FY2004, there would be a shortfall in the Vessels Operation Profit for the Guaranteed Sum. According to the audited financial statements of NWFF (Macau), the Shortfall amounts to HK\$30.9 million as at 30 June 2004.

Subsequent to the completion of the Share Exchange Agreement (as defined below) on 9 March 2004, NWFF (Macau) was no longer a subsidiary company of the Company. Since then the guarantee provided by CTF for the Vessels Operation Profit of NWFF (Macau) and the transactions contemplated under the Bareboat Charters had ceased to be continuing connected transactions for the Company.

(3) On 13 November 2003, certain members of the Group entered into 13 separate agreements with 肇慶市公路發展總公司 (unofficial translation being Zhaoqing Highway Development Ltd., "ZHD") for the disposal of all of the Group's interests in 13 sino-foreign co-operative joint ventures in the PRC (the "Toll Road Projects", which engaged in the development and operation of certain toll roads and toll bridge in the PRC) to ZHD for an aggregate consideration of approximately HK\$1.168 billion. These Toll Road Projects include the following joint venture companies:

- (a) Zhaoqing Xinde Bridge Limited
- (b) Zhaoqing Xingao Highways Company, Limited
- (c) Guangdong Xinzhaogao Highways Company, Limited
- (d) Zhaoqing Gaoyao Xinhua Highways Limited
- (e) Guangdong Gaoyao Xinjun Highways Limited
- (f) Guangdong Gaoyao Xinwei Highways Limited
- (g) Zhaoqing Gaoyao Xinshuang Jin Highways Limited
- (h) Zhaoqing Xinhui Highways Company, Limited
- (i) Zhaoqing Xinning Highways Company, Limited
- (j) Zhaoqing Xinjiang Highways Limited
- (k) Zhaoqing Xinde Highways Company, Limited
- (l) Zhaoqing Xinfeng Highways Company, Limited
- (m) Zhaoqing Deqing Xinyue Highways Limited

Report of the Directors

Connected transactions (Continued)

(3) (Continued)

The consideration for the disposal of the Toll Road Projects was paid by ZHD in cash by three installments: the first installment of HK\$958.0 million was paid before 1 January 2004, the second installment of HK\$90.0 million was paid before 1 March 2004 and the last installment of HK\$120.0 million was paid before 1 June 2004. Completion of the relevant agreements would take place on the later of (i) 31 December 2003 or (ii) such date when the transfer of interest in the relevant Toll Road Project had been approved by the relevant PRC approving authorities.

Each of the members of the Group participating in the Toll Road Projects is an indirectly wholly owned subsidiary company of the Company and each of the Toll Road Projects was also a subsidiary company of the Company. In addition, ZHD was the substantial shareholder of Zhaoqing Xingao Highways Company, Limited, Guangdong Xinzhaogao Highways Company, Limited, Zhaoqing Xinhui Highways Company, Limited and Zhaoqing Xinning Highways Company, Limited, all being non wholly owned subsidiary companies of the Company, ZHD was a connected person of the Company. The disposal of the Toll Road Projects as contemplated under the abovesaid agreements constituted connected transaction for the Company.

The transfers of interest in the Toll Road Projects as contemplated under the abovesaid agreements were completed in early 2004.

- (4) CTF, Merryhill Group Limited (“Merryhill”, a then indirect wholly owned subsidiary company of CTF which held, among other investments, the Citybus Group (Citybus Limited and its subsidiary companies)) and the Company entered into a share exchange agreement on 8 December 2003 (the “Share Exchange Agreement”) in connection with a proposed share exchange which, if completed, would place the respective transport and related businesses of CTF and the Company under Merryhill (the “Proposed Share Exchange”).

CTF and the Company agreed that upon and after completion of the Share Exchange Agreement, each of CTF and the Company would own 50% of the total issued share capital of Merryhill. In this connection, the following steps had been undertaken at completion (in the order stated) to put in place the 50:50 shareholding structure and made up the difference between the equity values of the Merryhill Group (Merryhill and its subsidiary companies) and the NWFH Group (New World First Holdings Limited (“NWFH”) and its subsidiary companies):

- (a) Merryhill declared and paid a dividend in cash in the amount of the lesser of: (i) HK\$102.6 million (being 50% of the difference between the equity values of the NWFH Group and the Merryhill Group as at 31 October 2003); and (ii) the full amount of the distributable reserves of Merryhill as at completion to Enrich Group Limited, an indirect wholly owned subsidiary company of CTF;
- (b) The Company capitalized a portion of the inter-company shareholder loans and other advances owed by members of the NWFH Group to the Group (“NWFH Shareholder Loans”) to increase the equity value of the NWFH Group such that the resultant equity value of the NWFH Group would be equal to the equity value of the Merryhill Group;

Connected transactions (Continued)

(4) (Continued)

- (c) The Company procured the transfer of the entire issued share capital of NWFH, including the new NWFH shares allotted and issued to the Company pursuant to the capitalization of a portion of the NWFH Shareholder Loans to Merryhill and assigned the uncanceled portion of the NWFH Shareholder Loans to Merryhill;
- (d) the consideration for the transfer and assignment mentioned in step (c) above was satisfied by:
 - (i) Merryhill issuing and allotting certain new Merryhill shares as consideration for the entire issued share capital of NWFH as well as the capitalized portion of the NWFH Shareholder Loans at face value; and
 - (ii) Merryhill paying, on a dollar-for-dollar basis, an amount in cash as consideration for the uncanceled portion of the NWFH Shareholder Loans at face value,in each case, to the Company or its nominee(s); and
- (e) Merryhill repaid a part of the inter-company shareholder loans owed by members of the Merryhill Group to the CTF group to CTF and issued and allotted certain new Merryhill shares to CTF for the purpose of capitalizing the remaining balance of these loans.

As CTF is a substantial shareholder and hence a connected person of the Company under the Listing Rules, the Proposed Share Exchange constituted a discloseable and connected transaction for the Company under the Listing Rules and therefore required the approval of the independent shareholders of the Company at a general meeting.

The transactions contemplated under the Proposed Share Exchange were approved by the independent shareholders at the special general meeting of the Company on 8 January 2004 and the Proposed Share Exchange was completed on 9 March 2004.

- (5) On 12 November 2003, Citybus Limited ("Citybus", a then indirect wholly owned subsidiary company of CTF) entered into a vehicle supply agreement with New World First Bus Services Limited ("NWFB", a then indirect wholly owned subsidiary company of the Company), whereby Citybus contracted to purchase 10 single-deck buses from NWFB at the aggregate cash price of approximately HK\$1.7 million.

On 8 December 2003, Citybus entered into another vehicle supply agreement with NWFB whereby Citybus contracted to purchase nine double-deck buses from NWFB at the aggregate cash price of approximately HK\$16.8 million.

CTF is a substantial shareholder of the Company, Citybus, being a wholly owned subsidiary company of CTF, was then a connected person of the Company. The transactions under the said vehicle supply agreements constituted connected transactions for the Company under the Listing Rules.

Report of the Directors

Connected transactions (Continued)

- (6) On 20 May 2004, Merryhill and the Company entered into a master services agreement (the “Master Services Agreement”) under which Merryhill agreed to, and procured that members of the Merryhill Group engage relevant members of the Group to provide operational services, which includes construction services, electrical and mechanical engineering services, facility management services, security and guarding services, cleaning and landscaping services, financial services and property management services and such other types of services as Merryhill and the Company may agree upon from time to time in writing, to Merryhill and/or relevant members of the Merryhill Group during the term of the Master Services Agreement. Moreover, under the Master Services Agreement, Merryhill also agreed and undertook that it shall procure the relevant members of the Merryhill Group to rent or otherwise license spare office, commercial, storage and car-parking spaces in the depots of the relevant members of the Merryhill Group to members of the Group.

The transactions contemplated under the Master Services Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. As CTF is a substantial shareholder of the Company and Merryhill is an associate of CTF, the Master Services Agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

Furthermore, before the completion of the Proposed Share Exchange, members of the Group entered into transactions on a recurring basis with members of the NWFH Group as well as the Citybus Group (which, upon completion, became members of the Merryhill Group) regarding the provision of the said operational services and the rental or licensing of spaces for the daily operation of the relevant parties. These transactions also became continuing connected transactions for the Company under the Listing Rules upon completion of the Proposed Share Exchange.

As at 30 June 2004, an aggregate consideration of approximately HK\$3.1 million had been received by the Group in respect of the services provided to Merryhill Group while an aggregate rental of approximately HK\$0.06 million had been paid by the Group to the Merryhill Group.

- (7) On 5 August 2004, an agreement was entered into between 四川犍為電力(集團)股份有限公司 (unofficial translation being Sichuan Qianwei Power (Group) Share Co., Ltd., “Qianwei Power Group”) and Lucrative Rich Limited, an indirect wholly owned subsidiary company of the Company, for the disposal of all the Group’s interest in 四川犍為大興電力有限公司 (unofficial translation being Sichuan Qianwei Dali Power Company Limited, “Qianwei”) at a consideration of RMB48.0 million.

The consideration is payable by Qianwei Power Group in cash by two installments. The first installment of RMB26.0 million was paid on the date of signing of the agreement and the second installment of RMB22.0 million is payable on or before 30 December 2004. Completion will take place upon fulfillment of all the condition precedents as set out in the agreement and on the date when the full amount of the consideration has been settled.

Qianwei Power Group, by virtue of its substantial shareholding in Qianwei, was a connected person of the Company. The disposal of interest in Qianwei as contemplated under the abovesaid agreement constituted connected transactions for the Company under the Listing Rules.

Connected transactions (Continued)

The continuing connected transactions mentioned in (1), (2) and (6) above have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

- (a) in the ordinary course of business of the Company;
- (b) on normal commercial terms;
- (c) in accordance with the relevant agreements governing such transactions, or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- (d) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (e) within the caps disclosed in the relevant press announcements.

Disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules

The information as required to be disclosed under Rules 13.20 and 13.22 of the Listing Rules in relation to the Group's advance to an entity and the financial assistance and guarantees to affiliated companies provided by the Group are as follows:

(a) Advance to an entity

As at 30 June 2004, the Group has made advances to First Star Development Limited ("First Star", a jointly controlled entity of the Group which is engaged in the investment of a property development project) in the aggregate amount of HK\$1.573 billion for financing its project costs. Such advances include the sum of HK\$544.0 million due from First Star, which is interest free, unsecured and has no fixed repayment term, and guarantees provided by the Group up to the amount of HK\$1.029 billion for certain banking facilities offered to First Star. These advances represent approximately 10% of the total market capitalization of the Company.

(b) Financial assistance and guarantees to affiliated companies

As at 30 June 2004, the Group has provided financial assistance, by way of shareholder loans/advances, in the aggregate amount of HK\$2.464 billion to its affiliated companies (included in amounts disclosed in Notes 14, 15 and 18 to the accounts), guaranteed bank loans and other borrowing facilities for the benefit of the affiliated companies in the amount of HK\$2.150 billion (included in the amounts disclosed in Note 32 to the accounts) and contracted to provide an aggregate amount of HK\$33.0 million in capital and loans to affiliated companies. The said amounts, in aggregate, represents approximately 29% of the total market capitalization of the Company.

The advances are unsecured, interest free and have no definite repayment terms except for an aggregate amount of HK\$444.9 million which carry interest ranging from 2% to 14% per annum, an amount of HK\$9.0 million which carries interest at three-month HIBOR per annum, an amount of HK\$3.9 million which carries interest at Hong Kong prime rate per annum, and an amount of HK\$640.0 million which is repayable on or before 2010. Contracted capital and loan contributions to affiliated companies would be funded by borrowings or internal resources of the Group.

Report of the Directors

Disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules (Continued)

(b) Financial assistance and guarantees to affiliated companies (Continued)

In accordance with the requirements under Rule 13.22, the Company is required to include in its annual 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 the directors are of the opinion that it is not practical nor meaningful to prepare a pro forma combined balance sheet and such information may be misleading. The Company made an application to, and has received a confirmation from the Hong Kong Stock Exchange as an alternative to provide the following statement.

As at 30 June 2004, based on the financial statements of the respective affiliated companies of the Group, these affiliated companies had outstanding borrowings of about HK\$20.005 billion, comprising secured bank loans of about HK\$10.895 billion, unsecured bank loans of about HK\$2.901 billion and other loans of about HK\$6.209 billion. The total commitments for capital expenditure of the affiliated companies amounted to about HK\$1.676 billion and total contingent liabilities amounted to about HK\$1.056 billion as at 30 June 2004.

Employees and remuneration policies

As at 30 June 2004, over 43,000 staff were employed by entities under the Group's management of which some 29,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK\$2.789 billion (2003: HK\$1.146 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.

Details of the retirement benefits schemes of the Company are set out in Note 30 to the accounts.

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial periods is set out on pages 130 and 131.

Auditors

The accounts for FY2004 have been audited by PricewaterhouseCoopers, who retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr Cheng Kar Shun, Henry

Chairman

Hong Kong, 15 October 2004

Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
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Central Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

AUDITORS' REPORT TO THE MEMBERS OF NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 66 to 127 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 October 2004

Consolidated Profit and Loss Account

for the year ended 30 June 2004

	Note	2004 HK\$m	As restated 2003 HK\$m
Turnover	2	12,552.9	5,770.0
Cost of sales		(11,180.9)	(5,176.1)
Gross profit		1,372.0	593.9
Other income	3	493.5	58.0
Recognition of one-off negative goodwill		–	474.0
Annual amortization of net negative goodwill	11	70.8	69.0
General and administrative expenses		(983.1)	(464.1)
Other charges	3	(405.4)	(74.8)
Operating profit	3	547.8	656.0
Finance costs	5	(280.8)	(194.1)
Share of results of Jointly controlled entities		1,127.5	591.8
Associated companies		493.0	317.3
Profit before taxation		1,887.5	1,371.0
Taxation	6	(329.5)	(160.2)
Profit after taxation		1,558.0	1,210.8
Minority interests		(19.8)	(17.6)
Profit attributable to shareholders	7	1,538.2	1,193.2
Dividends	8	718.7	367.6
Earnings per share	9		
Basic		HK\$0.86	HK\$1.36
Diluted		HK\$0.86	N/A

Consolidated Balance Sheet

as at 30 June 2004

	Note	2004 HK\$m	As restated 2003 HK\$m
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	11	(516.1)	(349.6)
Fixed assets	12	3,621.8	9,350.1
Jointly controlled entities	14	9,685.5	8,493.7
Associated companies	15	1,966.0	2,012.0
Other non-current assets	16	492.9	46.6
		15,250.1	19,552.8

Current assets			
Inventories	17	123.8	135.1
Debtors, deposits and prepayments	18	5,038.1	4,964.2
Trading securities	19	1.3	17.7
Bank balances and cash	20	3,501.8	2,548.4
		8,665.0	7,665.4

Current liabilities			
Creditors and accrued charges	21	4,293.1	5,072.2
Amounts due to related companies	23	181.6	652.6
Taxation		105.9	133.6
Current portion of loans and borrowings	27	1,346.2	423.7
Short term bank loans and overdrafts			
– Secured		0.8	99.1
– Unsecured		1,209.2	1,163.7
		7,136.8	7,544.9

Net current assets		1,528.2	120.5

Total assets less current liabilities		16,778.3	19,673.3

Non-current liabilities			
Loans and borrowings	27	5,563.7	7,754.6
Other long term liabilities	28	794.2	1,157.5
Minority interests and loans	29	869.8	2,510.7
		7,227.7	11,422.8

Net assets		9,550.6	8,250.5
CAPITAL AND RESERVES			
Share capital	24	1,792.5	1,780.8
Reserves	25	7,758.1	6,469.7
Shareholders' funds		9,550.6	8,250.5

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Balance Sheet

as at 30 June 2004

	Note	2004 HK\$m	2003 HK\$m
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	12	4.9	0.1
Subsidiary companies	13	16,483.0	17,919.1
		16,487.9	17,919.2
Current assets			
Debtors, deposits and prepayments	18	63.2	22.2
Bank balances and cash	20	154.6	8.5
		217.8	30.7
Current liabilities			
Creditors and accrued charges	21	95.1	13.0
Amounts due to related companies	23	181.6	103.5
Current portion of loans and borrowings	27	1,200.0	–
Short term bank loans and overdrafts, unsecured		932.0	500.0
		2,408.7	616.5
Net current liabilities		(2,190.9)	(585.8)
Total assets less current liabilities		14,297.0	17,333.4
Non-current liabilities			
Loans and borrowings	27	3,917.4	6,800.0
Other long term liabilities	28	505.0	686.6
		4,422.4	7,486.6
Net assets		9,874.6	9,846.8
CAPITAL AND RESERVES			
Share capital	24	1,792.5	1,780.8
Reserves	25	8,082.1	8,066.0
Shareholders' funds		9,874.6	9,846.8

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2004

	Note	2004 HK\$m	As restated 2003 HK\$m
Total equity at the beginning of year, as previously reported		8,557.9	3,717.4
Change in accounting policy for deferred taxation	25	(307.4)	(287.2)
Total equity at the beginning of year, as restated		8,250.5	3,430.2
New issue of shares and redemption of preference shares	24, 25	43.8	3,640.7
Change in fair value of non-trading securities recognized in investment revaluation reserve	25	14.9	(2.2)
Change in fair value of investment properties recognized in investment properties revaluation reserve	25	17.6	–
Exchange differences	25	0.5	–
Net gain/(loss) not recognized in the consolidated profit and loss account		33.0	(2.2)
Profit for the year	25	1,538.2	1,193.2
Goodwill reserve reinstated upon impairment	25	310.0	–
Dividends	25	(624.9)	(11.4)
Total equity at the end of year		9,550.6	8,250.5

Consolidated Cash Flow Statement

for the year ended 30 June 2004

	Note	2004 HK\$m	As restated 2003 HK\$m
Cash flows from operating activities			
Net cash generated from operations	33(a)	612.0	1,112.1
Finance costs paid		(280.8)	(193.9)
Interest received		9.3	11.3
Hong Kong profits tax paid		(100.1)	(3.8)
Mainland China and overseas taxation paid		(15.8)	(5.5)
Net cash generated from operating activities		224.6	920.2
Cash flows from investing activities			
Dividends received from jointly controlled entities		658.8	624.4
Dividends received from associated companies		191.7	318.5
Acquisition of subsidiary companies, net of cash acquired	33(b), (c)	66.3	(6,268.4)
Disposal of subsidiary companies, net of cash disposed	33(d), (e)	831.6	(63.7)
Restructuring of transport business and deconsolidation of a subsidiary company, net of cash transferred and deconsolidated	33(f), (g)	1,330.8	–
Acquisition of additional interests in subsidiary companies (Investment in and advances to)/disposal of interest in and repayment from jointly controlled entities		(2.0)	(0.5)
Repayment from/(investment in and advances to) associated companies		(441.7)	754.3
Repayment from/(investment in and advances to) associated companies		30.1	(62.1)
Additions of fixed assets		(151.4)	(140.8)
Sale of fixed assets		59.6	295.5
Sale of trading securities		31.0	–
Decrease in short term deposits with maturity more than three months		11.2	94.9
Increase in other investments		(7.5)	(17.3)
Net cash generated from/(used in) investing activities		2,608.5	(4,465.2)
Cash flows from financing activities			
Bank loans and borrowings drawn and refinancing	33(h)	5,958.0	8,433.2
Repayment of bank loans and borrowings		(7,915.5)	(2,611.9)
Issuance of convertible bonds		1,350.0	–
Issuance of shares		43.8	–
Repayment of loans from related companies		(652.6)	–
Capital contribution from minority shareholders		–	3.1
Settlement of loan from minority shareholders		(22.4)	(13.5)
Interest element of finance lease		(0.1)	(0.2)
Dividends paid to shareholders		(624.9)	(66.4)
Dividends paid to minority shareholders		(4.8)	(11.4)
Net cash (used in)/generated from financing activities		(1,868.5)	5,732.9
Net increase in cash and cash equivalents		964.6	2,187.9
Cash and cash equivalents at the beginning of year		2,537.2	349.3
Cash and cash equivalents at the end of year		3,501.8	2,537.2
Analysis of balances of cash and cash equivalents			
Bank balances and cash		3,501.8	2,548.4
Short term deposits with maturity more than three months		–	(11.2)
		3,501.8	2,537.2

Notes to the Accounts

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below.

(a) Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties and investment securities, and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), previously named as the Hong Kong Society of Accountants.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") 12 Income Taxes issued by the HKICPA which is effective for accounting periods commencing on or after 1 January 2003. The changes to the Group's accounting policy and the effects of adopting this revised standard are set out in Note 1(o) below.

(b) Consolidation

The Group accounts incorporate the accounts of the Company and all its subsidiary companies made up to 30 June and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies and jointly controlled entities. The results of subsidiary companies acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition or to the effective dates of disposal respectively.

All material intra-group transactions, including unrealized profits arising from intra-group construction contracts, sales of properties and interest income on loans and advances, have been eliminated on consolidation.

The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortized goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

(c) Subsidiary companies

A company is a subsidiary company if the Group, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The Company's investments in subsidiary companies are carried at cost less provision for any impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

(d) Associated companies

An associated company is a company other than a subsidiary company and a jointly controlled entity, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

Notes to the Accounts

1. Principal accounting policies (Continued)

(d) Associated companies (Continued)

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill/negative goodwill (net of accumulated amortization) on acquisition. The Company's investments in associated companies are carried at cost less provision for impairment losses. Results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(e) Jointly controlled entities

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the venturers have their respective interests and establish a contractual arrangement among them to define their joint control over the economic activity of the entity.

The Company's interests in jointly controlled entities are classified as long term investments and are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

The Group's interests in jointly controlled entities are stated at cost plus the Group's share of their post-acquisition results and reserves and goodwill/negative goodwill (net of accumulated amortization) on acquisition less provision for impairment losses. The share of post-acquisition results and reserves is based on the relevant profit sharing ratios which vary according to the nature of the jointly controlled entities explained as follows:

(i) Equity joint ventures

Equity joint ventures are joint ventures in respect of which the venturers' capital contribution ratios are defined in the joint venture contracts and the venturers' profit sharing ratios are in proportion to the capital contribution ratios.

(ii) Co-operative joint ventures

Co-operative joint ventures are joint ventures in respect of which the venturers' profit sharing ratios and share of net assets upon the expiration of the joint venture periods are not in proportion to their capital contribution ratios but are as defined in the joint venture contracts. Where the Group is not entitled to share the net assets of a co-operative joint venture at the end of the joint venture period, the cost of investment in such co-operative joint venture is amortized over the joint venture period.

(iii) Companies limited by shares

Companies limited by shares are limited liability companies in respect of which each shareholder's beneficial interests therein is in accordance with the amount of the voting share capital held.

(f) Goodwill/negative goodwill

(i) Goodwill

Goodwill represents the excess of purchase consideration over the fair values ascribed to net assets of subsidiary companies, associated companies or jointly controlled entities acquired.

Prior to 1 July 2001, goodwill arising on acquisitions of subsidiaries, associated companies or jointly controlled entities was taken directly to reserves in the year of acquisition.

1. Principal accounting policies (Continued)

(f) Goodwill/negative goodwill (Continued)

(i) Goodwill (Continued)

Goodwill on acquisitions occurring on or after 1 July 2001 is included in the balance sheet and is amortized using the straight-line method over its estimated useful life of not more than 20 years. Any impairment of the goodwill will be recognized as an expense in the profit and loss account immediately.

(ii) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill on acquisitions of subsidiary companies, associated companies or jointly controlled entities arising prior to 1 July 2001 was taken directly to reserves in the year of acquisition. For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognized in the profit and loss account when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the profit and loss account over the remaining weighted average life of those assets; negative goodwill in excess of the fair values of those assets is recognized in the profit and loss account immediately.

(g) Revenue recognition

Revenue is recognized when it is probable that future economic benefits will accrue to the Group and these benefits can be measured reliably on the following bases:

(i) Construction and engineering

Revenue from individual contract on construction, electrical and mechanical engineering services is recognized under the percentage of completion method, when the profit of the contract can be prudently determined and is measured by reference to the proportion that contract costs incurred for work performed to date compares to the estimated total contract costs to completion. The completion of individual contract is determined by the date of the issuance of the relevant maintenance certificate or equivalent, or 12 months after the issuance of occupation permit, whichever the earlier. Anticipated losses are fully provided on contracts when identified.

(ii) Toll revenue

Toll revenue from road and bridge operations, income from cargo, container handling and storage are recognized when services are rendered.

(iii) Service fee income

Property and facilities management service fees, property letting agency fee, security service fee and transportation service fee are recognized when services are rendered.

(iv) Rental income

Rental income is recognized on an accrual basis over the terms of the lease agreements.

Notes to the Accounts

1. Principal accounting policies (Continued)

(g) Revenue recognition (Continued)

(v) Insurance brokerage premium

Insurance brokerage premium is recognized over the period covered by each insurance policy on a straight-line basis.

(vi) Sales of goods

Income from sales of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(vii) Interest income

Interest income is recognized on a time proportion basis. Interest received and receivable in respect of loan financing provided to associated companies, equity and co-operative joint venturers (where they are not accounted for as subsidiary companies) during their pre-operational period are deferred and amortized over the repayment periods.

(viii) Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

(h) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalized at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated on the basis described in Note 1(i) (ii).

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(i) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential.

Investment properties are carried at open market value based on independent professional valuations. Increases in valuations are credited to investment properties revaluation reserve; decreases in valuations are first set off against increases on earlier valuations on a portfolio basis and thereafter charged to the profit and loss account. Any decrease in valuation charged to the profit and loss account which is subsequently restored is credited to the profit and loss account to the extent of the amount previously charged.

1. Principal accounting policies (Continued)

(i) Fixed assets (Continued)

(i) Investment properties (Continued)

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realized in respect of previous valuations is released from the revaluation reserve to the profit and loss account.

(ii) Other fixed assets and depreciation

Other fixed assets are stated at cost or valuation less accumulated depreciation and provision for impairment losses.

No depreciation is provided in respect of construction in progress.

Depreciation of toll roads and bridges is calculated to write off their costs on an economic usage basis whereby the amount of deprecation is provided based on the ratio of actual traffic volume compared to the total projected traffic volume over the remaining toll collection periods of joint ventures. The projected traffic volume of toll roads and bridges is reviewed regularly with reference to both internal and external sources of information and adjusted if it is appropriate.

In December 2003, the HKICPA 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 accounts as a result of this further clarification from the HKICPA.

Depreciation of other fixed assets is calculated to write off their cost or valuation over their estimated useful lives, using the straight-line method, at the following annual rates:

Long term leasehold land	Unexpired period of the lease
Medium term leasehold land	2% or unexpired period of the lease
Buildings	2.5% – 3%
Ports facilities and terminal equipment	2.25% – 15%
Buses and vessels	4% – 10%
Plant and equipment, furniture and fixtures, and others	7% – 50%

(iii) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

(iv) Gain or loss on disposal of fixed assets

Profit or loss on disposal of a fixed asset is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account. Upon the disposal of revalued assets (except investment properties), the relevant realized revaluation reserve is transferred directly to retained profits.

Notes to the Accounts

1. Principal accounting policies (Continued)

(i) Fixed assets (Continued)

(v) Maintenance of fixed assets

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected lives to the Group.

(vi) Capitalization of fixed assets

All direct and indirect costs relating to the construction of fixed assets including borrowing costs and exchange differences on the related borrowed funds during the construction period, are capitalized as the costs of the fixed assets.

(j) Other investments

Other investments are investments other than subsidiary companies, associated companies and jointly controlled entities.

(i) Non-trading securities

Investments held for non-trading purpose are stated at fair value at the balance sheet date. Changes in fair value of individual securities are dealt with as movement to the investments revaluation reserve until the securities are sold or are determined to be impaired. Where the directors determine that there is an impairment loss, it is removed from the asset revaluation reserve and recognized in the profit and loss account.

Upon disposal, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the asset revaluation reserve, is dealt with in the profit and loss account. Impairment loss recognized in the profit and loss account are written back in the profit and loss account to the extent of the amount previously charged when the circumstances and events leading to the impairment cease to exist.

(ii) Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of trading securities are recognized in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

(k) Inventories and contracting work in progress

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is calculated on the weighted average basis. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Contracting work in progress is stated at cost plus attributable profits recognized on the basis set out in Note 1(g)(i) above, less provision for anticipated losses and progress payments received and receivable.

Cost comprises materials, direct labour and overheads attributable in bringing the inventories and work in progress to its present condition.

1. Principal accounting policies (Continued)

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet date at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(m) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(n) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(o) Deferred taxation

Deferred taxation is provided in full, using the 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, associated companies and jointly controlled entities, 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 prior year, 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 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.

Notes to the Accounts

1. Principal accounting policies (Continued)

(o) Deferred taxation (Continued)

As detailed in Note 25 to the accounts, opening equity at 1 July 2002 and 2003 have been reduced by HK\$287.2 million and HK\$307.4 million respectively, which represent the unprovided net deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 30 June 2003 by HK\$19.0 million and HK\$172.7 million, respectively. The profit for the year ended 30 June 2003 has been reduced by HK\$20.2 million.

(p) Capitalization of interest and finance charges

Interest and finance charges on borrowings relating to construction in progress and properties under development, after elimination of intra-group interest charges, are included in the project cost and cost of development during the relevant period of construction and development respectively.

Borrowing costs incurred by the Group on the related borrowing funds which have been used to finance the construction of fixed assets by the associated companies and jointly controlled entities, are capitalized as the carrying value of these associated companies and jointly controlled entities.

(q) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiary companies, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(r) Employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

Provision for bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Contributions to defined contribution schemes, including the mandatory provident fund ("MPF") scheme, are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Defined benefit costs under defined benefit schemes and long service payments, which are assessed using the projected unit credit method are charged to the profit and loss account. Under this method, plan assets are measured at fair value and defined benefit obligations are measured as the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the balance sheet date based on Exchange Fund Notes, which have terms to maturity approximating the terms of the related liability.

1. Principal accounting policies (Continued)

(r) Employee benefits (Continued)

Share options are granted and exercisable at specified exercise prices during the exercisable periods and no compensation cost is recognized. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

(s) Convertible bonds

Convertible bonds are classified as liabilities until they are converted into equity and are stated at principal amount.

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of goodwill, fixed assets, other investments, stocks and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and borrowings. Capital expenditure comprises additions to fixed assets, including those resulting from acquisitions of subsidiary companies.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Segment assets and capital expenditure are where the investments/operating assets are located.

2. Turnover and segment information

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

	2004 HK\$m	2003 HK\$m
Turnover		
Container handling, logistics and warehousing	17.3	12.8
Roads and bridges	368.4	182.6
Energy, water treatment and waste management	0.9	1.2
Facilities	3,001.6	717.6
Contracting	7,696.5	4,158.2
Transport	1,138.1	603.3
Sales of goods and rendering of other services	330.1	94.3
	12,552.9	5,770.0

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.

Segmental information under the primary reporting format – business segments is set out overleaf. There are no other significant identifiable business segments.

Notes to the Accounts

2. Turnover and segment information (Continued)

(a) 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
Year 2004									
External sales	17.3	368.4	0.9	3,001.6	7,696.5	1,138.1	330.1	-	12,552.9
Inter-segment sales	-	-	-	142.6	473.0	0.2	22.0	(637.8)	-
Total turnover	17.3	368.4	0.9	3,144.2	8,169.5	1,138.3	352.1	(637.8)	12,552.9
Segment results	13.8	161.9	10.6	383.1	22.9	72.1	38.5	-	702.9
Annual amortization of net negative goodwill	-	(3.5)	-	10.8	88.3	(6.4)	(18.4)	-	70.8
Profit/(loss) on disposal of subsidiary companies	(3.3)	194.0	201.6	-	-	-	-	-	392.3
Profit on disposal of a jointly controlled entity	-	13.1	-	-	-	-	-	-	13.1
Impairment loss on investment in a jointly controlled entity	-	-	(29.0)	-	-	-	-	-	(29.0)
Impairment loss on goodwill of an associated company	(310.0)	-	-	-	-	-	-	-	(310.0)
Impairment loss on fixed assets	(36.0)	-	-	-	(0.4)	-	-	-	(36.4)
Loss on disposal of fixed assets	(26.7)	-	-	-	-	-	-	-	(26.7)
Unallocated corporate expenses	-	-	-	-	-	-	-	-	(229.2)
Operating profit	-	-	-	-	-	-	-	-	547.8
Finance costs	-	-	-	-	-	-	-	-	(280.8)
Share of results of	-	-	-	-	-	-	-	-	-
Jointly controlled entities	195.6	286.2	518.5	22.4	52.7	35.8	16.3	-	1,127.5
Associated companies	227.6	-	-	0.3	220.0	4.3	40.8	-	493.0
Profit before taxation	-	-	-	-	-	-	-	-	1,887.5
Taxation	-	-	-	-	-	-	-	-	(329.5)
Profit after taxation	-	-	-	-	-	-	-	-	1,558.0
Minority interests	-	-	-	-	-	-	-	-	(19.8)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	1,538.2
Segment assets	132.1	1,921.9	0.8	1,745.9	4,491.4	-	184.2	-	8,476.3
Jointly controlled entities	1,904.0	3,666.4	2,406.1	9.3	613.2	1,004.3	82.2	-	9,685.5
Associated companies	914.1	-	-	1.1	632.9	2.7	415.2	-	1,966.0
Unallocated assets	-	-	-	-	-	-	-	-	3,787.3
Total assets	-	-	-	-	-	-	-	-	23,915.1
Segment liabilities	7.8	317.9	0.3	578.9	3,254.4	-	95.2	-	4,254.5
Unallocated liabilities	-	-	-	-	-	-	-	-	9,240.2
Total liabilities	-	-	-	-	-	-	-	-	13,494.7
Minority interests and loans	-	-	-	-	-	-	-	-	869.8
	-	-	-	-	-	-	-	-	14,364.5
Capital expenditure	6.7	6.6	-	50.1	39.8	31.4	16.8	-	151.4
Depreciation	5.9	137.1	-	55.5	85.8	151.2	6.2	-	441.7

2. Turnover and segment information (Continued)

(a) Primary reporting format – business segments (Continued)

	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
(As restated) Year 2003									
External sales	12.8	182.6	1.2	717.6	4,158.2	603.3	94.3	-	5,770.0
Inter-segment sales	-	-	-	62.9	411.5	-	11.1	(485.5)	-
Total turnover	12.8	182.6	1.2	780.5	4,569.7	603.3	105.4	(485.5)	5,770.0
Segment results	(6.4)	82.6	5.7	81.0	64.2	(8.5)	16.5	-	235.1
Recognition of one-off negative goodwill	-	-	-	-	176.0	-	298.0	-	474.0
Annual amortization of net negative goodwill	-	(2.1)	-	10.8	88.3	(9.6)	(18.4)	-	69.0
Profit on disposal of a subsidiary company	-	27.1	-	-	-	-	-	-	27.1
Impairment loss on fixed assets	(70.0)	-	-	-	(2.2)	(2.6)	-	-	(74.8)
Unallocated corporate expenses									(74.4)
Operating profit									656.0
Finance costs									(194.1)
Share of results of Jointly controlled entities	199.4	99.3	185.6	-	100.0	-	7.5	-	591.8
Associated companies	290.8	-	-	-	19.0	3.8	3.7	-	317.3
Profit before taxation									1,371.0
Taxation									(160.2)
Profit after taxation									1,210.8
Minority interests									(17.6)
Profit attributable to shareholders									1,193.2
Segment assets	216.7	5,827.3	0.9	1,549.4	4,551.8	2,251.3	337.3	-	14,734.7
Jointly controlled entities	1,813.4	3,675.4	2,838.8	8.8	89.2	-	68.1	-	8,493.7
Associated companies	860.2	-	-	1.3	492.8	247.3	410.4	-	2,012.0
Unallocated assets									1,977.8
Total assets									27,218.2
Segment liabilities	4.1	270.6	0.6	421.4	3,670.2	304.4	128.6	-	4,799.9
Unallocated liabilities									11,657.1
Total liabilities									16,457.0
Minority interests and loans									2,510.7
									18,967.7
Capital expenditure	2.3	4.9	-	27.4	22.7	55.3	28.2	-	140.8
Depreciation	8.1	65.8	-	21.8	47.5	93.8	4.0	-	241.0

Notes to the Accounts

2. Turnover and segment information (Continued)

(b) Secondary reporting format – geographical segments

	Turnover HK\$m	Segment results HK\$m	Segment assets HK\$m	Capital expenditure HK\$m
Year 2004				
Hong Kong	10,527.2	501.1	5,782.6	133.4
Mainland China	1,733.8	197.1	2,682.9	18.0
Others	291.9	4.7	10.8	-
	12,552.9	702.9	8,476.3	151.4
(As restated)				
Year 2003				
Hong Kong	4,362.2	157.9	8,233.4	128.1
Mainland China	1,405.8	75.5	6,488.2	10.6
Others	2.0	1.7	13.1	2.1
	5,770.0	235.1	14,734.7	140.8

3. Operating profit

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

	Note	2004 HK\$m	2003 HK\$m
Crediting			
Gross rental income from investment properties		40.5	14.5
Less: Outgoings		(10.6)	(5.6)
		29.9	8.9
Other income			
Profit on disposal of subsidiary companies		395.6	27.1
Profit on disposal of a jointly controlled entity		13.1	–
Profit on disposal of trading securities		13.7	–
Interest income		9.3	11.3
Management fee		48.8	4.8
Machinery hire income		13.0	14.2
Others		–	0.6
		493.5	58.0
Charging			
Auditors' remuneration		13.5	9.3
Cost of inventories sold		780.7	176.3
Depreciation		441.7	241.0
Operating lease rental expense			
Land and buildings		87.4	45.4
Other equipment		55.9	16.0
Staff costs (Note 4)		2,442.0	1,085.0
Reorganization expenses		–	24.0
Other charges			
Loss on disposal of a subsidiary company		3.3	–
Loss on disposal of fixed assets		26.7	–
Impairment loss on goodwill of an associated company	(a)	310.0	–
Impairment loss on investment in a jointly controlled entity		29.0	–
Impairment loss on fixed assets (Note 12)		36.4	74.8
		405.4	74.8

- (a) An impairment charge was made to the carrying value of CSX World Terminals Hong Kong Limited ("CSXWTHK"), an associated company of the Group, as a result of changes in the current and prospective business conditions. The recoverable amount of CSXWTHK was determined based on value-in-use valuation using a discount rate of 8%.

4. Staff costs (including directors' emoluments)

	2004 HK\$m	2003 HK\$m
Wages and salaries	2,735.2	1,094.4
Long service payment obligations	(6.9)	13.1
Defined contribution plans	103.7	42.6
Defined benefits plans	0.5	0.8
	2,832.5	1,150.9
Less: capitalized under contracts in progress	(390.5)	(65.9)
	2,442.0	1,085.0

Notes to the Accounts

5. Finance costs

	2004 HK\$m	2003 HK\$m
Interest on loans and borrowings		
Wholly repayable within five years	157.1	90.2
Not wholly repayable within five years	5.2	22.8
Interest on loans from minority shareholders	75.3	35.1
Interest on finance leases	0.1	0.2
Other borrowing costs	43.1	45.8
	280.8	194.1

6. Taxation

Hong Kong profits tax is provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on Mainland China and overseas profits has been calculated on the estimated taxable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2004 HK\$m	As restated 2003 HK\$m
Company and subsidiary companies		
Hong Kong profits tax	76.1	25.8
Mainland China and overseas taxation	12.8	8.3
Deferred taxation relating to the origination and reversal of temporary differences	25.2	(6.6)
	114.1	27.5
Jointly controlled entities		
Hong Kong profits tax	44.1	27.8
Mainland China and overseas taxation	91.4	16.6
Deferred taxation	14.3	27.9
	149.8	72.3
Associated companies		
Hong Kong profits tax	65.8	53.1
Mainland China and overseas taxation	-	0.1
Deferred taxation	(0.2)	7.2
	65.6	60.4
	329.5	160.2

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

6. Taxation (Continued)

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

	HK\$m
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
Decrease in reserves	(307.4)

The taxation charge on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Group	
	2004 HK\$m	2003 HK\$m
Profit before taxation	1,887.5	1,371.0
Calculated at a taxation rate of 17.5% (2003: 17.5%)	330.3	239.9
Effect of different taxation rates under other taxation jurisdiction	(7.3)	(11.5)
Tax exemption granted	(24.5)	(12.6)
Income not subject to taxation	(151.8)	(137.0)
Expenses not deductible for taxation purposes	134.4	35.6
Unused tax losses not recognized	56.6	32.3
Utilization of previously unrecognized tax losses	(13.0)	(0.8)
Increase in opening net deferred tax liabilities resulting from an increase in taxation rate	–	22.7
Others	4.8	(8.4)
Taxation charge	329.5	160.2

7. Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$608.9 million (2003: HK\$591.1 million).

Notes to the Accounts

8. Dividends

	2004 HK\$m	2003 HK\$m
Interim dividend paid of HK\$0.15 (2003: Nil) per share	268.7	–
Final dividend proposed of HK\$0.25 (2003: HK\$0.20) per share	450.0	356.2
4% cumulative convertible redeemable preference shares	–	11.4
	718.7	367.6

On 15 October 2004, the board of directors recommend a final dividend of HK\$0.25 (2003: HK\$0.20) per share. This dividend will be accounted for as an appropriation of the retained profits for the year ending 30 June 2005.

9. Earnings per share

The calculation of basic earnings per share is based on profit of HK\$1,538.2 million (2003: restated profit of HK\$1,193.2 million less preference share dividend of HK\$11.4 million) and the weighted average of 1,784.5 million (2003: 866.1 million) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30 June 2004 is calculated based on 1,799.0 million shares which were the weighted average number of 1,784.5 million shares in issue during the year plus the weighted average of 14.4 million shares deemed to be issued at HK\$3.725 and 0.1 million shares deemed to be issued at HK\$6.93, if all outstanding share options had been exercised. The convertible bonds do not have a dilutive effect.

The calculation of diluted earnings per share for the year ended 30 June 2003 was not presented as the share options granted by the Company did not have a dilutive effect.

10. Emoluments of directors and senior management

(a) Emoluments of directors

The aggregate amounts of emoluments payable to the directors of the Company are as follows:

	2004 HK\$m	2003 HK\$m
Fees	1.9	1.5
Salaries and other emoluments	15.6	3.3
Contributions to retirement benefits schemes	1.1	0.2
	18.6	5.0

On 21 July 2003, a total of 13,400,000 share options (2003: Nil) were granted to directors. The market value per share at the date of grant is HK\$3.55. The amount of other emoluments disclosed above excluded an amount of approximately HK\$24.5 million representing the difference between the exercise price and the market value of the relevant shares at the date of exercise attributable to 4,066,664 share options exercised by the directors under the share option schemes during the year. Details of share options granted and exercised during the year are set out in Note 24.

The emoluments and benefits in kind of the directors fell within the following bands:

Emolument band HK\$	Number of directors	
	2004	2003
Nil – 1,000,000	4	16
1,000,001 – 1,500,000	2	1
1,500,001 – 2,000,000	1	1
4,000,001 – 4,500,000	1	–
5,000,001 – 6,000,000	1	–
6,500,001 – 7,000,000	1	–
7,000,001 – 7,500,000	2	–
7,500,001 – 8,000,000	1	–
	13	18

Fees paid to independent non-executive directors amounted to HK\$0.7 million (2003: HK\$0.4 million). There were no other emoluments paid to independent non-executive directors. None of the directors waived the right to receive his emoluments.

Notes to the Accounts

10. Emoluments of directors and senior management (Continued)

(b) Emoluments of five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five directors (2003: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the last year are as follows:

	2004 HK\$m	2003 HK\$m
Salaries and other emoluments	-	4.8
Contributions to retirement benefit schemes	-	0.2
	-	5.0

The emoluments fell within the following bands:

Emolument band HK\$	Number of individuals	
	2004	2003
1,000,001 – 1,500,000	-	1
1,500,001 – 2,000,000	-	1
2,000,001 – 2,500,000	-	1
	-	3

11. Goodwill

	Group		
	Goodwill HK\$'m	Negative goodwill HK\$'m	Total HK\$'m
Cost			
At 1 July 2003, as previously reported	517.0	(1,510.9)	(993.9)
Change in accounting policy for deferred taxation	133.5	(32.3)	101.2
At 1 July 2003, as restated	650.5	(1,543.2)	(892.7)
Disposal of subsidiary companies	(72.9)	10.3	(62.6)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	(194.7)	–	(194.7)
At 30 June 2004	382.9	(1,532.9)	(1,150.0)
Accumulated amortization			
At 1 July 2003, as previously reported	26.0	(572.0)	(546.0)
Change in accounting policy for deferred taxation	3.6	(0.7)	2.9
At 1 July 2003, as restated	29.6	(572.7)	(543.1)
Disposal of subsidiary companies	(4.6)	0.6	(4.0)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	(16.0)	–	(16.0)
Amortization	28.6	(99.4)	(70.8)
At 30 June 2004	37.6	(671.5)	(633.9)
Net book value			
At 30 June 2004	345.3	(861.4)	(516.1)
At 30 June 2003, as restated	620.9	(970.5)	(349.6)

The prior year adjustments of deferred taxation have 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 SSAP 30 "Business Combinations".

Notes to the Accounts

12. Fixed assets

	Group							Company	
	Investment properties HK\$m	Land and buildings HK\$m	Roads and bridges HK\$m	Port facilities and terminal equipment HK\$m	Buses and vessels HK\$m	Other assets HK\$m	Construction in progress HK\$m	Total HK\$m	Other assets HK\$m
Cost or valuation									
At 1 July 2003	994.2	1,343.5	6,138.5	51.6	2,023.4	1,572.9	138.3	12,262.4	0.1
Acquisition of subsidiary companies	-	-	-	-	-	66.7	-	66.7	-
Additions	-	13.0	4.8	3.2	1.4	103.7	25.3	151.4	5.2
Transfers	-	0.2	-	-	11.0	1.4	(12.6)	-	-
Disposal of subsidiary companies	-	(1.8)	(2,432.5)	(43.7)	-	(47.6)	-	(2,525.6)	-
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	-	(582.0)	(1,671.8)	-	(1,995.0)	(228.9)	(65.9)	(4,543.6)	-
Disposals	(1.7)	(9.2)	-	-	(38.9)	(110.5)	(53.8)	(214.1)	-
Revaluation surplus	17.6	-	-	-	-	-	-	17.6	-
At 30 June 2004	1,010.1	763.7	2,039.0	11.1	1.9	1,357.7	31.3	5,214.8	5.3
Accumulated depreciation and impairment									
At 1 July 2003	-	373.0	958.8	11.2	606.4	947.3	15.6	2,912.3	-
Acquisition of subsidiary companies	-	-	-	-	-	64.0	-	64.0	-
Charge for the year	-	32.6	133.0	2.1	111.8	162.2	-	441.7	0.4
Impairment charge	-	36.0	-	-	-	0.4	-	36.4	-
Disposal of subsidiary companies	-	(0.2)	(476.6)	(9.3)	-	(31.1)	-	(517.2)	-
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	-	(68.4)	(329.2)	-	(705.8)	(113.0)	-	(1,216.4)	-
Disposals	-	(3.4)	-	-	(10.5)	(98.3)	(15.6)	(127.8)	-
At 30 June 2004	-	369.6	286.0	4.0	1.9	931.5	-	1,593.0	0.4
Net book value									
At 30 June 2004	1,010.1	394.1	1,753.0	7.1	-	426.2	31.3	3,621.8	4.9
At 30 June 2003	994.2	970.5	5,179.7	40.4	1,417.0	625.6	122.7	9,350.1	0.1

12. Fixed assets (Continued)

Cost or valuation of properties was made up as follows:

	Group		Group	
	2004 Cost HK\$m	2004 Professional valuation HK\$m	2003 Cost HK\$m	2003 Professional valuation HK\$m
Investment properties				
Hong Kong long lease	–	1,007.9	–	990.3
Hong Kong medium lease	–	–	–	1.7
Mainland China long lease	2.2	–	2.2	–
	2.2	1,007.9	2.2	992.0
Land and buildings				
Hong Kong long lease	141.9	–	142.7	–
Hong Kong medium lease	226.1	–	237.0	–
Hong Kong short lease	–	–	571.3	–
Mainland China long lease	30.7	–	22.1	–
Mainland China medium lease	354.6	–	357.6	–
Mainland China short lease	8.4	–	7.2	–
Mainland China freehold	2.0	–	5.6	–
	763.7	–	1,343.5	–
	765.9	1,007.9	1,345.7	992.0

- (a) The investment properties were revalued on 30 June 2004 on an open market value basis by Vigers Hong Kong Limited, independent professional property valuers. All other fixed assets are stated at cost.
- (b) The aggregate net book value of assets pledged as securities for loans amounts to approximately HK\$9.4 million (2003: HK\$14.1 million).

13. Subsidiary companies

	2004 HK\$m	2003 HK\$m
Unlisted shares, at cost	3,393.2	3,393.2
Amounts receivable less provision	13,089.8	14,525.9
	16,483.0	17,919.1

- (a) The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.
- (b) Details of principal subsidiary companies are given in Note 38.

Notes to the Accounts

14. Jointly controlled entities

		Group	
	Note	2004 HK\$m	As restated 2003 HK\$m
Co-operative joint ventures	(a)		
Cost of investment less provision		1,277.7	1,590.2
Goodwill		68.4	55.3
Share of undistributed post-acquisition results		546.5	471.9
Loans receivable	(b)	1,047.3	1,213.8
Amounts receivable less provision	(b)	303.0	427.6
Amounts payable	(c)	(1.0)	(0.9)
		3,241.9	3,757.9
<hr style="border-top: 1px dashed black;"/>			
Equity joint ventures			
Group's share of net assets		1,528.1	1,541.2
Goodwill		70.0	75.4
Loans receivable	(b)	73.9	101.6
Amounts payable	(c)	(1.7)	(80.0)
		1,670.3	1,638.2
<hr style="border-top: 1px dashed black;"/>			
Companies limited by shares			
Group's share of net assets		3,409.3	2,734.0
Goodwill		435.3	40.3
Loans receivable	(b)	359.6	309.6
Amounts receivable less provision	(b)	569.1	13.7
		4,773.3	3,097.6
<hr style="border-top: 1px dashed black;"/>			
		9,685.5	8,493.7

- (a) Certain of the Group's interests in co-operative joint ventures in Mainland China have been pledged as security for a loan to a fellow subsidiary company.

14. Jointly controlled entities (Continued)

(b) Loans and amounts receivable are analyzed as follows:

	Loans receivable		Amounts receivable	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Interest bearing				
Fixed rates (Note (i))	352.4	405.4	92.5	81.2
Variable rates (Note (ii))	9.0	13.7	3.9	4.0
Non-interest bearing (Note (iii))	1,119.4	1,205.9	775.7	356.1
	1,480.8	1,625.0	872.1	441.3

- (i) Charged interest at fixed rates ranging from 2% to 14% per annum (2003: 2% to 15% per annum) of which HK\$19.0 million (2003: HK\$19.0 million) has been subordinated to repayment of bank loan.
- (ii) Represents variable rate at three-month Hong Kong Interbank Offered Rate in respect of the loan to a jointly controlled entity and at Hong Kong prime rate in respect of the amounts due from jointly controlled entities.
- (iii) Included in the non-interest bearing portion is a subordinated loan of HK\$310.8 million (2003: HK\$272.3 million).

The repayment terms of the loans/amounts receivable are specified in the relevant joint venture agreements.

- (c) The amounts payable are unsecured, interest free and repayable on demand.
- (d) Dividend income from jointly controlled entities was HK\$661.7 million (2003: HK\$624.4 million).
- (e) Particulars of principal jointly controlled entities are given in Note 40.

Notes to the Accounts

15. Associated companies

	Note	Group 2004 HK\$m	As restated 2003 HK\$m
Group's share of net assets			
Listed shares in Hong Kong		810.4	884.8
Unlisted shares		1,207.9	1,107.9
		2,018.3	1,992.7
Negative goodwill on acquisition		(83.1)	(88.5)
Goodwill on acquisition		31.4	48.1
		(51.7)	(40.4)
Amounts receivable	(a)	2.9	66.1
Amounts payable	(b)	(3.5)	(6.4)
		(0.6)	59.7
		1,966.0	2,012.0

- (a) The amounts receivable are unsecured, interest free and have no fixed terms of repayment.
- (b) As at 30 June 2004, the amounts payable are unsecured, interest free and repayable on demand. As at 30 June 2003, the amounts payable are unsecured, interest free and repayable on demand except for an amount of HK\$5.3 million which bears interest at Hong Kong prime rate.
- (c) Dividend income from associated companies was HK\$195.6 million (2003: HK\$318.5 million).
- (d) The market value of the Group's listed investment in associated companies amounts to HK\$436.6 million (2003: HK\$332.1 million).
- (e) Details of principal associated companies of the Group are given in Note 39.

16. Other non-current assets

	Note	Group	
		2004 HK\$m	As restated 2003 HK\$m
Long term receivable	(a)	421.3	–
Non-trading securities			
– listed in Hong Kong		40.5	25.5
– unlisted		7.5	–
Retirement benefits assets (Note 30)		7.1	2.1
Deferred tax assets (Note 26)		16.5	19.0
		492.9	46.6

(a) Long term receivable

	2004 HK\$m	2003 HK\$m
Long term receivable	486.1	–
Amount receivable within one year included in debtors, deposits and prepayments (Note 18)	(64.8)	–
	421.3	–

The Group disposed of a power plant in Mainland China and the consideration is receivable by 14 biannual installments up to 2010. The account receivable is secured by certain fixed assets of the debtor, bears interest at London Interbank Offered Rate plus 1.9% per annum.

17. Inventories

	Group	
	2004 HK\$m	2003 HK\$m
Raw materials	24.7	34.3
Work-in-progress	1.4	12.9
Finished goods	97.7	87.9
	123.8	135.1

The amount of inventories carried at net realizable value amounted to approximately HK\$17.2 million (2003: HK\$1.8 million).

Notes to the Accounts

18. Debtors, deposits and prepayments

	Note	Group		Company	
		2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Trade debtors	(a)	1,274.8	1,299.6	-	-
Retention receivables		716.6	807.8	-	-
Current portion of long term receivables (Note 16 (a))		64.8	-	-	-
Amounts due from customers for contract works (Note 22)		330.0	330.9	-	-
Deposits and prepayments		2,543.8	2,310.9	63.2	22.2
Amounts due from jointly controlled entities		88.6	88.2	-	-
Amounts due from associated companies		19.5	126.8	-	-
		5,038.1	4,964.2	63.2	22.2

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

	Group	
	2004 HK\$m	2003 HK\$m
Under 3 months	945.6	986.5
Between 4-6 months	75.9	111.6
Over 6 months	253.3	201.5
	1,274.8	1,299.6

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.

19. Trading securities

	Group	
	2004 HK\$m	2003 HK\$m
Trading securities listed in Hong Kong, at market value	1.3	17.7

20. Bank balances and cash

Included in bank balances and cash of the Group are amounts totalling HK\$15.5 million (2003: HK\$113.8 million) pledged to banks to secure banking facilities to the extent of HK\$15.5 million (2003: HK\$107.1 million).

21. Creditors and accrued charges

	Note	Group		Company	
		2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Trade creditors	(a)	561.8	711.5	–	–
Retention payables		436.3	512.4	–	–
Advance received from customers		39.1	31.2	–	–
Amounts due to customers for contract works (Note 22)		458.9	621.3	–	–
Other creditors	(b)	87.4	–	–	–
Other payables and accruals		2,709.3	3,178.8	95.1	13.0
Amounts due to jointly controlled entities		0.3	17.0	–	–
		4,293.1	5,072.2	95.1	13.0

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

	Group	
	2004 HK\$m	2003 HK\$m
Under 3 months	445.6	545.0
Between 4-6 months	39.6	93.6
Over 6 months	76.6	72.9
	561.8	711.5

(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 Wuhan Bridge Construction Co., Ltd ("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 Mainland China authorities, whichever is later. The Group is in the process of finalising the sale and purchase agreement with Wuhan Fund Office. 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 amount received, net of its carrying value shared by the Group of approximately HK\$87.4 million, has been classified as other creditors as at 30 June 2004.

Notes to the Accounts

22. Contracts in progress

	Group	
	2004 HK\$m	2003 HK\$m
Contract costs incurred plus attributable profits less foreseeable losses to date	17,747.3	20,154.5
Progress payments received and receivable	(17,876.2)	(20,444.9)
	(128.9)	(290.4)
Representing:		
Gross amounts due from customers for contract works (Note 18)	330.0	330.9
Gross amounts due to customers for contract works (Note 21)	(458.9)	(621.3)
	(128.9)	(290.4)

23. Amounts due to related companies

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Amount due to ultimate holding company	–	549.1	–	–
Current portion of amount due to a fellow subsidiary company (Note 28)	181.6	103.5	181.6	103.5
	181.6	652.6	181.6	103.5

24. Share capital

	Ordinary shares	
	No. of shares	HK\$m
Authorized: At 30 June 2003 and 30 June 2004	2,400,000,000	2,400.0
Issued and fully paid: At 1 July 2003	1,780,759,001	1,780.8
Exercise of share options	11,695,315	11.7
At 30 June 2004	1,792,454,316	1,792.5

24. Share capital (Continued)

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 shares of the Company. The 1997 Share Option Scheme was expired on 11 April 2000. No further share options can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable. Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2004	2003
At the beginning of year	2,000,000	24,000,000
Granted	–	–
Exercised	(70,000)	–
Lapsed	–	(4,000,000)
	1,930,000	20,000,000
Share consolidation	–	(18,000,000)
At the end of year	1,930,000	2,000,000

Share options outstanding at the end of year have the following terms:

	Number of options		Vested percentage	
	2004	2003	2004	2003
Exercise price	HK\$6.930	HK\$6.930		
Expiry date				
Directors				
5 November 2004	300,000	1,900,000	100%	100%
Other eligible participants				
5 November 2005	1,630,000	100,000	100%	100%
	1,930,000	2,000,000		

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 10 years from the date of adoption. The directors of the Company may, at their discretion, grant options to any eligible participant as defined under the 2001 Share Option Scheme to subscribe for the ordinary shares of the Company. The total number of 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 share capital of the Company in issue as at 12 March 2003, i.e. 1,780,759,001 shares.

Notes to the Accounts

24. Share capital (Continued)

Movements in the number of share options outstanding during the year are as follows:

	Note	Number of options	
		2004	2003
At the beginning of year			
Granted	(a)	41,497,000	–
Exercised		(11,625,315)	–
Lapsed		(1,036,347)	–
At the end of year		28,835,338	–

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

Share options outstanding at the end of year have the following terms:

	Number of options		Vested percentage	
	2004	2003	2004	2003
Exercise price	HK\$3.725	–		
Expiry date				
Director				
21 July 2008	9,333,336	–	4%	–
Other eligible participants				
21 July 2008	19,502,002	–	9%	–
	28,835,338	–		

25. Reserves

	Group							Total HK\$m
	Share premium HK\$m	Special reserves HK\$m	Goodwill HK\$m	Investment properties revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Exchange reserve HK\$m	Retained profits HK\$m	
At 1 July 2003, as previously reported	7,156.1	277.0	(1,994.4)	-	(2.2)	3.3	1,337.3	6,777.1
Change in accounting policy for deferred taxation	-	-	(287.0)	-	-	-	(20.4)	(307.4)
At 1 July 2003, as restated	7,156.1	277.0	(2,281.4)	-	(2.2)	3.3	1,316.9	6,469.7
New issue of ordinary shares	32.1	-	-	-	-	-	-	32.1
Investment securities revaluation surplus	-	-	-	-	14.9	-	-	14.9
Investment properties revaluation surplus	-	-	-	17.6	-	-	-	17.6
Goodwill reserve reinstated upon impairment	-	-	310.0	-	-	-	-	310.0
Exchange difference	-	0.5	-	-	-	-	-	0.5
Transfer	-	1.2	-	-	-	-	(1.2)	-
Profit for the year	-	-	-	-	-	-	1,538.2	1,538.2
Dividend (Note 8)	-	-	-	-	-	-	(624.9)	(624.9)
At 30 June 2004	7,188.2	278.7	(1,971.4)	17.6	12.7	3.3	2,229.0	7,758.1
Representing:								
Balance at 30 June 2004	7,188.2	278.7	(1,971.4)	17.6	12.7	3.3	1,779.0	7,308.1
Proposed final dividend	-	-	-	-	-	-	450.0	450.0
	7,188.2	278.7	(1,971.4)	17.6	12.7	3.3	2,229.0	7,758.1
Retained by/(accumulated in):								
Company and subsidiary companies	7,188.2	276.0	(1,971.4)	17.6	12.7	3.3	(292.4)	5,234.0
Jointly controlled entities	-	2.7	-	-	-	-	1,611.9	1,614.6
Associated companies	-	-	-	-	-	-	909.5	909.5
At 30 June 2004	7,188.2	278.7	(1,971.4)	17.6	12.7	3.3	2,229.0	7,758.1

Notes to the Accounts

25. Reserves (Continued)

	As restated Group							
	Share premium HK\$'m	Special reserves HK\$'m	Goodwill HK\$'m	Investment properties revaluation reserve HK\$'m	Investment revaluation reserve HK\$'m	Exchange reserve HK\$'m	Retained profits HK\$'m	Total HK\$'m
At 1 July 2002, as previously reported	4,770.8	277.0	(1,994.4)	–	–	3.3	135.3	3,192.0
Change in accounting policy for deferred taxation	–	–	(287.0)	–	–	–	(0.2)	(287.2)
At 1 July 2002, as restated	4,770.8	277.0	(2,281.4)	–	–	3.3	135.1	2,904.8
New issue of ordinary shares and redemption of preference shares	2,385.3	–	–	–	–	–	–	2,385.3
Investment securities revaluation deficit	–	–	–	–	(2.2)	–	–	(2.2)
Profit for the year	–	–	–	–	–	–	1,193.2	1,193.2
Dividend (Note 8)	–	–	–	–	–	–	(11.4)	(11.4)
At 30 June 2003	7,156.1	277.0	(2,281.4)	–	(2.2)	3.3	1,316.9	6,469.7
Retained by/(accumulated in):								
Company and subsidiary companies	7,156.1	274.3	(2,281.4)	–	(2.2)	3.3	200.6	5,350.7
Jointly controlled entities	–	2.7	–	–	–	–	634.2	636.9
Associated companies	–	–	–	–	–	–	482.1	482.1
At 30 June 2003	7,156.1	277.0	(2,281.4)	–	(2.2)	3.3	1,316.9	6,469.7

Special reserves include statutory reserves which are created in accordance with the terms of the joint venture agreements of subsidiary companies and jointly controlled entities established in Mainland China and are required to be retained in the accounts of these subsidiary companies and jointly controlled entities for specific purposes.

	Company				
	Share premium HK\$'m	Capital redemption reserve HK\$'m	Contributed surplus HK\$'m	Retained profits HK\$'m	Total HK\$'m
At 1 July 2002	4,770.8	1.1	237.3	91.8	5,101.0
New issue of ordinary shares and redemption of preference shares	2,385.3	–	–	–	2,385.3
Profit for the year	–	–	–	591.1	591.1
Dividend (Note 8)	–	–	–	(11.4)	(11.4)
At 1 July 2003	7,156.1	1.1	237.3	671.5	8,066.0
New issue of ordinary shares	32.1	–	–	–	32.1
Profit for the year	–	–	–	608.9	608.9
Dividend (Note 8)	–	–	–	(624.9)	(624.9)
At 30 June 2004	7,188.2	1.1	237.3	655.5	8,082.1
Representing:					
Balance at 30 June 2004	7,188.2	1.1	237.3	205.5	7,632.1
Proposed final dividend	–	–	–	450.0	450.0
	7,188.2	1.1	237.3	655.5	8,082.1

The contributed surplus of the Company represents the difference between the nominal value of the ordinary share capital issued by the Company and the consolidated net asset value of the subsidiary companies acquired at the date of acquisition pursuant to the group reorganization implemented in 1997. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

26. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on net deferred tax liabilities account is as follows:

	Group	
	2004 HK\$m	2003 HK\$m
At the beginning of year, as previously reported	81.8	–
Change in accounting policy for deferred taxation	153.7	12.8
At the beginning of year, as restated	235.5	12.8
Acquisition of subsidiary companies	–	232.2
Disposal of subsidiary companies	(103.4)	(2.9)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	(101.1)	–
Charged/(credited) to profit and loss account (Note 6)	25.2	(6.6)
At the end of year	56.2	235.5

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$694.5 million (2003: HK\$233.8 million) to carry forward against future taxable income. These tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Group									
	Accelerated accounting depreciation		Provisions		Tax losses		Others		Total	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
At the beginning of year, as previously reported	–	–	–	–	80.0	–	–	–	80.0	–
Change in accounting policy for deferred taxation	23.2	0.9	0.4	–	26.4	–	0.8	–	50.8	0.9
At the beginning of year, as restated	23.2	0.9	0.4	–	106.4	–	0.8	–	130.8	0.9
Acquisition of subsidiary companies	–	18.8	–	0.5	–	136.9	–	0.6	–	156.8
Disposal of subsidiary companies (Note 33(d))	(6.1)	–	–	–	–	–	–	–	(6.1)	–
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company (Note 33(f))	–	–	–	–	(83.0)	–	–	–	(83.0)	–
(Charged)/credited to profit and loss account	(6.6)	3.5	–	(0.1)	(16.8)	(30.5)	0.9	0.2	(22.5)	(26.9)
At the end of year	10.5	23.2	0.4	0.4	6.6	106.4	1.7	0.8	19.2	130.8

Notes to the Accounts

26. Deferred taxation (Continued)

Deferred tax liabilities

	Group					
	Accelerated tax depreciation		Others		Total	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
At the beginning of year, as previously reported	161.8	–	–	–	161.8	–
Change in accounting policy of deferred taxation	204.5	13.7	–	–	204.5	13.7
At the beginning of year, as restated	366.3	13.7	–	–	366.3	13.7
Acquisition of subsidiary companies	–	389.0	–	–	–	389.0
Disposal of subsidiary companies (Note 33(d))	(109.5)	(2.9)	–	–	(109.5)	(2.9)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company (Note 33(f))	(184.1)	–	–	–	(184.1)	–
Charged/(credited) to profit and loss account	2.5	(33.5)	0.2	–	2.7	(33.5)
At the end of year	75.2	366.3	0.2	–	75.4	366.3

Deferred tax assets and liabilities are offset when the taxes relate to the same taxation authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the balance sheet.

	Group	
	2004 HK\$m	2003 HK\$m
Deferred tax assets	(16.5)	(19.0)
Deferred tax liabilities	72.7	254.5
	56.2	235.5

As noted in Note 1(a), the Group implemented the revised SSAP 12 for deferred taxation with effect from 1 January 2003. This change in accounting policy has been applied retrospectively and the comparatives have been restated.

27. Loans and borrowings

	Note	Group		Company	
		2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Bank loans and borrowings	(a)	4,213.7	7,754.6	3,917.4	6,800.0
Convertible bonds	(b)	1,350.0	–	–	–
		5,563.7	7,754.6	3,917.4	6,800.0

(a) Bank loans and borrowings

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Bank loans				
Secured (Note (i))				
Wholly repayable within five years	42.1	42.1	–	–
Not wholly repayable within five years	–	6,091.1	–	6,000.0
Unsecured	42.1	6,133.2	–	6,000.0
Wholly repayable within five years	5,517.3	1,982.1	5,117.4	800.0
Other unsecured loans				
Not wholly repayable within five years	–	62.9	–	–
Obligations under finance leases (Note (ii))				
Wholly repayable within five years	0.5	0.1	–	–
	5,559.9	8,178.3	5,117.4	6,800.0
Amounts repayable within one year included in current liabilities	(1,346.2)	(423.7)	(1,200.0)	–
	4,213.7	7,754.6	3,917.4	6,800.0

Notes to the Accounts

27. Loans and borrowings (Continued)

(a) Bank loans and borrowings (Continued)

	Group				Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Other unsecured loans HK\$m	Obligations under finance leases HK\$m	
The maturity of bank loans and borrowings for 2004 is as follows:					
Within one year	–	1,345.7	–	0.5	1,346.2
In the second year	42.1	1,251.9	–	–	1,294.0
In the third to fifth year	–	2,919.7	–	–	2,919.7
	42.1	5,517.3	–	0.5	5,559.9
The maturity of bank loans and borrowings for 2003 is as follows:					
Within one year	4.7	418.9	–	0.1	423.7
In the second year	1,005.1	1,151.7	–	–	2,156.8
In the third to fifth year	3,061.7	411.5	–	–	3,473.2
After the fifth year	2,061.7	–	62.9	–	2,124.6
	6,133.2	1,982.1	62.9	0.1	8,178.3

- (i) The secured bank loan as at 30 June 2004 is secured by the toll collection right of a toll road held by the Group and bears interest at 6.91% per annum.

The secured bank loans as at 30 June 2003 included a loan of HK\$6,000 million which was secured by shares of directly owned subsidiary companies of the Company and bore interest at 0.6% over HIBOR per annum. This loan represented the one-year bridging loan arranged to finance part of the cash consideration on the Reorganization. The bridging loan facility was subsequently re-financed by a HK\$6,000 million syndicated loan, repayable by nine semi-annual installments commencing from November 2004. Accordingly, the amount as at 30 June 2003 was reclassified from current liabilities to long term liabilities. The remaining balances of secured loans were secured by the toll collection rights of certain toll roads held by the Group and bore interest ranging from 5.76% to 6.91% per annum.

- (ii) The obligations under finance lease are payable within one year, with a present value of HK\$0.5 million (2003: HK\$0.1 million).

27. Loans and borrowings (Continued)

(b) Convertible bonds

	Group	
	2004 HK\$m	2003 HK\$m
Bonds to be converted into shares of the Company	1,350.0	–

On 26 April 2004, a subsidiary company of the Group issued zero coupon guaranteed convertible bonds in the aggregate amount of HK\$1,350.0 million, which are convertible into fully paid shares with par value of HK\$1 each of the Company.

The bonds, guaranteed by the Company, are convertible into the shares of the Company at a conversion price of HK\$13.63 per share at any time on and after 27 May 2004 and prior to 11 April 2009. The bonds are redeemable by the issuer on any time after 26 October 2005 and prior to 25 April 2009. Moreover, the bondholders shall have the right to redeem all or some only of the bonds held by them on 26 April 2006 at 99% of their principal amount. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed on the maturity date on 26 April 2009 at 97.53% of the principal amount.

28. Other long term liabilities

	Note	Group		Company	
		2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Long service payment obligations	(a)	87.7	107.3	–	–
Deferred tax liabilities (Note 26)		72.7	254.5	–	–
Deferred interest income		128.8	109.1	–	–
		289.2	470.9	–	–
Amount due to a fellow subsidiary company	(b)	686.6	790.1	686.6	790.1
Amount repayable within one year included in current liabilities (Note 23)		(181.6)	(103.5)	(181.6)	(103.5)
		505.0	686.6	505.0	686.6
		794.2	1,157.5	505.0	686.6

Notes to the Accounts

28. Other long term liabilities (Continued)

- (a) The Group's long service payment obligations as at 30 June 2004 are valued by Watson Wyatt Hong Kong Limited using the projected unit credit method.

The amounts recognized in the balance sheet are as follows:

	Group HK\$m
Present value of funded obligations	
At 30 June 2004	87.7
At 30 June 2003	107.3

The amounts recognized in the profit and loss account are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
Current service cost	0.1	6.5
Interest cost	2.5	11.9
Net actuarial gains recognized during the year	(9.5)	(5.3)
	(6.9)	13.1

Movements in the long service payment obligations are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
At the beginning of year	107.3	–
Acquisition of subsidiary companies	–	102.3
Net (income)/expenses recognized in the profit and loss account	(6.9)	13.1
Payment made during the year	(12.7)	(8.1)
At the end of year	87.7	107.3

The principal actuarial assumptions used are as follows:

	2004	2003
Discount rate	4.25%	3.5%
Expected rate of future salary increases	0.5% – 2.5%	0.5% – 2.5%

28. Other long term liabilities (Continued)

- (b) The amount is due to New World TMT Limited (“NWTMT”) (formerly known as “New World Infrastructure Limited”) and represents the Company’s undertaking of a bank loan of NWTMT as part of the consideration for acquisition of the infrastructure assets under the Reorganization. Interest charged on the amount due to NWTMT is by reference to the actual interest charged on the bank loans.

29. Minority interests and loans

	Group	As restated 2003 HK\$m
	2004 HK\$m	
Equity interests	359.2	1,642.5
Amount due from a minority shareholder	–	(224.9)
Amounts due to minority shareholders	58.6	93.1
Loans from minority shareholders of subsidiary companies	452.0	1,000.0
	869.8	2,510.7

Included in the loans from minority shareholders are HK\$106.1 million (2003: HK\$635.4 million) made by the minority shareholders of certain co-operative joint ventures and are unsecured, carry interest at fixed rates ranging from 10% to 15% (2003: 10% to 15%) per annum and HK\$303.1 million (2003: HK\$835.7 million) have repayment terms specified in the relevant joint venture agreements. The remaining balance is unsecured, interest free and has no specific repayment terms.

Notes to the Accounts

30. Retirement benefits

The Group operates various retirement benefits plans to staff. The assets of the plans are administered by independent trustees and are maintained independently of the Group.

(a) Defined contribution plans

MPF was established in Hong Kong under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join the MPF scheme, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$12,000 per annum).

Contributions to defined contribution plans and MPF scheme amounted to HK\$103.7 million (2003: HK\$42.6 million) during the year. Forfeited contributions totalling HK\$9.2 million (2003: HK\$5.5 million) were utilized during the year leaving HK\$0.1 million (2003: HK\$1.9 million) available at 30 June 2004 to reduce future contributions.

(b) Defined benefits plans

Defined benefits plans are valued by independent qualified actuaries annually using the projected unit credit method. The defined benefits plans were valued by Watson Wyatt Hong Kong Limited as at 30 June 2004.

(i) The amounts recognized in the balance sheet are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
Present value of funded obligations	(26.1)	(19.6)
Fair value of plan assets	37.5	21.0
	11.4	1.4
Unrecognized actuarial (losses)/gains	(4.3)	0.7
Retirement benefits assets	7.1	2.1

(ii) Net expenses recognized in the profit and loss account are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
Current service cost	1.2	1.2
Interest cost	0.9	1.2
Expected return on plan assets	(1.6)	(1.6)
Total, included in staff costs (Note 4)	0.5	0.8

30. Retirement benefits (Continued)

(b) Defined benefits plans (Continued)

(iii) Movements in the retirement benefits assets are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
At the beginning of year	2.1	–
Acquisition of subsidiary companies	–	1.8
Net expenses recognized in the profit and loss account	(0.5)	(0.8)
Contributions paid	5.5	1.1
At the end of year	7.1	2.1

The principal actuarial assumptions used are as follows:

	2004	2003
Discount rate	5.3%	4.5%
Expected rate of return on plan assets	7%	7%
Expected rate of future salary increases	3% to 4%	0% to 4%

31. Commitments

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

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Contracted but not provided for	69.0	12.6	–	–
Authorized but not contracted for	0.4	37.8	–	–
	69.4	50.4	–	–

Notes to the Accounts

31. Commitments (Continued)

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

	Group	
	2004 HK\$m	2003 HK\$m
Contracted but not provided for	205.1	287.6
Authorized but not contracted for	268.4	123.9
	473.5	411.5

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 30 June 2004 was HK\$101.4 million (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 year, 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, should the Group be 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 (as at 30 June 2003: HK\$1,321.8 million, out of which approximately HK\$781.0 million had been counter-indemnified by an associated company).

One of the jointly controlled entities had obtained banking facilities to finance 60% of its share of development costs for CT9 and would reduce the funds to be injected by the Group accordingly. The Group has given guarantee in respect of the banking facilities and is included in Note 32.

- (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 projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$33.0 million (2003: HK\$28.3 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities.

31. Commitments (Continued)

(d) Commitments under operating leases

The future aggregate lease payments under non-cancellable operating leases are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
Land and buildings		
In the first year	42.2	64.3
In the second to fifth year inclusive	39.2	32.4
After the fifth year	6.9	–
	88.3	96.7
Other equipment		
In the first year	–	15.4
In the second to fifth year inclusive	–	13.8
	–	29.2
	88.3	125.9

(e) Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable leases are as follows:

	Group	
	2004 HK\$m	2003 HK\$m
In the first year	1.0	0.4
In the second to fifth year inclusive	1.2	1.3
After the fifth year	–	1.7
	2.2	3.4

The Group's operating leases are for terms ranging from one to five years.

Notes to the Accounts

32. Contingent liabilities

	Group		Company	
	2004 HK\$m	2003 HK\$m	2004 HK\$m	2003 HK\$m
Guarantees for credit facilities granted to:				
Jointly controlled entities	2,067.7	931.2	858.0	858.0
Associated companies	82.4	1,279.9	–	–
	2,150.1	2,211.1	858.0	858.0

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 CSXWTHK, an associated company of the Company, to the extent of approximately HK\$858.0 million as at 30 June 2004 (2003: HK\$858.0 million), in proportion to the Group’s interest in ACT. The proportionate amount utilized against such facilities at 30 June 2004 which was secured by the guarantee amounted to approximately HK\$351.4 million (2003: HK\$267.3 million).

CSXWTHK has agreed to counter-indemnify the Company the corporate guarantee as at 30 June 2004 of approximately HK\$507.0 million (2003: HK\$507.0 million) as included above given in relation to ACT.

33. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash generated from operations

	2004 HK\$m	As restated 2003 HK\$m
Operating profit	547.8	656.0
Depreciation	441.7	241.0
Recognition of one-off negative goodwill and amortization	(70.8)	(543.0)
Impairment loss on fixed assets	36.4	74.8
Impairment loss on investment in a jointly controlled entity	29.0	–
Impairment loss on goodwill of an associated company	310.0	–
Loss on disposal of fixed assets	26.7	–
Net profit on disposal of subsidiary companies, jointly controlled entities and trading securities	(419.1)	(27.1)
Interest income	(9.3)	(11.3)
Unrealized gain on trading securities	(0.9)	–
Exchange difference	0.5	–
Operating profit before working capital changes	892.0	390.4
Increase in deferred interest income	19.7	8.1
(Decrease)/increase in long service payment obligations	(19.6)	5.0
Increase in retirement benefits assets	(5.0)	(0.3)
Decrease in inventories	11.9	19.5
Increase in debtors, deposits and prepayments	(166.2)	(480.6)
(Decrease)/increase in creditors and accrued charges	(227.7)	582.8
Increase in amounts due to related companies	106.9	587.2
Net cash generated from operations	612.0	1,112.1

33. Notes to consolidated cash flow statement (Continued)

(b) Acquisition of subsidiary companies

	2004 HK\$m	As restated 2003 HK\$m
Net assets acquired		
Fixed assets	2.7	9,630.1
Jointly controlled entities	–	7,369.9
Associated companies	–	1,090.4
Other non-current assets, including deferred tax assets	–	179.7
Inventories	50.0	154.6
Debtors, deposits and prepayments	33.5	4,477.5
Bank balances and cash	66.3	2,382.7
Creditors and accrued charges	(152.5)	(4,467.2)
Taxation	–	(108.8)
Short term bank loans and overdrafts	–	(1,819.7)
Loans and borrowings	–	(1,947.8)
Other long term liabilities, including deferred tax liabilities	–	(481.8)
Minority interests and loans	–	(2,496.1)
	–	13,963.5
Negative goodwill on acquisition	–	(891.8)
	–	13,071.7
Represented by:		
Issue of new shares	–	3,640.7
Cash	–	8,545.0
Assignment of loan from a fellow subsidiary company	–	886.0
	–	13,071.7

(c) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiary companies

	2004 HK\$m	2003 HK\$m
Cash consideration	–	(8,545.0)
Bank balances and cash acquired	66.3	2,382.7
Short term deposits with maturity more than three months	–	(106.1)
	66.3	(6,268.4)

Notes to the Accounts

33. Notes to consolidated cash flow statement (Continued)

(c) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiary companies (Continued)

The subsidiary companies acquired during the year contributed HK\$5.7 million (2003: HK\$1,191.9 million) of the Group's net operating cash flows, utilized HK\$7.1 million (2003: HK\$5,069.6 million) for investing activities, and received HK\$Nil (2003: HK\$6,740.2 million) for financing activities.

(d) Disposal of subsidiary companies

	2004 HK\$m	As restated 2003 HK\$m
Net assets disposed		
Fixed assets	2,008.4	79.6
Jointly controlled entities	458.3	–
Other non-current assets, including deferred tax assets	6.1	–
Debtors, deposits and prepayments	5.5	–
Bank balances and cash	378.4	123.4
Creditors and accrued charges	(465.4)	(15.2)
Short term bank loans and overdrafts	–	(147.7)
Loans and borrowings	(88.8)	–
Other long term liabilities, including deferred tax liabilities	(109.5)	(2.9)
Taxation	(0.5)	–
Minority interests and loans	(845.3)	(5.8)
	1,347.2	31.4
Net goodwill	58.6	1.6
Net gain on disposals	392.3	27.1
	1,798.1	60.1
Represented by:		
Cash received	1,210.0	59.7
Debtors, deposits and prepayments	102.0	0.4
Long term receivables (Note 16(a))	486.1	–
	1,798.1	60.1

(e) Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiary companies

	2004 HK\$m	2003 HK\$m
Cash consideration	1,210.0	59.7
Bank balances and cash disposed of	(378.4)	(123.4)
	831.6	(63.7)

33. Notes to consolidated cash flow statement (Continued)

(f) Restructuring of transport business and deconsolidation of a subsidiary company

	2004 HK\$m	2003 HK\$m
Net assets transferred and deconsolidated		
Fixed assets	3,327.2	–
Jointly controlled entities	67.0	–
Associated companies	244.4	–
Inventories	49.4	–
Other non-current assets, including deferred tax assets	83.0	–
Debtors, deposits and prepayments	180.2	–
Bank balances and cash	217.8	–
Creditors and accrued charges	(280.8)	–
Loans and borrowings	(624.9)	–
Taxation	(0.2)	–
Other long term liabilities, including deferred tax liabilities	(184.1)	–
Minority interests and loans	(786.4)	–
	2,292.6	–
Goodwill	178.7	–
	2,471.3	–
Represented by:		
Cash	1,548.6	–
Other creditors (Note 21(b))	(87.4)	–
Interests in a jointly controlled entity (Note (i))	1,010.1	–
	2,471.3	–

- (i) During the year, the Group, Chow Tai Fook Enterprises Limited (“CTF”) and Merryhill Group Limited (“Merryhill”) entered into a share exchange which placed the respective transport and related businesses of the Group and CTF under Merryhill. Upon completion, each of the Group and CTF owns 50% of the total issued share capital of Merryhill.

(g) Analysis of net inflow of cash and cash equivalents in respect of restructuring of transport business and deconsolidation of a subsidiary company

	2004 HK\$m	2003 HK\$m
Cash consideration	1,548.6	–
Bank balances and cash transferred and deconsolidated	(217.8)	–
	1,330.8	–

Notes to the Accounts

33. Notes to consolidated cash flow statement (Continued)

(h) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$m	Long term loans and borrowings HK\$m	Short term bank loans and overdrafts HK\$m	Minority interests and loans HK\$m	Total HK\$m
Year 2004					
At 1 July 2003, as previously reported	8,936.9	8,178.3	1,262.8	2,566.3	20,944.3
Change in accounting policy for deferred taxation	-	-	-	(55.6)	(55.6)
At 1 July 2003, as restated	8,936.9	8,178.3	1,262.8	2,510.7	20,888.7
Net bank loans and borrowings repaid	-	(1,904.7)	(52.8)	-	(1,957.5)
Issue of convertible bonds	-	1,350.0	-	-	1,350.0
Dividends to minority shareholders	-	-	-	(4.8)	(4.8)
Settlement of loan from minority shareholders	-	-	-	(22.4)	(22.4)
Disposal of subsidiary companies	-	(88.8)	-	(845.3)	(934.1)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	-	(624.9)	-	(786.4)	(1,411.3)
Issue of new shares	43.8	-	-	-	43.8
Acquisition of additional interests in subsidiary companies	-	-	-	(2.0)	(2.0)
Minority interests' share of net profit and reserves	-	-	-	20.0	20.0
At 30 June 2004	8,980.7	6,909.9	1,210.0	869.8	17,970.4
(As restated)					
Year 2003					
At 1 July 2002	5,296.2	-	-	25.0	5,321.2
Acquisition of subsidiary companies, as restated	-	1,947.8	1,819.7	2,496.2	6,263.7
Net bank loans and borrowings drawn/(repaid)	-	6,230.5	(409.2)	-	5,821.3
Dividends to minority shareholders	-	-	-	(11.4)	(11.4)
Capital contribution	-	-	-	3.1	3.1
Settlement of loan from minority shareholders	-	-	-	(13.5)	(13.5)
Disposal of subsidiary companies, as restated	-	-	(147.7)	(5.8)	(153.5)
Issue of new shares and redemption of preference shares	3,640.7	-	-	-	3,640.7
Acquisition of additional interests in subsidiary companies	-	-	-	(0.5)	(0.5)
Minority interests' share of net profit and reserves, as restated	-	-	-	17.6	17.6
At 30 June 2003, as restated	8,936.9	8,178.3	1,262.8	2,510.7	20,888.7

34. Related party transactions

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

	Note	2004 HK\$m	2003 HK\$m
Transactions with affiliated companies	(a)		
Provision of contracting work services	(b)	267.8	40.2
Interest income	(c)	16.6	11.5
Management fee	(d)	34.4	10.3
Transactions with other related parties	(a)		
Provision of contracting work services		1,773.6	832.4
Provision of other services	(e)	323.9	41.3
Rental and other related expenses	(f)	(28.0)	(15.7)
Staff secondment fee	(g)	-	(11.1)
Charter hire	(h)	(43.0)	(8.5)

- (a) Affiliated companies include associated companies and jointly controlled entities of the Group. Related companies are group companies, associated companies and jointly controlled entities of New World Development Company Limited ("NWD") which are not companies within the Group. NWD is the ultimate holding company of the Company.
- (b) Revenue from the provision of contracting work services 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 as specified in Notes 14 and 15 on the outstanding balances due by the affiliated companies.
- (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. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.
- (f) The Group entered into a number of lease agreements with related companies to lease office space with various terms based on fixed monthly rates in accordance with tenancy agreements.
- (g) Staff secondment fee was charged based on payroll costs of staff 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 (the "Bareboat Charters"). Under the Bareboat Charters, the Group paid HK\$43.0 million charter hire to the related parties up to 30 June 2004 (2003: HK\$8.5 million).

Under 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 not less than HK\$10.0 million. Pursuant to the Master Charter Agreement, an amount of HK\$30.9 million, representing the shortfall, is payable by CTF to the Group in respect of the guaranteed profit during the year ended 30 June 2004 (2003: HK\$8.5 million).

Notes to the Accounts

35. Comparative figures

Certain comparative figures are restated or reclassified to conform with current year's presentation.

36. Ultimate holding company

The directors regard NWD, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange, as being the ultimate holding company.

37. Approval of accounts

The accounts were approved by the board of directors on 15 October 2004.

38. Principal subsidiary companies

As at 30 June 2004

	Issued share capital#		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong					
Barbican Construction Company, Limited	230,000	100	–	100.0	Construction
Billionable Investment Limited	20,000*	100	–	100.0	Investment holding
	4,998	1	–	100.0	
	2*	1	–	–	
Broadway-Nassau Investments Limited	2	10,000	–	100.0	Property management
Care & Services Company Limited	3,000*	10,000	–	–	
CiF Solutions Limited	15,000,000	1	–	100.0	Elderly care services
	10	100	–	100.0	Provision of computer software development, computer system consultancy and maintenance services
	160,000*	100	–	100.0	
Extensive Trading Company Limited	8,500,000	1	–	100.0	Trading of building material
Far East Engineering Services Limited	1,500,000*	1	–	100.0	Mechanical and electrical engineering
	766,714	10	–	100.0	
	233,288*	10	–	100.0	
General Security (H.K.) Limited	8,402	100	–	100.0	Security services
	11,600*	100	–	20.5	
Hip Hing Builders Company Limited (formerly Tai Yieh Construction & Engineering Company Limited)	40,000	1,000	–	100.0	Construction and civil engineering
	10,000*	1,000	–	100.0	
Hip Hing Construction (China) Company Limited	100,001	100	–	100.0	Construction
	1*	100	–	100.0	
Hip Hing Construction Company Limited	400,000	100	–	100.0	Construction and civil engineering
	600,000*	100	–	100.0	

38. Principal subsidiary companies (Continued)

As at 30 June 2004

	Issued share capital#		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong (Continued)					
Hong Kong Convention and Exhibition Centre (Management) Limited	3 1*	1 1	– –	100.0 100.0	Management of Hong Kong Convention and Exhibition Centre ("HKCEC")
Hong Kong Island Landscape Company Limited	980,000 20,000*	10 10	– –	100.0 –	Landscaping and project contracting
Hong Kong Ticketing Limited	11,481,580	1	–	80.8	Ticketing services
International Property Management Limited	450,000 95,500*	10 10	– –	99.0 83.5	Property management
Kentfull Contracting Limited	10 5,000,000*	1 1	– –	70.0 91.0	Interior decoration contracting
Kentfull Engineering Company Limited	6,000'A' 4,000'B'	1 1	– –	42.0	Building construction
Kiu Lok Property Services (China) Limited	2 2*	1 1	– –	100.0 100.0	Property agency management and consultancy
Kiu Lok Service Management Company Limited	2 1,002*	100 100	– –	100.0 100.0	Property management
Kiwi Kleeners Limited	1,000	100	–	100.0	Trading of linen
Kleaners Limited	5,000,000	1	–	100.0	Laundry services
Majestic Engineering Company Limited (formerly The Majestic Electrical Engineering Company, Limited)	30,000	1,000	–	100.0	Mechanical and electrical engineering
Millennium Engineering Limited	18,750,000	1	–	90.4	Supply and installation of aluminium windows and curtain wall
New China Laundry Limited	40,000,002 704,000*	1 1	– –	100.0 100.0	Laundry services
New Waly Interior Products Limited	1,000,000	1	–	70.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100 100*	100 100	– –	100.0 100.0	Investment holding
New World Insurance Management Limited	100,000	1	–	100.0	Insurance broking
New World Port Investments Limited	2	1	–	100.0	Investment holding
Ngo Kee Construction Company Limited	270,000 1**	100 1	– –	100.0 –	Building and construction
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Holdings (China) Limited	1	1	–	100.0	Investment holding

Notes to the Accounts

38. Principal subsidiary companies (Continued)

As at 30 June 2004

	Issued share capital [#]		Approximate percentage of shares held		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong (Continued)					
Pollution & Protection Services Limited	18,057,780	1	–	100.0	Cleaning services
Polytown Company Limited	500,020*	1	–	85.0	
	2	10	–	100.0	Property investment, operate, market, promote and manage HKCEC
	100,000*	10	–	100.0	
Sky Connection Limited	100	1	–	100.0	Duty-free liquor and tobacco sales
Sunmall Limited	2	1	–	100.0	Investment holding
Team Deco International Limited	2	1	–	100.0	Interior design
True Hope Investment Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	–	
True Success Hong Kong Limited	2,500	1	–	100.0	Food trading and processing
Try Force Limited	4,998	1	–	100.0	Investment holding
	2*	1	–	–	
Uniformity Security Company Limited	2	100	–	100.0	Security services
	2,500*	100	–	–	
Urban Parking Limited	10,000,000	1	–	100.0	Carpark management
Urban Property Management Limited	49,995,498	1	–	100.0	Property management
	4,502*	1	–	66.7	
Vibro (HK) Limited	20,000,004	3	–	99.8	Piling, caisson and civil engineering
Wai Hong Cleaning & Pest Control Company Limited	400,000	100	–	100.0	Cleaning and pest control services
Waking Builders Limited	20,000	1,000	–	100.0	Construction
Young's Engineering Company Limited	4,000,000	10	–	100.0	Air conditioning and electrical engineering
Incorporated in Cayman Islands and operated in Hong Kong					
NWS Service Management Limited	1,323,943,165	0.10	100.0	100.0	Investment holding

[#] Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Redeemable preference shares

38. Principal subsidiary companies (Continued)

As at 30 June 2004

	Amount of registered capital	Approximate percentage of attributable interest	Company	Group	Principal activities
Incorporated and operated in Mainland China					
Gaoming Xinming Bridge Company Limited	RMB60,000,000	–	30.0	(a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Limited	RMB99,200,000	–	60.0	(b)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	RMB64,000,000	–	70.0	(b)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	RMB82,400,000	–	70.0	(b)	Operation of toll road
Guangxi Yulin Xinye Highways Limited	RMB63,800,000	–	60.0	(b)	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	RMB96,000,000	–	60.0	(b)	Operation of toll road
Qingyuan Xincheng Highways Limited	RMB72,000,000	–	80.0	(b)	Operation of toll road
N.S.A. (Tianjin) Int'l Cargo Distribution Co., Ltd.	US\$870,000	–	100.0		Holding a piece of land
新創機電工程有限公司	RMB50,000,000	–	100.0		Mechanical and electrical engineering
Shanxi Xinda Highways Limited	RMB49,000,000	–	90.0	(c)	Operation of toll road
Shanxi Xinhuang Highways Limited	RMB56,000,000	–	90.0	(c)	Operation of toll road
Taiyuan Xintai Highways Limited	RMB72,120,000	–	90.0	(c)	Operation of toll road
Taiyuan Xinyuan Highways Limited	RMB85,880,000	–	90.0	(c)	Operation of toll road
Wuzhou Xinwu Highways Limited	RMB72,000,000	–	45.0	(b)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	100.0		Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	RMB17,000,000	–	70.0		Cargo consolidation, container storage, repairs and maintenance

Notes to the Accounts

38. Principal subsidiary companies (Continued)

As at 30 June 2004

	Issued share capital#		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated in British Virgin Islands					
Hetro Limited	100	US\$1	–	100.0	Investment holding
NWSH Capital Finance Limited	1	US\$1	100.0	100.0	Issuance of convertible bonds
NWS Engineering Group Limited (formerly NWS Engineering Limited)	50,000,000	HK\$1	–	100.0	Investment holding
NWS Infrastructure Management Limited	1	US\$1	100.0	100.0	Investment holding
NWS Ports Management Limited	1	US\$1	100.0	100.0	Investment holding
Righteous Corporation	1	US\$1	–	100.0	Investment holding
Stockfield Limited	1	US\$1	–	100.0	Investment holding

- (a) Profit sharing percentage in the co-operative joint venture changed from 80% to 30% since 1 January 2004
- (b) Profit sharing percentage in co-operative joint ventures
- (c) Cash sharing ratio for the first 12 years of the joint venture period, and thereafter 60%
- (d) Percentage of equity interest in a joint stock limited company

39. Principal associated companies

As at 30 June 2004

	Issued share capital#		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
CSX World Terminals Hong Kong Limited	55,000 'A'	HK\$1	–	–	Operation of container terminal
	5,000 'B'	HK\$1	–	33.3	
Quon Hing Concrete Company Limited	200,000	HK\$100	–	50.0	Production and sales of concrete
Yargoan Company Limited	150,000	HK\$100	–	42.0	Stone quarrying
Incorporated in British Virgin Islands					
East Asia Secretaries (BVI) Limited	300,000,000	HK\$1	–	24.4	Investment holding
Tricor Holdings Limited	7,001	US\$1	–	24.4	Investment holding
Incorporated in Bermuda and operated in Hong Kong					
I-China Holdings Limited	7,814,084,941	HK\$0.01	–	25.8	Investment holding
	1,500,000,000***	HK\$0.01	–	–	
Tai Fook Securities Group Limited	572,281,699	HK\$0.10	–	20.2	Investment holding
Wai Kee Holdings Limited	792,824,034	HK\$0.10	–	26.97	Investment holding

Represented ordinary shares, unless otherwise stated

*** Preference shares

40. Principal jointly controlled entities

As at 30 June 2004

	Amount of registered capital	Approximate percentage of attributable interest	Group	Principal activities
Incorporated and operated in Mainland China				
<i>Equity joint ventures</i>				
CSX Orient (Tianjin) Container Terminals Co., Limited	US\$29,200,000	–	24.5(a) 22.2(b) 24.5(c)	Operation of container terminal
Guangzhou Oriental Power Company Limited	RMB990,000,000	–	25.0(d)	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited	RMB420,000,000	–	50.0(e)	Generation and supply of electricity
Xiamen Xiang Yu Quay Co., Ltd.	RMB384,040,000	–	50.0(a), (b) & (c)	Container handling and storage
<i>Co-operative joint ventures</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	RMB580,000,000	–	25.0(d)	Operation of toll road
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	65.3(f)	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	RMB139,980,000	–	33.3(d)	Operation of toll road
Huizhou City Hui-Ao Roadway Company, Limited	RMB75,000,000	–	50.0(d)	Operation of toll road
Huizhou City Huixin Expressway Company Limited	RMB34,400,000	–	50.0(d)	Investment holding and operation of toll road
Sichuan Qianwei Dali Power Company Limited	US\$30,000,000	–	60.0(d)	Generation and supply of electricity
Tianjin Xindi Expressway Company Limited	RMB93,688,000	–	90.0(g)	Operation of toll road
Tianjin Xinlong Expressway Company Limited	RMB99,400,000	–	90.0(g)	Operation of toll road
Tianjin Xinlu Expressway Company Limited	RMB99,092,000	–	90.0(g)	Operation of toll road
Tianjin Xinming Expressway Company Limited	RMB85,468,000	–	90.0(g)	Operation of toll road
Tianjin Xinqing Expressway Company Limited	RMB99,368,000	–	90.0(g)	Operation of toll road
Tianjin Xinquan Expressway Company Limited	RMB92,016,000	–	90.0(g)	Operation of toll road
Tianjin Xinsen Expressway Company Limited	RMB87,300,000	–	90.0(g)	Operation of toll road
Tianjin Xinshi Expressway Company Limited	RMB99,388,000	–	90.0(g)	Operation of toll road
Tianjin Xinsi Expressway Company Limited	RMB96,624,000	–	90.0(g)	Operation of toll road

Notes to the Accounts

40. Principal jointly controlled entities (Continued)

As at 30 June 2004

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
Incorporated and operated in Mainland China (Continued)				
<i>Co-operative joint ventures</i> (Continued)				
Tianjin Xintong Expressway Company Limited	RMB99,448,000	–	90.0(g)	Operation of toll road
Tianjin Xintuo Expressway Company Limited	RMB99,316,000	–	90.0(g)	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	RMB90,472,000	–	90.0(g)	Operation of toll road
Tianjin Xinyan Expressway Company Limited	RMB89,028,000	–	90.0(g)	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	RMB89,392,000	–	90.0(g)	Operation of toll road
Wuhan Airport Road Development Limited	RMB60,000,000	–	40.0(d)	Operation of toll road

- (a) Percentage of equity interest in equity joint ventures
- (b) Voting power percentage in equity joint ventures
- (c) Profit sharing percentage in equity joint ventures
- (d) Percentage of interest in ownership and profit sharing
- (e) Percentage of equity interest in an equity joint venture for the 11th year and onwards of the joint venture period. For the first 10 years of the joint venture period, the Group is entitled to a fixed return.
- (f) Profit sharing percentage in co-operative joint ventures
- (g) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%

40. Principal jointly controlled entities (Continued)

As at 30 June 2004

	Issued share capital [#]		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
Asia Container Terminals Limited	1,000	HK\$1	–	23.3	Development and operation of container terminal
ATL Logistics Centre Hong Kong Limited	100,000 'A' 20,000 'B'**	HK\$1 HK\$1	– –	55.7 79.6	Operation of cargo handling and storage facilities
ATL Logistics Centre Yantian Limited	54,918* 10,000	HK\$1 HK\$1	– –	– 46.0	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	47.0	Landfill
First Star Development Limited	100	HK\$1	–	50.0	Property development
Supertime Holdings Limited	100	HK\$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000 600,000,000*	HK\$0.01 HK\$1	– –	29.5 –	Operation of toll tunnel
United Asia Terminals (Yantian) Limited	52,000 'A' 52,000 'B' 26,000 'C'	HK\$1 HK\$1 HK\$1	– – –	– 40.0 –	Operation of cargo handling and storage facilities
Incorporated in British Virgin Islands					
CSX World Terminals New World Limited	2,000	US\$1	–	50.0	Investment holding
Merryhill Group Limited	500,000,016	HK\$1	–	50.0	Investment holding
Incorporated in Cayman Islands					
CSX World Terminals New World (Tianjin) Limited	1,000	US\$1	–	50.0	Investment holding
Incorporated in Hong Kong and operated in Macau and Mainland China					
Sino-French Holdings (Hong Kong) Limited	1,086,280 'A' 2,089,000 'B' 1,002,720 'C'	HK\$100 HK\$100 HK\$100	– – –	– 50.0 –	Investment holding and operation of water and electricity plants

[#] Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares

Glossary of Terms

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

General Terms

“CEPA”	the Closer Economic Partnership Arrangement between Mainland China and Hong Kong
“CTF”	Chow Tai Fook Enterprises Limited
“FY2003”	the financial year ended 30 June 2003
“FY2004”	the financial year ended 30 June 2004
“GDP”	gross domestic product, a measure of the size of a territory’s economy
“Group”	NWS Holdings Limited and its subsidiary companies
“HK\$”	the lawful currency of Hong Kong
“Hong Kong” or “HKSAR”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“New World Group”	New World Development Company Limited and its subsidiary companies
“NWD”	New World Development Company Limited
“NWS Holdings” or “Company”	NWS Holdings Limited
“NWSI”	NWS Infrastructure Management Limited
“NWSP”	NWS Ports Management Limited
“NWSS”	NWS Service Management Limited
“Mainland China”	The People’s Republic of China excluding Hong Kong, Macau and Taiwan
“PRC”	The People’s Republic of China
“RMB”	the lawful currency of the PRC
“SARS”	Severe Acute Respiratory Syndrome
“US”	the United States of America
“US\$”	the lawful currency of US
“VAT”	value added tax

Technical Terms

“cbm(s)”	cubic metre(s)
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	feet

Technical Terms (Continued)

“ha”	hectare(s), equal to 10,000 square metres
“km”	kilometre(s)
“kWh”	kilowatt hour(s), a unit of measurement of electric energy consumption, which is equal to the work done by one kilowatt of electric power in one hour
“m”	metre(s)
“MW”	megawatt(s), equal to 1,000 kilowatts
“PMPH(s)”	productive moves per hour, a measure of the productivity of quay cranes
“sq. ft.”	square feet
“sq. m.”	square metre(s)
“TEU(s)”	twenty-foot equivalent unit, a standard measurement unit of a container. It is based on the dimensions of a container 20 feet long by 8 feet wide by 8.5 feet high with an average load of approximately nine tonnes.
“tonnes”	equal to 1,000 kilograms

Financial Terms

“Attributable Operating Profit” or “AOP”	Profit available for appropriation before head office and non-recurring items
“Earnings per Share – Basic”	$\frac{\text{Profit/(Loss) attributable to shareholders} - \text{Preference share dividend}}{\text{Weighted average number of ordinary shares in issue during the year/period}}$
“Gearing Ratio”	$\frac{\text{Net Debt}}{\text{Total shareholders' funds} + \text{Minority interests and loans}}$
“Net Assets”	Total assets less total liabilities and minority interests and loans
“Net Assets per Share”	$\frac{\text{Net Assets}}{\text{Number of issued shares at the end of year/period}}$
“Net Debt”	The aggregate of bank loans, other loans, overdrafts, finance leases and convertible bonds less cash and bank balances
“Net Tangible Assets”	Total assets excluding intangible assets less total liabilities
“Net Tangible Assets per Share”	$\frac{\text{Net Tangible Assets}}{\text{Number of issued shares at the end of year/period}}$
“Return on Capital Employed”	$\frac{\text{Profit/(Loss) attributable to shareholders}}{\text{Shareholders' funds} + \text{Non-current liabilities} + \text{Minority interests and loans}}$
“Return on Shareholders’ Funds”	$\frac{\text{Profit/(Loss) attributable to shareholders}}{\text{Shareholders' funds}}$
“Total Debt”	The aggregate of bank loans, other loans, overdrafts, finance leases and convertible bonds

Five-year Financial Summary

	Year ended				Period from
	30.6.2004	30.6.2003 As restated	30.6.2002	30.6.2001	1.1.1999 to 30.6.2000
Earnings per share – Basic (HK\$)	0.86	1.36	0.05	0.69	0.26
Earnings per share – Diluted (HK\$)	0.86	N/A	N/A	0.53	0.26
Key ratios					
Gearing Ratio	44%	64%	–	–	–
Return on Shareholders' Funds	16%	14%	4%	8%	2%
Return on Capital Employed	9%	6%	4%	7%	2%
Profit and loss account data (HK\$m)					
Turnover	12,552.9	5,770.0	125.1	135.9	149.7
Turnover by activities					
Facilities	3,001.6	717.6	–	–	–
Contracting	7,696.5	4,158.2	–	–	–
Transport	1,138.1	603.3	–	–	–
Financial, environmental and others	330.1	94.3	–	–	–
Roads and bridges	368.4	182.6	–	–	–
Energy, water treatment and waste management	0.9	1.2	–	–	–
Container handling, logistics and warehousing	17.3	12.8	125.1	135.9	149.7
Turnover by region					
Hong Kong	10,527.2	4,362.2	–	–	–
Mainland China	1,733.8	1,405.8	125.1	135.9	149.7
Others	291.9	2.0	–	–	–
Profit attributable to shareholders	1,538.2	1,193.2	143.9	276.1	65.8
Attributable operating profit/(loss) by activities					
Facilities	344.3	65.8	–	–	–
Contracting	253.6	157.2	–	–	–
Transport	65.7	(23.6)	–	–	–
Financial, environmental and others	63.6	41.6	–	–	–
Roads and bridges	291.0	107.1	–	–	–
Energy, water treatment and waste management	515.2	200.7	–	–	–
Container handling, logistics and warehousing	369.9	396.9	360.8	319.3	101.3

	Year ended				Period from
	30.6.2004	30.6.2003 As restated	30.6.2002	30.6.2001	1.1.1999 to 30.6.2000
Profit and loss account data (Continued) (HK\$'m)					
Attributable operating profit/(loss) by region					
Hong Kong	1,045.0	597.5	338.5	305.5	108.9
Mainland China	853.5	346.4	22.3	13.8	(7.6)
Others	4.8	1.8	–	–	–
Head office and non-recurring items					
Profit/(loss) on disposal of subsidiary companies	392.3	27.1	(68.3)	–	–
Profit on disposal of a jointly controlled entity	13.1	–	–	–	–
Impairment loss on investment in a jointly controlled entity	(29.0)	–	–	–	–
Impairment loss on goodwill of an associated company	(310.0)	–	–	–	–
Impairment loss on fixed assets	(36.4)	(74.8)	(119.5)	–	–
Loss on disposal of fixed assets	(26.7)	–	–	–	–
Recognition of one-off negative goodwill	–	474.0	–	–	–
Annual amortization of net negative goodwill	70.8	69.0	–	–	–
Fair value adjustment arising from the Reorganization	(46.8)	(20.9)	–	–	–
Other interest income	4.4	6.5	4.3	4.8	8.4
Other finance costs	(170.8)	(131.5)	–	–	–
Other operating expenses	(226.0)	(77.9)	(27.6)	(45.1)	(37.9)
Expenses arising from the Reorganization	–	(24.0)	–	–	–
Special provisions	–	–	(5.8)	(2.9)	(6.0)
Balance sheet data (HK\$'m)					
Total assets	23,915.1	27,218.2	3,817.1	3,942.9	3,797.3
Total liabilities and minority interests	14,364.5	18,967.7	99.7	464.2	460.9
Loans and borrowings	8,119.9	9,441.1	–	1.6	11.7
Shareholders' funds	9,550.6	8,250.5	3,717.4	3,478.7	3,336.5

* Comparative figures for the year ended 30 June 2003 have been restated to reflect the adoption of Statement of Standard Accounting Practice 12 "Income Taxes". The comparative figures for the three years ended 30 June 2002 have not been restated as the directors are of the opinion that it is impracticable to do so.

Project Key Facts and Figures

Service

Service



Facilities

Facility Management

Hong Kong Convention and Exhibition Centre (Management) Limited		Hong Kong Ticketing Limited	
Services Offered	Provision of venues for exhibitions, conventions, meetings, entertainment and special events, and catering, etc	Service Offered	Ticketing service for entertainment events
Gross Rentable Space	64,000 sq m	No. of Tickets Sold This Year	675,261
No. of Events Held This Year	1,890	Distribution Points	Internet, Call Centre, 15 Tom Lee Music Stores and 4 Venue Box Offices
No. of Attendants This Year	4,832,386		

Property Management

Urban Property Management Limited		Kiu Lok Service Management Company Limited	
Services Offered	Property asset and facility management	Services Offered	Asset and facility management, agency and marketing, market research and promotion
No. of Projects Managed	300	Gross Floor Area Managed	730,000 sq m
No. of Households Managed	180,000 units	Major Projects	New World Centre, Shun Tak Centre, Convention Plaza, The Amazon, etc
Gross Floor Area Managed (Industrial and Commercial Properties)	1.8 million sq m		
Major Projects	City One Shatin, Grand Millennium Plaza, Riviera Gardens and Riviera Plaza, Park Lane Shopper's Boulevard, etc		

Kiu Lok Property Services (China) Limited		Urban Parking Limited	
Services Offered	Asset and facility management, agency and marketing, market research and promotion	Services Offered	Car park operations and management, sales and installation of car park equipment
Gross Floor Area Managed	2.67 million sq m	No. of Parking Spaces	About 25,000
Major Projects	Beijing New World Centre, Chateau Regalia Beijing, Guangzhou Golden Lake Garden, Sun Shine 100 (Beijing), Guangzhou Shun Tak Business Centre, etc	Major Projects	Hong Kong International Airport, Hong Kong Convention and Exhibition Centre, New World Centre, Princess Margaret Hospital, public housing estates car parks of Hong Kong Housing Authority, etc

Security & Guarding

General Security (H.K.) Limited		Uniformity Security Company Limited	
Services Offered	Security and guarding services; armed and armoured transportation; special events security management; supply, installation and maintenance of security systems	Services Offered	Security and guarding services; gurkha guard services; special events security management; design, installation and maintenance of security systems
Security Force	About 1,500	Security Force	About 1,000
No. of Guarding Locations	96	No. of Guarding Locations	95
Major Clients	Hong Kong Jockey Club, Jones Lang Lasalle, City One Shatin, Hong Kong Convention and Exhibition Centre, etc	Major Clients	MTR Corporation Ltd, Sino Estates Management Ltd, Leisure and Cultural Services Department, Judiciary premises, etc

Consumer Related Services

Pollution & Protection Services Limited		Wai Hong Cleaning & Pest Control Company Limited	
Services Offered	Cleaning management, service apartment maid service, marble and granite protection and restoration, curtain wall cleaning, carpet / fabric protection treatment, etc	Services Offered	Cleaning management, pest and termite management, maid service, Indoor Air Quality services, waste collection, disposal and recycling, etc
Major Clients	Airport Authority Hong Kong, Hong Kong Academy of Performing Arts, Island Shangri-La Hong Kong, The American Club, etc	Major Clients	Airport Authority Hong Kong, MTR Corporation Ltd, Hong Kong Science Park, Hong Kong University of Science and Technology, Hang Seng Bank, Standard Chartered Bank, etc

Project Key Facts and Figures

New China Laundry Limited		Sky Connection Limited	
Service Offered	Laundry services to hotels, restaurants, clubhouses and retail clients in Hong Kong and Shenzhen	Service Offered	Retail of duty free liquor and tobacco
Major Clients	Grand Hyatt Hong Kong, New World Renaissance Hotel, Renaissance Harbour View Hotel, The Excelsior Hotel, Holiday Inn Golden Mile, Miramar Hotel, Hong Kong Jockey Club, etc	Locations of Shops	Hong Kong International Airport, Hong Kong-Macau Ferry Terminal and China Ferry Terminal
Care & Services Company Limited		CiF Solutions Limited	
Service Offered	Residential care for the elderly	Services Offered	Packaged IT applications, enterprise solutions and professional IT consultancy services
No. of Elderly under Care	303	Major Clients	ATICO International (HK) Ltd, British American Tobacco, Dah Chong Hong Ltd, Pfizer Corporation Hong Kong Ltd, SGS Hong Kong Ltd, Zuellig Pharma Ltd, etc
Total No. of Beds	330		
Contracting			
Construction			
Hip Hing Construction Company Limited		Vibro (HK) Limited	
Service Offered	Construction engineering service	Services Offered	Civil engineering works, design and construction of foundation, site investigation
Total Contract Sum This Year	HK\$4,132 million	Total Contract Sum This Year	HK\$576 million
Contract on Hand	HK\$11,007 million (remaining work : HK\$7,321 million)	Contract on Hand	HK\$697 million (remaining work: HK\$437 million)
Major Projects	Police Headquarters Phase 3, Disney Resort Project, AIG Tower, Shatin Racecourse Facilities Improvement, Grand Lisboa Hotel and Casino in Macau, etc	Major Projects	URA's Hanoi Road K11, Shatin New Town Stage II Road T3 (Piling Works), Route 8 Lai Chi Kok Viaduct (Piling Works), No.39 Conduit Road, etc
Ngo Kee Construction Company Limited		Barbican Construction Company, Limited	
Service Offered	Construction engineering service	Services Offered	Civil engineering and slope stabilizing works
Total Contract Sum This Year	HK\$211 million	Total Contract Sum This Year	HK\$660 million
Contract on Hand	HK\$224 million (remaining work: HK\$176 million)	Contract on Hand	HK\$1,976 million (remaining work: HK\$1,031 million)
Major Projects	Chinese International School; secondary school at Northcote Close, Pokfulam; St Teresa's Hospital East Wing refurbishment; renovation to Braemar Hill Mansions; drainage improvement at Mo Fan Heung, etc	Major Projects	Landslip Preventive Measures project in Tai Po and Yuen Long; Road T3 and associated road works; road works in Areas 13 and 14 Yuen Long; Route 5 Section between Shek Wai Kok Road and Chai Wan Kok; West Kowloon Reclamation, etc
Extensive Trading Company Limited		Team Deco International Limited	
Services Offered	Sales and supply of building material products, mechanical equipment, building automation system, Indoor Air Quality control products, environmental products and systems; environmental consultancy and assessment work, etc	Service Offered	Interior design service
No. of Retail Shops	4	Major Projects	Shenyang Kempinski Hotel, Beijing Jing Guang Service Apartment, Grand New World Hotel Xian, Kempinski Hotel Dalian, Discovery Bay Siena Resident Club House, Club House of 11 Bonham Road, etc
Kentfull Contracting Limited		New Waly Interior Products Limited	
Service Offered	Fitting out works	Service Offered	Trading of interior products
Total Contract Sum This Year	HK\$150 million	Types of Products	Imported wallcovering, designed carpet, interior lighting fixture, engineered wood flooring, fabrics, furniture, kitchen cabinet, reconstitute marble, mattress and boxspring, tiles, bathroom accessories, ceiling, raised floor, etc
Contract on Hand	HK\$80 million		
Major Projects	Renovation works for guestrooms and corridors at New World Renaissance Hotel; AIG Tower; Apartment at Jing Guang Centre, Beijing; food court, club house and service apartments for New World Plaza, Dalian; guestrooms, corridors, casino podium for Marina Square Hotel and Casino in Manila, Philippines, etc		

service

E&M Engineering

NWS Engineering Group Limited

Major Operating Companies	Young's Engineering Company Limited, Majestic Engineering Company Limited, Far East Engineering Services Limited and NWS Engineering Limited
Services Offered	Mechanical and electrical engineering services
Total Contract Sum This Year	HK\$2,102 million
Contract on Hand	HK\$3,510 million (remaining work: HK\$2,479 million)
Major Projects	URA's Hanoi Road K11, AIG Tower, Hotel Development at KIL 11103 Hung Hom Bay, Shanghai Shi Mao International Plaza, Shanghai Grand Gateway, Wuhan New World World Trade Building, etc

Transport

New World First Bus Services Limited

Service Offered	Franchised bus service in Hong Kong
Fleet Size	708 buses
No. of Routes	100
Daily Patronage	505,000
Average Fleet Age	5.9 years

Citybus Limited

Services Offered	Franchised bus service on Hong Kong Island	Franchised bus service for Airport and Tung Chung new town
Fleet Size	772 buses	164 buses
No. of Routes	97	16
Daily Patronage	533,000	46,000
Average Fleet Age	7.7 years	6.1 years

New World First Bus Services (China) Limited

Service Offered	Public bus service in Mainland China (JV "Kunming New World First Bus Services Limited" commenced operation in January 2004)
Fleet Size	670 buses
No. of Routes	39
Daily Patronage	429,000
Average Fleet Age	5 years

New World First Ferry Services Limited

Service Offered	Passenger ferry service within Hong Kong waters
Fleet Size	27 vessels (including 7 chartered vessels)
No. of Routes	10
Daily Patronage	39,330

New World First Ferry Services (Macau) Limited

Service Offered	Passenger ferry service between Macau and Tsim Sha Tsui, Hong Kong
Fleet Size	8 vessels
Daily Patronage	6,893

New World First Travel Services Limited

Services Offered	Provision of travel services and travel-related products, including harbour cruises, vessel chartering, sightseeing, educational tours and travel insurance service, etc
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Financial

New World Insurance Management Limited

Service Offered	Risk and insurance management consultancy services
Annual Premium Handled	HK\$470 million
Major Clients	Asia Television Ltd, CALYON Corporate and Investment Bank, GlaxoSmithKline Ltd, Linfox Holdings Hong Kong Ltd, etc

Environmental

Hong Kong Island Landscape Company Limited






Services Offered	Sale and hiring of plant products; design, building and maintenance of soft landscape work
Total Area of Nurseries	2.2 million sq ft
Major Clients	Hotel Inter-Continental, The Peninsula, Grand Hyatt Hong Kong, Hong Kong Academy of Performing Arts, The Dynasty Club, etc

Project Key Facts and Figures









Infrastructure





Roads

Guangdong Road Network					1. Guangzhou City Northern Ring Road		
 <p>  Roads  Expressway  Grade 1 Highway  Grade 2 Highway </p>				Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	65.29% CJV 22 km Dual 3-Lane Guangzhou City January 1994 2023 RMB5 – RMB75		
				Average Daily Traffic Flow 2004 2003 2002 122,917 117,217 120,556			
		2. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Section)		3. Roadway No. 1959 (Qingxin Section)		4. Roadway No. 1906 (Qingcheng Section)	
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	25% CJV Section I: 8.6 km Section II: 53.8 km Section I: Dual 3-Lane Section II: Dual 3-Lane / Dual 2-Lane Guangdong Province Section I: May 1997 Section II: December 1999 2030 Section I: RMB6 – RMB18.58 Section II: RMB5 – RMB180			75% CJV 26.6 km Dual 2-Lane Qingxin County, Qingyuan City November 1998 2027 RMB2 – RMB25		80% CJV 26.8 km Dual 2-Lane Qingcheng District, Qingyuan City September 2001 2023 RMB2 – RMB20	
Average Daily Traffic Flow	Section I: 37,078 31,513 27,731 Section II: 34,617 29,039 24,926			2004 2003 2002 3,431 3,592 3,928		2004 2003 2002 4,237 3,569 2,909	
		5a. Shenzhen – Huizhou Expressway (Huizhou Section)		5b. Shenzhen – Huizhou Roadway (Huizhou Section)		6. Hui – Ao Roadway a. Hui – Dan Section b. Hui – Ao Section	
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates	33.33% CJV 34.7 km Dual 2-Lane Huizhou City June 1993 2027 RMB15 – RMB85			50% CJV 21.8 km Dual 2-Lane Huizhou City December 1997 2023 RMB1 – RMB25		50% CJV Hui-Dan Section: 36 km Hui-Ao Section: 50.5 km Hui-Dan Section: Dual 1-Lane Hui-Ao Section: Dual 2-Lane Huizhou City Hui-Dan Section: January 1996 Hui-Ao Section: October 2000 2028 RMB2 – RMB25	
Average Daily Traffic Flow	2004 2003 2002 11,245 11,375 7,314			2004 2003 2002 11,204 11,529 11,979		2004 2003 2002 7,642 7,462 5,930	

Project Key Facts and Figures

 <p>Guangxi Road Network</p> <p>  Roads  Grade 1 Highway  Grade 2 Highway </p>					7. Beiliu City Roadways
	Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow	60% CJV Phase I: 18.2 km Phase II: 21.6 km Dual 1 to 2-Lane Beiliu City Phase I: August 1997 Phase II: May 1998 2022 RMB1 – RMB25 2004 2003 2002 5,076 4,501 4,590			
	8. Rongxian Roadways	9. Yulin – Shinan Roadway	10. Yulin Shinan – Dajiangkou Roadway		
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow	70% CJV Phase I: 9.2 km Phase II: 16.8 km Dual 1 to 2-Lane Rongxian Phase I: October 1997 Phase II: May 1998 2022 RMB1 – RMB25 2004 2003 2002 4,281 4,521 4,289	60% CJV 27.8 km Dual 2-Lane Yulin City May 1998 2022 RMB1 – RMB25 2004 2003 2002 6,278 5,753 4,937	60% CJV Phase I: 8.7 km Phase II: 30 km Dual 1 to 2-Lane Yulin City Phase I: August 1997 Phase II: January 1999 2022 RMB1 – RMB25 2004 2003 2002 2,777 2,941 2,721		
	11. Yulin Shinan – Guigang Roadway	12. Roadway No. 321 (Wuzhou Section)	13. Cangwu County Roadway		
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow	60% CJV 20 km Dual 2-Lane Yulin City N/A 2022 N/A N/A	45% CJV Phase I: 8.7 km Phase II: 4.3 km Dual 2-Lane Wuzhou City Phase I: March 1997 Phase II: December 1998 2022 RMB2 – RMB30 2004 2003 2002 5,640 4,994 5,558	70% CJV 10.1 km Dual 2 to 3-Lane Cangwu County January 1999 2022 RMB1 – RMB22 2004 2003 2002 5,000 4,503 5,055		
 <p>Shanxi Road Network</p> <p>  Roads  Grade 1 Highway  Grade 2 Highway </p>					14. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)
	Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow				

infrastructure

	15. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)	16. Roadway No. 309 (Changzhi Section)	17. Taiyuan – Changzhi Roadway (Changzhi Section)
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow	60% / 90% CJV 36.02 km Dual 1-Lane Gujiao City April 1999 2025 RMB10 – RMB60 2004 2003 2002 805 1,019 955	60% / 90% CJV 22.2 km Dual 1-Lane (16.75km) Dual 2-Lane (5.45km) Changzhi City July 2000 2023 RMB10 – RMB60 2004 2003 2002 1,319 1,161 1,087	60% / 90% CJV 18.3 km Dual 1-Lane (4.05km) Dual 2-Lane (14.25km) Changzhi City August 2000 2023 RMB10 – RMB70 2004 2003 2002 2,186 2,749 3,682
	Wuhan City Road Project		18. Wuhan Airport Expressway
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow			40% CJV 18 km Dual 2-Lane Wuhan City April 1995 2025 RMB5 – RMB50 2004 2003 2002 9,073 6,974 6,647
	Tianjin Municipality Road Project		19. Tianjin Expressway (Tianjin North Section)
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow			90% distributable cash for the first 15 years; 60% of distributable cash for the last 15 years CJV Section I: 43.4 km Section II: 17 km Dual 2 to 3-Lane Tianjin Municipality Section I: January 1999 Section II: January 2001 Section I: 2028 Section II: 2030 RMB5 – RMB116 2004 2003 2002 15,170 13,313 10,615
	Hong Kong Road Project		20. Tate's Cairn Tunnel
Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow			29.5% Equity 4 km Dual 2-Lane Hong Kong June 1991 2018 HK\$10 – HK\$20 2004 2003 2002 61,213 61,456 63,519

Project Key Facts and Figures

Bridges

 <p>Guangdong Bridge Project</p> <p>  Bridges  Grade 1 Highway  Grade 2 Highway </p>	<p>1. Gaoming Bridge</p>		
	<p> Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates </p>	<p>30% / 80% CJV 1.1 km Dual 1-Lane Gaoming District, Foshan City November 1996 2021 N/A (Annual toll ticket system was implemented since March 2003)</p>	
<p>Average Daily Traffic Flow</p>	<p>2004</p> <p>N/A</p>	<p>2003</p> <p>16,227</p>	<p>2002</p> <p>15,816</p>
 <p>Wuhan City Bridge Project</p> <p>  Bridges  Expressway </p>	<p>2. Wuhan Bridge Development</p>		
	<p> Attributable Interest Form of Investment Length Lanes Location Operation Date </p>	<p>48.86% JSC 4 km Dual 2 to 3-Lane Wuhan City Yangtze River Bridge No. 2: June 1995 Han River Bridge No. 1: January 1956 Han River Bridge No. 2: April 1978</p>	
<p> Expiry Date Current Toll Rates </p>	<p>N/A N/A (All three bridges have ceased collecting toll)</p>		
<p>Average Daily Traffic Flow</p>	<p>2004</p> <p>N/A</p>	<p>2003</p> <p>58,800</p>	<p>2002</p> <p>45,476</p>

Energy

	1. Zhujiang Power Station – Phase I	2. Zhujiang Power Station – Phase II	3. Sichuan Qianwei Dali Power Plant
<p> Attributable Interest Form of Investment Installed Capacity Location </p>	<p>50% EJV 600 MW Nansha Economic Development Zone, Guangzhou City</p>	<p>25% EJV 600 MW Nansha Economic Development Zone, Guangzhou City</p>	<p>60% CJV 54 MW Qianwei County, Leshan City, Sichuan Province</p>
<p> Type of Power Operation Date Expiry Date </p>	<p>Coal-Fired Thermal January 1994 2017</p>	<p>Coal-Fired Thermal April 1996 2020</p>	<p>Coal-Fired Thermal November 1997 2022</p>
<p>Power Generation (GWh)</p>	<p>2004 2003 2002</p> <p>4,460 3,373 3,537</p>	<p>2004 2003 2002</p> <p>3,968 3,902 3,183</p>	<p>2004 2003 2002</p> <p>303 300 230</p>
	<p>4. Macau Power</p>		
<p> Attributable Interest Form of Investment Installed Capacity Location </p>	<p>19% Equity 488 MW One in Macau and two in Coloane</p>		
<p> Type of Power Operation Date Expiry Date </p>	<p>Oil-Fired Thermal November 1985 2010</p>		
<p>Power Generation (GWh)</p>	<p>2004 2003 2002</p> <p>2,004 1,876 1,831</p>		

infrastructure

Water Treatment and Waste Management

	1. The Macao Water Supply Company Limited	2. Lianjiang Water Plant	3. Zhongshan Tanzhou Water Plant
Attributable Interest	42.5%	30%	29%
Form of Investment	Equity	Equity	Equity
Capacity	255,000 m ³ / day	100,000 m ³ / day	60,000 m ³ / day
Location	Macao	Lianjiang, Guangdong Province	Zhongshan, Guangdong Province
Operation Date	1985	N/A	January 1994
Expiry Date	2010	2027	2027
	4. Zhongshan Dafeng Water Plant	5. Zhongshan Quanlu Water Plant	6. Dongguan Microfiltration Equipment Plant
Attributable Interest	33.06%	33.06%	25%
Form of Investment	Equity	Equity	Equity
Capacity	200,000 m ³ / day	500,000 m ³ / day	N/A
Location	Zhongshan, Guangdong Province	Zhongshan, Guangdong Province	Dongguan, Guangdong Province
Operation Date	April 1998	April 1998	September 1995
Expiry Date	2020	2020	2014
	7. Nanchang Water Plant	8. Baoding Water Plant	9. Siping Water Plant
Attributable Interest	25%	45%	25%
Form of Investment	Equity	Equity	Equity
Capacity	50,000 m ³ / day	260,000 m ³ / day	118,000 m ³ / day
Location	Nanchang, Jiangxi Province	Baoding, Hebei Province	Siping, Jilin Province
Operation Date	January 1996	June 2000	September 2000
Expiry Date	2023	2020	2030
	10. Zhengzhou Water Plant	11. Xinchang Water Plant	12. Changtu Water Plant
Attributable Interest	25%	25%	35%
Form of Investment	Equity	Equity	Equity
Capacity	360,000 m ³ / day	100,000 m ³ / day	50,000 m ³ / day
Location	Zhengzhou, Henan Province	Xinchang, Zhejiang Province	Tieling, Liaoning Province
Operation Date	August 2001	March 2002	December 2000
Expiry Date	2031	2032	2029
	13. Panjin Water Plant	14. Shanghai Spark Water Plant	15. Shanghai SCIP Water Treatment Plants
Attributable Interest	30%	25%	25%
Form of Investment	Equity	Equity	Equity
Capacity	110,000 m ³ / day	100,000 m ³ / day	Wastewater: 50,000 m ³ / day Industrial water: 200,000 m ³ / day
Location	Panjin, Liaoning Province	Shanghai	Shanghai
Operation Date	April 2002	January 2002	January 2005 (Estimate)
Expiry Date	2032	2031	2052
	16. Qingdao Water Plant	17. Chongqing Water Plant	18. Sanya Water Plant
Attributable Interest	25%	30%	25%
Form of Investment	Equity	Equity	Equity
Capacity	543,000 m ³ / day	345,000 m ³ / day	235,000 m ³ / day
Location	Qingdao, Shandong Province	Chongqing	Sanya, Hainan Province
Operation Date	August 2002	November 2002	January 2004
Expiry Date	2027	2052	2033
	19. Tanggu Water Plant	20. Shanghai SCIP Waste Incineration Plant	
Attributable Interest	25%	10%	
Form of Investment	Equity	Equity	
Capacity	310,000 m ³ / day	60,000 tonnes / year	
Location	Tanggu, Tianjin	Shanghai	
Operation Date	November 2004 (Estimate)	2nd half of 2006 (Estimate)	
Expiry Date	2039	2053	

Project Key Facts and Figures

Ports



Ports

1. CSX World Terminals Hong Kong Limited		2. ATL Logistics Centre Hong Kong Limited	
Attributable Interest	33.34%	Attributable Interest	55.67%
Form of Investment	Equity	Form of Investment	Equity
Handling Capacity	1.2 million TEUs pa	Lettable Area	5.9 million sq ft
Total Area	167,000 sq m	Location	Berth 3, Kwai Chung Container Terminals, Hong Kong
Location	Berth 3, Kwai Chung Container Terminals, Hong Kong	Operation Dates	Phase I: February 1987 Phase II: March 1988 Phase III: February 1992 Phase IV: January 1994 Phase V: November 1994
Operation Date	June 1991	Expiry Date	2047
Expiry Date	2047	Yearly Average Occupancy Rate	2004 90.8% 2003 95.4% 2002 93.6%
Length of Berth	305m	Total CFS (cbm)	2004 1,257,000 2003 1,302,000 2002 1,058,000
No. of Cranes	4		
Throughput Achieved (TEUs)	2004 1,109,000 2003 1,337,000 2002 1,369,000		
3. CSX Orient (Tianjin) Container Terminals Co., Limited		4. Xiamen Xiang Yu Quay Co., Ltd.	
Attributable Interest	24.5%	Attributable Interest	50%
Form of Investment	EJV	Form of Investment	EJV
Handling Capacity	1.4 million TEUs pa	Handling Capacity	1 million TEUs pa
Total Area	469,000 sq m	Total Area	488,000 sq m
Location	Xingang Dongtudi South Terminal, Tanggu, Tianjin	Location	Huli Industrial Zone, Xiamen, Fujian
Operation Date	January 1999	Operation Date	April 1997
Expiry Date	2027	Expiry Date	2052
Length of Berths	1,136m	Length of Berths	976m
No. of Cranes	8	No. of Cranes	6
Throughput Achieved (TEUs)	2004 1,145,000 2003 1,027,000 2002 884,000	Throughput Achieved (TEUs)	2004 603,000 2003 482,000 2002 320,000
5. United Asia Terminals (Yantian) Limited		6. ATL Logistics Centre Yantian Limited	
Attributable Interest	40%	Attributable Interest	46%
Form of Investment	Equity	Form of Investment	Equity
Handling Capacity	700,000 cbm pa	Handling Capacity	600,000 cbm pa
Total Area	12,000 sq m	Total Area	26,000 sq m
Location	Yantian, Shenzhen	Location	Yantian, Shenzhen
Operation Date	February 1997	Operation Date	January 2002
Expiry Date	2006	Expiry Date	2019
Total CFS (cbm)	2004 325,000 2003 452,000 2002 411,000	Total CFS (cbm)	2004 352,000 2003 396,000 2002 31,847
7. Xiamen New World Xiangyu Warehouse & Processing Zone Limited		8. Xiamen Xinyuan Container Terminal Co., Ltd.	
Attributable Interest	100%	Attributable Interest	70%
Form of Investment	FWOE	Form of Investment	EJV
Total Area	89,000 sq m	Handling Capacity	23,000 TEUs pa
Location	Huli Industrial Zone, Xiamen, Fujian	Total Area	58,000 sq m (Area leased from Xiamen New World Xiangyu Warehouse & Processing Zone Limited)
Operation Date	January 1998	Location	Huli Industrial Zone, Xiamen, Fujian
Expiry Date	2045	Operation Date	January 1999
Yearly Average Occupancy Rate	2004 85% 2003 75% 2002 79%	Expiry Date	2018
		Throughput Achieved (TEUs) (Cargo Consolidation)	2004 18,225 2003 13,197 2002 11,325
9. Asia Container Terminals Limited			
Attributable Interest	23.34%		
Form of Investment	Equity		
Handling Capacity	1.8 million TEUs pa		
Total Area	285,000 sq m		
Location	Kwai Chung Container Terminal 8 West, Hong Kong		
Operation Date	Berths 1 & 2: 4th Quarter 2004		
Expiry Date	2047		
Length of Berths	740m		
No. of Cranes	8		

Corporate Information

Executive Directors

Dr Cheng Kar Shun, Henry (Chairman)
Mr Doo Wai Hoi, William (Deputy Chairman)
Mr Chan Kam Ling (Chief Executive Officer)
Mr Tsang Yam Pui
Mr Wong Kwok Kin, Andrew
Mr Lam Wai Hon, Patrick
Mr Cheung Chin Cheung

Non-executive Directors

Mr Wilfried Ernst Kaffenberger
Mr To Hin Tsun, Gerald
Mr Dominic Lai
Mr Yeung Kun Wah, David
(Alternate Director to Mr Wilfried Ernst Kaffenberger)

Independent Non-executive Directors

Mr Kwong Che Keung, Gordon
Mr Cheng Wai Chee, Christopher
The Honourable Shek Lai Him, Abraham

Qualified Accountant

Dr Cheng Chi Pang, Leslie

Company Secretary

Mr Chow Tak Wing

Head Office and Principal Place of Business

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Fax : (852) 2131 0611

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Auditors

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

Principal Share Registrars and Transfer Office

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

Branch Share Registrars and Transfer Office in Hong Kong

Standard Registrars Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal Bankers

Bank of America, National Association
Bank of China (Hong Kong) Limited
BNP Paribas
Calyon
DBS Bank Ltd, Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation

Share Listings

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

Stock Code

Hong Kong Stock Exchange 0659

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Where the English and the Chinese texts conflict,
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Concept & Design

Yellow Creative (HK) Limited

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