

NWS Holdings Limited

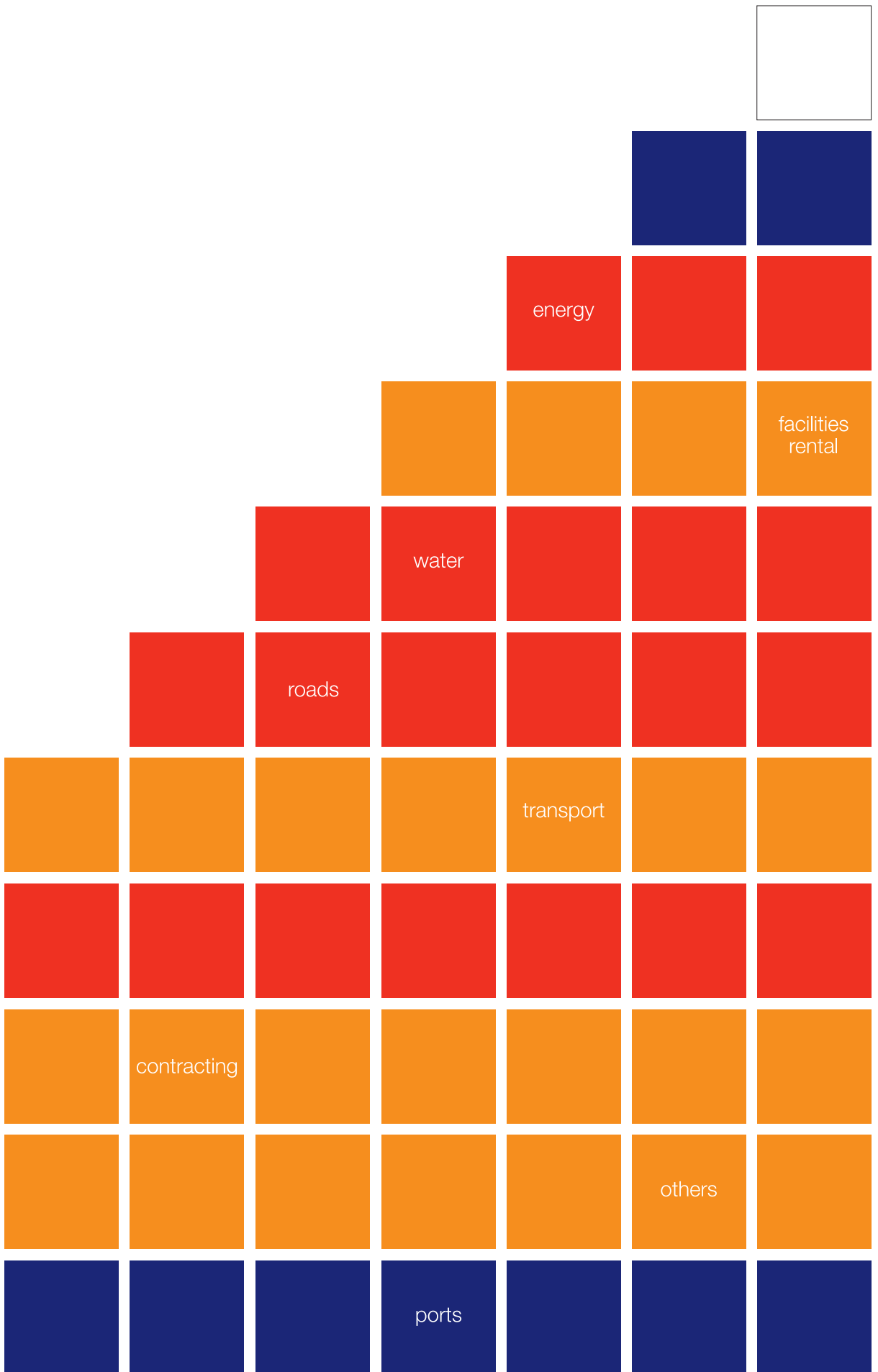


Sustaining Growth Building Value

Annual Report 2005

infrastructure
service
& rental





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

energy
water roads ports
infrastructure
service & rental
facilities rental contracting
transport others

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
infrastructure and
service management

companies driven by a shared passion
for customer value and care



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About NWS Holdings

NWS Holdings Limited (“NWS Holdings” or the “Group”, Hong Kong stock code: 0659) is the infrastructure and service flagship of New World Development Company Limited (Hong Kong stock code: 0017). Listed on the Hong Kong Stock Exchange in January 2003, the Group is a constituent stock of the Hang Seng Hong Kong Mid-cap Index and FTSE Asia Pacific (ex-Japan) Index.

Embracing a diversified range of businesses in Hong Kong, Mainland China and Macau, NWS Holdings’ Infrastructure portfolio encompasses Energy, Water, Roads and Ports projects while its Service & Rental businesses comprise Facilities Rental, Contracting, Transport, etc. Drawing on a wealth of strategic vision, NWS Holdings aspires to build a dynamic and premier group of infrastructure and service management companies in the region.

Infrastructure

As a major infrastructure investor with a strong foothold in China, NWS Holdings operates 51 projects in Energy, Water, Roads and Ports segments.

Energy The three power plants in Guangdong and Macau have a total installed capacity of approximately 1,688MW.

Water Through its 20-year-old joint venture company Sino-French Holdings (Hong Kong) Limited, NWS Holdings enjoys a first-mover advantage in the water markets of Mainland China and Macau where its 19 water treatment plants can treat up to 4.38 million m³ of fresh water and wastewater per day.

Roads Its highway portfolio covers approximately 738 km in length in strategic locations such as Guangdong and Tianjin.

Ports NWS Holdings has invested in Ports businesses in major coastal cities including Xiamen and Tianjin, with an annual handling capacity of 4.62 million TEUs.



Service & Rental



As a leading service management group in Hong Kong, NWS Holdings has the experience to capture the tremendous potential across the border.

Facilities Rental

Hong Kong Convention and Exhibition Centre and ATL Logistics Centre, both operated and managed by the Group's Facilities Rental segment, offer an unparalleled portfolio of services to local and overseas customers.

Contracting

Its Contracting segment provides full expertise from construction to electrical and mechanical engineering, with a foothold developed in Mainland China and Macau.

Transport

The Group jointly operates a comprehensive range of transport businesses with Chow Tai Fook Enterprises Limited, and has extended its bus operation to Kunming.

Others

NWS Holdings enhances the quality in every part of people's life through its diversified services ranging from property management, duty free sales, to financial services and insurance, etc.

Achievements

Hall of Excellence



Asia Pacific PR Awards 2004 –

Award of Public Affairs (a)

NWS Holdings Limited

Mercury Awards 2004

(Silver, Bronze and Honors) (b)

NWS Holdings Limited

(corporate brochure, newsletter and annual report)

Asia's Leading Conference Centre 2004 (c)

Hong Kong Convention and Exhibition Centre

Best Employers in Asia 2005 (d)

Urban Property Management Limited

Quality Building Award 2004 (e)

Hip Hing Construction Company Limited (*Jolly Place*)

Quality Service Terminal 2004 (f)

Xiamen New World Xiangyu Terminals Co., Ltd.

Caring Company Logo 2004-2005 (g)

NWS Holdings Limited and its 15 subsidiaries

Gold Award for Volunteer Service (h)

NWS Holdings Limited

Web Care Award 2004 (i)

NWS Holdings Limited



Hong Kong International Culinary Classic 2005

(Distinction, Gold, Silver and Bronze Awards) (j)

Hong Kong Convention and Exhibition Centre

Hong Kong Awards for Industries 2004:

Environmental Performance (k)

Hip Hing Builders Company Limited

The Ninth Employers' Gold Star Awards and Certificate of Outstanding Performance (l)

Urban Property Management Limited, General Security (H.K.) Limited and Care & Services Company Limited

2004 HKCA Safety Achievement Award

Hip Hing Construction Company Limited

Top Ten Most Influential Enterprises in Mainland China's Water Supply Industry 2004

Sino French Water Development Company Limited

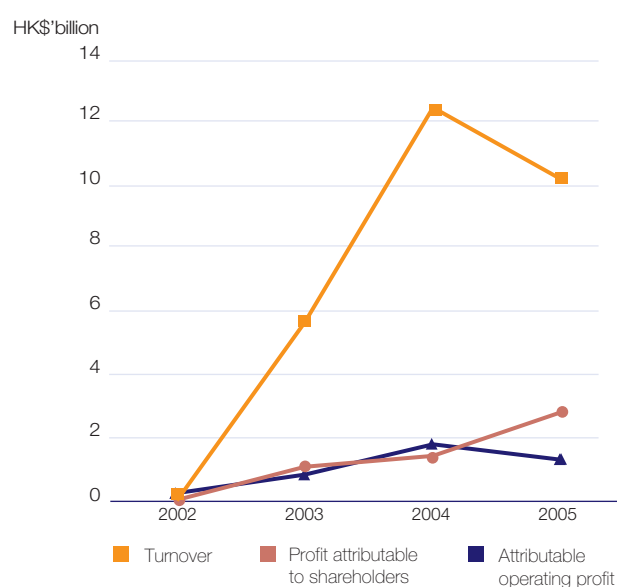
Financial Highlights

	Note	2005 HK\$'m	2004 HK\$'m
Turnover		10,286.1	12,552.9
Earnings before interest and taxation		3,411.2	2,148.5
Profit attributable to shareholders		2,918.0	1,538.2
Net Debt		2,473.2	4,618.1
Total assets		25,193.5	23,915.1
Shareholders' funds		12,942.0	9,550.6
Net Tangible Assets		12,047.3	9,544.7
Earnings per Share	1	HK\$1.62	HK\$0.86
Net Assets per Share	2	HK\$7.09	HK\$5.33
Gearing Ratio	3	18%	44%
Return on Shareholders' Funds	4	23%	16%
Return on Capital Employed	5	16%	9%

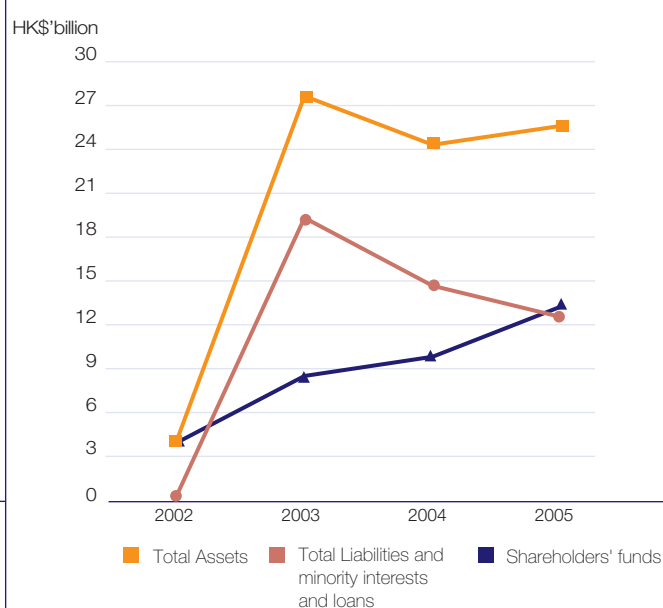
Notes:

- 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.
- Net Assets per Share have been calculated by dividing Net Assets by the number of issued shares as at year ends.
- Gearing Ratio represents Net Debt divided by shareholders' funds plus minority interests and loans.
- Return on Shareholders' Funds represents profit attributable to shareholders divided by shareholders' funds.
- 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

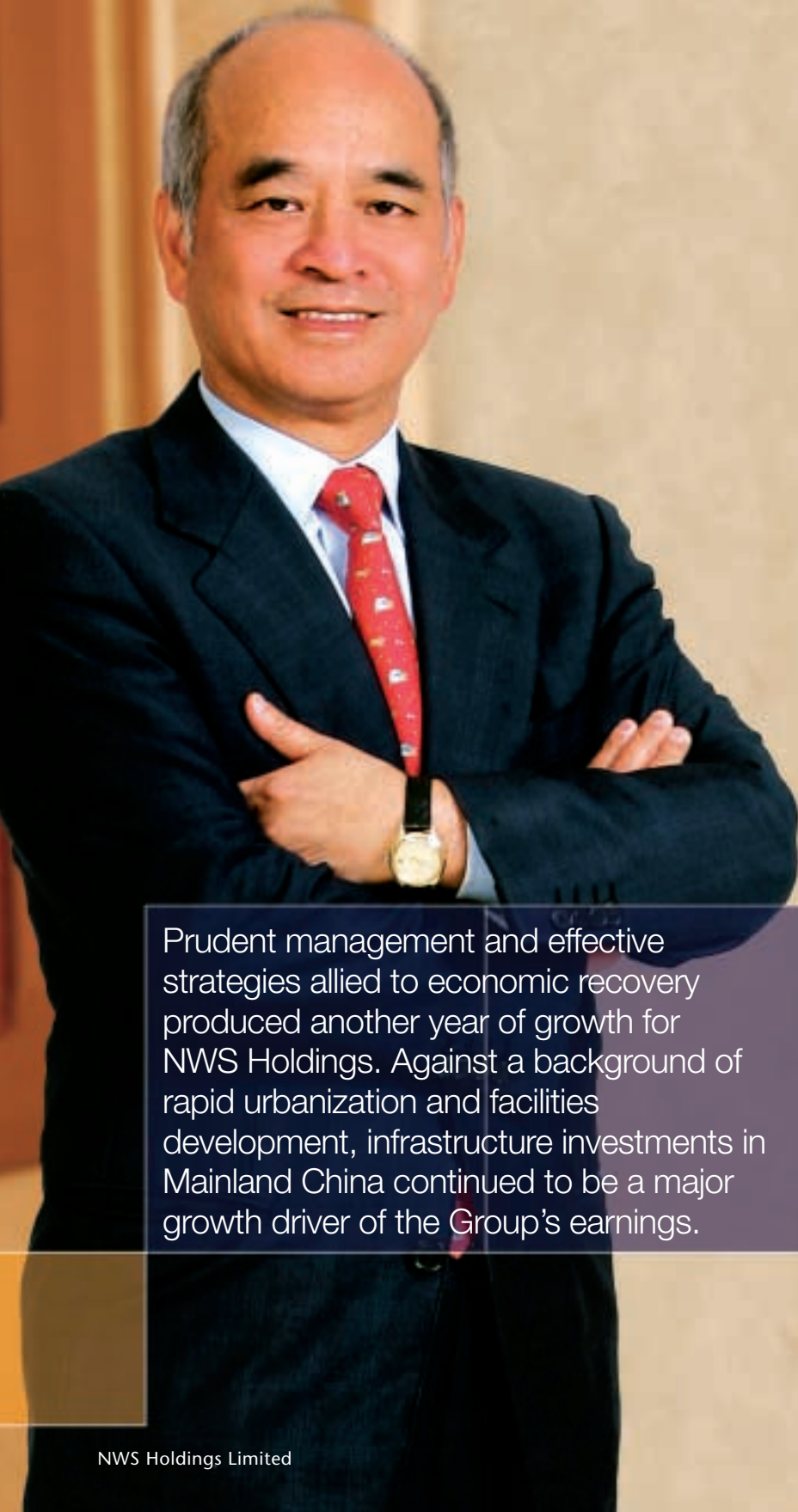


Consolidated Balance Sheet Highlights



<h3>Debt Reduction Progress</h3> <p>Net Debt HK\$ billion</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Net Debt (HK\$ billion)</th> </tr> </thead> <tbody> <tr> <td>Feb 03</td> <td>8.7</td> </tr> <tr> <td>Jun 03</td> <td>6.9</td> </tr> <tr> <td>Jun 04</td> <td>4.6</td> </tr> <tr> <td>Jun 05</td> <td>2.5</td> </tr> </tbody> </table>	Period	Net Debt (HK\$ billion)	Feb 03	8.7	Jun 03	6.9	Jun 04	4.6	Jun 05	2.5	<h3>Gearing Ratio</h3> <p>Gearing Ratio</p> <table border="1"> <thead> <tr> <th>Period</th> <th>Gearing Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>Feb 03</td> <td>85%</td> </tr> <tr> <td>Jun 03</td> <td>64%</td> </tr> <tr> <td>Jun 04</td> <td>44%</td> </tr> <tr> <td>Jun 05</td> <td>18%</td> </tr> </tbody> </table>	Period	Gearing Ratio (%)	Feb 03	85%	Jun 03	64%	Jun 04	44%	Jun 05	18%
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<h3>AOP – by Business Segment</h3> <p>HK\$m</p> <ul style="list-style-type: none"> Energy Water Roads Ports Facilities Rental Contracting Transport Others <table border="1"> <thead> <tr> <th>Year</th> <th>Total AOP (HK\$m)</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>~1,900</td> </tr> <tr> <td>2005</td> <td>~1,600</td> </tr> </tbody> </table>	Year	Total AOP (HK\$m)	2004	~1,900	2005	~1,600	<h3>AOP – by Division</h3> <p>HK\$m</p> <ul style="list-style-type: none"> Infrastructure Service & Rental Group <table border="1"> <thead> <tr> <th>Year</th> <th>Infrastructure (HK\$m)</th> <th>Service & Rental (HK\$m)</th> <th>Group (HK\$m)</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>1,006.2</td> <td>897.1</td> <td>1,903.3</td> </tr> <tr> <td>2005</td> <td>1,010.2</td> <td>404.8</td> <td>1,415.0</td> </tr> </tbody> </table>	Year	Infrastructure (HK\$m)	Service & Rental (HK\$m)	Group (HK\$m)	2004	1,006.2	897.1	1,903.3	2005	1,010.2	404.8	1,415.0		
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<p>2004 Total HK\$1,903.3 million</p> <ul style="list-style-type: none"> Infrastructure (53%) Service & Rental (47%) 	<p>2005 Total HK\$1,415.0 million</p> <ul style="list-style-type: none"> Infrastructure (71%) Service & Rental (29%) 																				

Chairman's Statement



Prudent management and effective strategies allied to economic recovery produced another year of growth for NWS Holdings. Against a background of rapid urbanization and facilities development, infrastructure investments in Mainland China continued to be a major growth driver of the Group's earnings.

Fellow shareholders,

FY2005 was another year of growth for NWS Holdings in terms of earnings and corporate development. This was partly due to the overall economic recovery, but even more so to the prudent management and effective strategies of the Group. NWS Holdings recorded a net profit of HK\$2.918 billion, representing a 90% growth over the previous financial year. The surge in profit was attributable to an exceptional gain of approximately HK\$1.8 billion from the disposal of Hong Kong ports operations in early 2005. Net debt decreased substantially to HK\$2.5 billion (2004: HK\$4.6 billion), reducing the gearing ratio to 18%.

Dividend strategy

The Company's dividend payout strategy is to maintain a long-term stable dividend payout ratio, providing shareholders with a highly competitive return on investment. The dividend payout will be linked to underlying performance of our businesses, as well as new projects and capital expenditure incurred during the period. With stable recurring cash flow and strong cash position, the dividend declared by the Group increased from HK\$0.40 per share in FY2004 to HK\$0.80 per share, or a 100% growth, in FY2005. The dividend payout ratio increased from 47% in FY2004 to 50% in FY2005. Barring unforeseen special circumstances, the Company intends to maintain a dividend payout ratio at 50%.

A fruitful but challenging year

The Group's infrastructure investments in Mainland China yielded good results with earnings accounting for 70% of the Group's total earnings. The large portion of cash flow generated by our Mainland China businesses also allowed us to benefit from the appreciation of Renminbi. In early 2005, in order to project a more defined structure and highlight our positioning as a major infrastructure player, we streamlined

our businesses into two divisions: Infrastructure and Service & Rental.

Continued strong economic growth and urbanization in Mainland China have stimulated electricity consumption, water treatment, traffic flow on highways and cargo shipment. Our electricity sales increased and water consumption achieved remarkable growth. Toll income rose satisfactorily, and in order to capture the growth potential in Pearl River Delta region, the Group enlarged its highway portfolio by investing in the Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section), the Guangzhou-Zhaoqing Expressway and the Pearl River Delta Ring Road (South-western Section). In addition, the Group focused on its ports business in Mainland China after the disposal of its Hong Kong ports operations, and was particularly encouraged by the robust performance of Xiamen port. In order to maintain earnings capability, in May 2005 the Group entered into an agreement acquiring a stake in Tianjin Five Continents project, a four-berth container terminal that is already operational.

Hong Kong Convention and Exhibition Centre (Management) Limited continued to achieve excellent results. The Town Planning Board has approved the atrium expansion to increase the exhibition space by about 30% or 200,000 sq ft. The project will enhance the Group's future earnings from space rental as well as food and beverage operations. By contrast, reduced public projects in Hong Kong, aggressive competition and higher material costs caused the Contracting segment to register a loss in FY2005. To counter this, the Group diversified operations across Mainland China and Macau and was awarded a number of hotel and entertainment facility projects worth HK\$7 billion in Macau. Our Transport businesses faced strong challenges from the surging price of fuel and the newly opened railway extensions in Hong Kong. However, synergies achieved by service operators under NWS Transport Services Limited helped to relieve the pressure of ever increasing operating costs.

A promising outlook

Infrastructure division will continue to be the major growth driver of NWS Holdings, notably for expressway, water and energy operations. Our corporate strategy is to continue seeking investment opportunities and deploying additional resources in this high growth area. Although the service sector in Hong Kong continues to be challenging, we expect our Facilities Rental segment to sustain growth in the coming year.

We also see opportunities in the Water segment, with the Central Government encouraging privatization of water supply service. The 20-year experience of Sino-French Holdings (Hong Kong) Limited ("Sino-French Holdings"), a joint venture between NWS Holdings and SUEZ, in water project investments across Mainland China and Macau, places the Group in a strong position to acquire new projects in Mainland China's major cities. Sino-French Holdings has signed a letter of intent with Chongqing Water Holding (Group) Co. Ltd. earlier to establish a joint venture to explore investment opportunities in water projects in Chongqing and nearby regions.

Given the Central Government's long-term target of building 85,000 km of expressways and increase in car ownership, NWS Holdings will focus its road investments on high growth regions. In order to fulfill its goal of expanding infrastructure and logistics businesses in Mainland China, the Group has recently signed a letter of intent with China Railway Container Transport Corp. Ltd. and other independent third parties to set up a 50-year joint venture to develop, operate and manage 18 large-scale pivotal rail container terminals in 18 major cities in Mainland China.

The revival of Hong Kong's property market together with contributions from Macau construction projects will help improve the Contracting segment's performance in the coming year. After considering the views of various stakeholders, NWS Holdings and our joint venture partner Sun Hung Kai Properties Limited have

decided to renovate and upgrade the facilities of Hung Hom Peninsula. The Group is expected to realize a satisfactory return from the project.

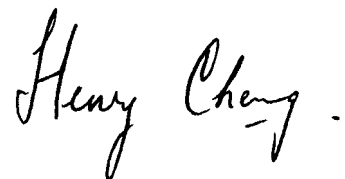
Overall, building on our professional management team and international standards of corporate governance, I am confident that the Group will continue to expand rapidly.

Corporate social responsibility and corporate governance

NWS Holdings has established a Corporate Social Responsibility Committee for formulating policies on community and environmental initiatives. Our sustained commitment to community care has gained wholehearted support from all our staff, and their enthusiasm in serving the needy through NWS Volunteer Alliance has won widespread recognition. Emphasizing prudent and transparent management, and integrity and fair play, we strive to enhance shareholder value and customer value as well as to constantly invest in human capital. In addition to providing intensive training for our middle management and operational staff, we will focus on sharpening the management skills and broadening the vision of our senior executives.

My heartfelt appreciation

I am grateful for the efforts that all our staff have devoted to delivering the excellent services and building a strong brand along the way. We will continue to share our fruitful results with them by rewarding outstanding performers. Their dedication and hard work will certainly remain the cornerstone of the Group's long-term prosperity.



Dr Cheng Kar Shun, Henry
Chairman
Hong Kong, 5 October 2005

Board of Directors



a. Dr Cheng Kar Shun, Henry
b. Mr Doo Wai Hoi, William
c. Mr Chan Kam Ling
d. Mr Tsang Yam Pui
e. Mr Wong Kwok Kin, Andrew
f. Mr Lam Wai Hon, Patrick
g. Mr Cheung Chin Cheung

Board of Directors

Dr Cheng Kar Shun, Henry *GBS* Chairman

Dr Cheng (58) 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, Tai Fook Securities Group Limited and International Entertainment Corporation. He is also the Managing Director of NWD (Hotels Investments) Limited, a director of Chow Tai Fook Enterprises Limited and HKR International Limited and a non-executive director of Lifestyle International Holdings 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 (61) 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; Executive Director of Lifestyle International Holdings Limited, as well as Director of NWD (Hotels Investments) Limited and Fung Seng Diamond Company Limited. Mr Doo is 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 has been appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong in May 2005. 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 (65) 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. He is also a director of New World First Bus Services Limited and Companhia de Electricidade de Macau-CEM, S.A. Mr Chan has been a part-time member of the HKSAR Government's Central Policy Unit and a member of the Construction Industry Review Committee, the Provisional Construction Industry Co-ordination Board, the Professional Services Committee and the China Trade Advisory Committees of the Hong Kong Trade Development Council as well as the Departmental Advisory Committee of the Department of Building and Construction of the City University of Hong Kong. Mr Chan has more than 35 years of experience in construction, property development and infrastructure industry in the Mainland China, Hong Kong and Macau. In 2001, Mr Chan was awarded the Bronze Bauhinia Star by the Government of the HKSAR.

Mr Tsang Yam Pui *GBS, OBE* Executive Director

Mr Tsang (60) 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 (59) 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 a 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 and Qualified Accountant

Mr Lam (43) was appointed as Executive Director in January 2003 and is currently the Qualified Accountant of the Company. He is also 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. He is mainly responsible for overseeing the facilities rental business of the Group and managing the financial and human resources aspects of the Company. His area of responsibilities in New World Group includes property investment and development as well as 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 (49) 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 a director and the General Manager of NWS Infrastructure Management Limited and NWS Ports Management Limited. He is a director of 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 a director of a number of companies in Mainland China. Mr Cheung is a member of the China Trade Advisory Committee and the Infrastructure Development Advisory Committee of the Hong Kong Trade Development Council.



h. Mr Wilfried Ernst Kaffenberger
i. Mr To Hin Tsun, Gerald
j. Mr Dominic Lai

k. Mr Kwong Che Keung, Gordon
l. Mr Cheng Wai Chee,
Christopher
m. Mr Shek Lai Him, Abraham

Mr Wilfried Ernst Kaffenberger Non-executive Director

Mr Kaffenberger (61) 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 (56) 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 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 and Tai Fook Securities Group Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr Dominic Lai Non-executive Director

Mr Lai (58) 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 practising 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 the senior partner of the Hong Kong law firm, lu, Lai & Li and has been in practice for more than 30 years. He is also non-executive director of several other public companies listed on The Stock Exchange of Hong Kong Limited.

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

Mr Yeung (55) was appointed as Alternate Director to Mr Wilfried Ernst Kaffenberger in January 2003.

Mr Yeung is the President and Chief Executive Officer of AIG Capital Partners Inc., a wholly owned subsidiary company of AIG Global Investment Group. He is responsible for AIG's Emerging Market Private Equity Investment activities globally. He represents AIG on AIG-sponsored infrastructure funds with total committed funds of US\$4.7 billion and 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 U.S. Certified Public Accountant and a Canadian Chartered Accountant.

Mr Kwong Che Keung, Gordon Independent Non-executive Director

Mr Kwong (56) was appointed as Independent Non-executive Director in October 2002. He is a non-executive director of COSCO Pacific 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 Price Waterhouse 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 Stock Exchange of Hong Kong Limited from 1992 to 1997, during which, he had acted as convener of both the Compliance Committee and the Listing Committee.

Mr Cheng Wai Chee, Christopher *GBS, OBE, JP*

Mr Cheng (57) was appointed as Independent Non-executive Director in January 2003. He is the Chairman of USI Holdings Limited and Winsor Properties Holdings Limited and an independent non-executive director of several listed and unlisted companies in Hong Kong, including New World China Land Limited, PICC Property and Casualty Company Limited and DBS Bank (Hong Kong) Limited. Mr Cheng plays an active role in the public services, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial centre. He currently serves as a non-executive director of the Hong Kong Securities and Futures Commission and a member of the boards of the Hong Kong Trade Development Council and the Hong Kong Monetary Authority. He is also the Chairman of the

Competition Policy Review Committee and a former Chairman of the Hong Kong General Chamber of Commerce. Mr Cheng also has a keen interest in management of the public services. He is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service. As a long-serving former member of the Public Service Commission, he provided advice to the Government on the formulation of human resources management policies and practices for the civil service. Mr Cheng is a Steward of the Hong Kong Jockey Club and serves on the Council of the University of Hong Kong. Mr Cheng holds a BBA from the University of Notre Dame, Indiana, USA and a MBA from Columbia University, New York.

The Honourable Shek Lai Him, Abraham Independent Non-executive Director

Mr Shek (60) 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, Chuang's Consortium International Limited and See Corporation Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited.

Senior Management

Mr Chow Tak Wing Company Secretary

Mr Chow (38) joined the Company in 2002 and was appointed as Company Secretary of the Company in October 2004. He is also the 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 (UK). He has more than 16 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 continues to be committed to achieving high standards of corporate governance practices. It recognizes the importance of having in place a set of well-defined corporate governance processes to enhance corporate performance and accountability.

In view of the new Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules that became effective in January 2005, the Company has taken steps not only to comply with the code provisions as set out in the said code but also with the aim to enhance a better corporate governance practices of the Group as a whole.

The Board

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The Board currently consists of 13 members whose details are set out on pages 10 and 11. It meets quarterly and holds specific meetings as and when they are deemed necessary. The Board held five

meetings during the year ended 30 June 2005. A record of the directors' attendance at Board meetings is set out on page 15 of this report.

The Group provides extensive background information about its history, mission and businesses to its directors. The directors are also provided the opportunity to visit the Group's operational facilities and meet with the management to gain a better understanding of its business operations.

The Board has separate and independent access to the senior management and the Company Secretary at all times. The Board also has access to independent professional advice where appropriate.

The Company has arranged for appropriate liability insurance for the directors of the Group for indemnifying their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

In order to reinforce their respective independence, accountability and area of responsibility, the role of the Chairman is separated from that of the Chief Executive Officer. Their respective responsibilities are clearly established and set out in writing. The Chairman leads the Board and is responsible for the Board's workings and proceedings, while the Chief Executive Officer is responsible for implementing the Group's strategies and policies and for conducting the Group's businesses.

Pursuant to the bye-laws of the Company, one-third of the directors that have served longest on the Board, must retire, thus becoming eligible for re-election at each annual general meeting. Each director is subject to retirement by rotation at least once every three years. For enhancing the accountability, any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the shareholders.

Pursuant to the requirement of the Listing Rules, the Company has received a written confirmation from each of the independent non-executive directors of his independence to the Company. The Company considers all its independent non-executive directors to be independent.

Board Committees

The Board has established four committees, each of them having specific terms of reference, to consider matters relating to specialized areas and to advise the Board or, where appropriate, to decide on behalf of the Board on such matters. Details of these committees and their principal terms of reference are as follows:

Executive Committee

The main responsibilities of the Executive Committee of the Board, comprising all executive directors of the Company, are to develop and recommend to the Board overall strategy for the Group, to consider and approve investments and divestments, as well as to review the Group's performance and manage its assets and liabilities in accordance with the policies and directives of the Board.

The Executive Committee met regularly with members' average attendance rate of over 78% for the year ended 30 June 2005. Current members of the Executive Committee are:

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

Audit Committee

The Audit Committee is appointed by the Board from amongst the non-executive directors of the Company with the majority of the members being independent non-executive directors. Current members of the Audit Committee are:

Mr Kwong Che Keung, Gordon
(*Committee Chairman*)
Mr Cheng Wai Chee, Christopher
Mr Shek Lai Him, Abraham
Mr Dominic Lai

The main responsibilities of the Audit Committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance and business and financial risk management. The Audit Committee reports to the Board on the audits undertaken by the external and internal auditors, the adequacy of disclosure of information and the appropriateness and quality of the internal control systems. It reviews the interim and annual financial statements with management and external auditors, and reviews and approves the annual audit plans for the external and internal auditors. It makes recommendations to the Board on the appointment and re-appointment of the external auditors and is also tasked to evaluate the cost effectiveness of audits, the independence and

objectivity of the external auditors, and the nature and extent of the non-audit services provided by the external auditors.

The terms of reference of the Audit Committee have been revised to meet the requirements set out in the Code on Corporate Governance Practices (effective 1 January 2005) contained in Appendix 14 to the Listing Rules.

The Audit Committee meets at least twice a year, while at least once a year it meets with the external auditors without executive directors being present. An attendance record of its members at Audit Committee meetings is set out on page 15 of this report.

The Audit Committee reviewed the audited financial results of the Group for the year end 30 June 2005 and the accounting principles and practices adopted by the Group. With the assistance of the external auditors, the Audit Committee also reviewed the adequacy and effectiveness of the Company's internal control systems and made recommendations to the Board.

Remuneration Committee

The Company's Remuneration Committee was established on 11 July 2005 and is composed of two executive directors and three independent non-executive directors of the Company. Current members of the Remuneration Committee are:

Mr Chan Kam Ling
(*Committee Chairman*)
Mr Lam Wai Hon, Patrick
Mr Kwong Che Keung, Gordon
Mr Cheng Wai Chee, Christopher
Mr Shek Lai Him, Abraham

Corporate Governance

The main responsibilities of the Remuneration Committee are to review the Group's remuneration policies, determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board of the remuneration of non-executive directors.

Corporate Social Responsibility Committee ("CSR Committee")

The CSR Committee was set up by the Board on 15 October 2004 and is composed of two executive directors and a non-executive directors of the Company. Current members of the CSR Committee are:

Mr Tsang Yam Pui
(Committee Chairman)
Mr Lam Wai Hon, Patrick
Mr Dominic Lai

The CSR Committee meets at least once a year and is responsible for formulating the social responsibilities strategies and policies of the Group, overseeing the development and implementation of the Group's social responsibilities strategies, policies and practices as well as the Group's corporate volunteer team, NWS Volunteer Alliance, and other charitable activities.

Internal Control

It is the responsibility of the Board to ensure the effectiveness of the system of internal control of the Group, including financial, operational and compliance controls and risk management function, and report to shareholders.

The Company has established policies and procedures applicable to all business units to guide their operations. All business units are required to produce annual budgets for approval by the Executive Committee. The heads of all business units are required to assess the risk factors attributed to their businesses during the planning stage. Monthly financial reports are required to be submitted by all business units.

The Company established the Group Audit & Management Services Department with adequate staffing and resources to perform internal audit for the Group. It is responsible for the review of the Group's internal control systems, operational efficiency and compliance with the laid down policies on a regular basis.

A Business Management Department was established by the Company during the year focusing on the risk management and performance evaluation and improvement of the business units of Service & Rental division. It is one of the Company's objectives of enhancing the effectiveness of its system of internal control.

External Auditors

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditors subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meeting. The Audit Committee assesses the external auditors, taking into account factors such as the performance and quality of the audit and the objectivity and independence of auditors. The existing auditors of the Company are PricewaterhouseCoopers who were first appointed in 2000.

Code of Best Practice

With the exception that non-executive directors of the Company have no set term of office but retire from office on a rotational basis in accordance with the bye-laws of the Company, the Company has complied throughout the year ended 30 June 2005 with the Code of Best Practice contained in Appendix 14 (which was applicable during the year) to the Listing Rules.

The Code of Best Practice contained in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices with effect from 1 January 2005 and the new code will apply for subsequent reporting periods.

Model Code for Securities Transactions by Directors

The Company 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. Having made specific enquiry of all directors, they had complied with the required standards of the said code during the year.

Shareholders' Rights

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

Chairmen of the various Board committees, or failing the Chairman, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditors are also invited to attend the Company's annual general meetings and are available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Investor Relations

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. Our Corporate Communication Department manages investor relations and has a series of events planned during the year to brief the media and investment analysts on the Group's performance. It frequently communicates with investors on a regular basis and responds to all their queries. It also organizes roadshows targeted at international investors and distributes

Company news via an e-news alert system to keep all investors informed of the latest Company developments.

To promote effective communication with the public at large, the Company maintains a website on which comprehensive information about the Company, its major businesses, financial information and particulars of directors are posted. The Company's publications, including press releases, announcements, annual and interim reports, shareholders circulars, as well as quarterly Company newsletter, are being made available on its website.

Directors' Attendance at Board and Audit Committee Meetings

	Board Meetings	Audit Committee Meetings
Total number of meetings held during the year ended 30 June 2005	5	3
Number of meetings attended:		
Dr Cheng Kar Shun, Henry	4	N/A
Mr Doo Wai Hoi, William	5	N/A
Mr Chan Kam Ling	5	N/A
Mr Tsang Yam Pui	5	N/A
Mr Wong Kwok Kin, Andrew	5	N/A
Mr Lam Wai Hon, Patrick	5	N/A
Mr Cheung Chin Cheung	4	N/A
Mr Wilfried Ernst Kaffenberger	4	N/A
Mr To Hin Tsun, Gerald	5	N/A
Mr Dominic Lai	4	3
Mr Kwong Che Keung, Gordon	5	3
Mr Cheng Wai Chee, Christopher	4	1
Mr Shek Lai Him, Abraham	2	2

Human Capital

Cultivating Teamwork

NWS Holdings not only values its 43,000-strong workforce across Hong Kong, Mainland China and Macau but also recognizes the significance of teamwork. The expertise and capabilities of the team at NWS Holdings are fundamental to the long-term sustainability of the Group.

Promoting a culture of nurture

To underpin its role in human asset enrichment, NWS Holdings nourishes talent at every level. The Group upholds the belief of lifelong learning through the provision of on-the-job training and whole-person development. The Training and Development Department arranges a series of extensive training programmes, which include lectures, seminars and workshops, in order to foster a culture of continuous improvement.

During the year, a total of 90 value-added trainings were conducted, embracing management development, supervisory skills, customer service, occupational health and safety, and computer software application. Over 2,000 employees participated in more than 6,000 hours of specially tailored classes. Individual strategic business units ("SBUs") also

implemented tailor-made training courses to cater for their specific functional needs.

Teamwork drives the Group's performance by combining experience with fresh talent while leadership succession is indispensable to its long-term development. An Executive Education and Development Scheme was launched in 2005 to recognize senior executives that demonstrate high potential for advancement by offering them specialist training at reputable local and overseas institutions.

The Management Trainee Programme in 2005 further demonstrated the Group's commitment to professional succession planning by nurturing young talent for future business growth of the Group. Recruitment programmes were implemented overseas as well as in Hong Kong. The three-year training programme

offers trainees all-round development through work attachment with organized training sessions, business projects, strong mentorship and buddy system as well as abundant executive exposure.

Boosting pro-active communications

NWS Holdings considers pro-active communications between management and staff a crucial tool for building teamwork. The Group's policy is to reach every corner of the company and to ensure that members' voices can be heard through various channels.

Effective communication between the Corporate Office and SBUs plays a significant role in strengthening employees' sense of belonging. Apart from providing a pool of information about NWS Holdings via the one-stop intranet, the Corporate Communication Department publishes newsletters, *New Voice* and a simplified version《創建集》, to encourage staff to keep abreast of the development of the Group.

Other communications platforms help to strengthen staff cooperation and team spirit. During the year, the Staff Suggestion Scheme was launched to collect employees' feedback on company's efficiency and effectiveness. The annual Management Conference facilitates the exchange of ideas among senior management of the Corporate Office



Team building at NWSH Sports Fun Day



Fruit for Care campaign for employees

and SBUs. Moreover, the annual management outing also helps build rapport with each other during the trip.

Building a perfect team

A harmonious working atmosphere brings the Group's management and employees closer. NWS Holdings has devoted considerable resources to cultivating team spirit, creating a better work-life balance and maintaining excellent staff relations.

During the year, the Sports and Recreation Committee was formed. This was responsible for a series of competitive sports games and recreational events such as bowling, basketball and badminton competitions as well as Ocean Park Fun Nite for staff and family members.

A host of activities are conducted to encourage a sense of "family" at NWS

Holdings. The highlights is the annual NWSH Sports Fun Day at which all SBUs host displays and activities in a fun atmosphere for the enjoyment of all our staff and family members.

Good health is a fundamental requirement for outstanding performance. In addition to sports, the Group encourages activities that nurture the health of its employees. For example, fruit was provided to staff during the Fruit for Care campaign in order to promote a good diet and healthy lifestyle.

Sharing the good harvest

Developing a sense of honour and pride within the Group is one of the management philosophies at NWS Holdings through acknowledging outstanding performance, encouraging staff to strive for excellence and sharing the fruitful results with them.

The Outstanding Employee Grand Awards presented at the annual Management Conference reflects the Group's commitment to service excellence as a core value. Staff from Hong Kong, Mainland China and Macau are included in the scheme, reflecting the spirit of mutual learning that is the main objective of such award scheme.

Everyone in NWS Holdings is a contributor to the good harvest. The Group searches for the most effective ways to attract, retain and develop valued staff. It provides a competitive compensation package in acknowledgement of staff contributions to the Group and guarantees that salary, benefits and bonuses all reflect the Group's and individuals' performances. In terms of management, the Group's share options plan serves as an incentive to achieve the best results and to ensure that management priorities are aligned with those of shareholders.



Staff training and development



Corporate Citizenship

Engaging the Community

At NWS Holdings, community engagement means more than donating to charities. Our culture of philanthropy flows from our determination to support the community in whatever way we can, by developing ongoing ties with local community groups in order to understand their real needs, and by devoting time and energy as well as resources to the needy.



NWSH Caring Month: strengthening the caring culture across the Group

Strengthening the caring culture

Building on our sound track record of promoting staff volunteering, NWS Holdings made another stride forward in the past year in strengthening our caring culture. The Corporate Social Responsibility Committee, comprising Executive and Non-executive Directors as well as senior executives, was established under the Board to formulate policies and strategies on social responsibility matters. These strategies were translated into practical initiatives, one of which was NWSH Caring Month. NWS Holdings nominated the month following the second anniversary of its first trading day as NWSH Caring Month, during which group companies capitalized

on their respective business strengths and know-how to organize community services that benefited the underprivileged. These services ranged from computer classes for the elderly by IT professionals and a New Year bus tour for underprivileged children, to a firework display at the Hong Kong Convention and Exhibition Centre for low-income families, etc. The campaign was very successful in raising community awareness among staff members of the Group.

Rapport with the community

Partnership with social service organizations has always been an essential part of NWS Holdings'

community engagement programmes. Such close collaboration helps us build rapport with the community by matching the Group's resources to relevant social needs.

In 2005, NWS Holdings and Green Power jointly launched Green Kindergarten Network, the first environmental education programme for pre-school children in Hong Kong. By providing free materials, training and field trips for teachers on nature preservation and waste management, the programme aims at nurturing environmental awareness among the younger generation. Currently, nearly 40% of kindergartens in Hong Kong have become members of the network. NWS Holdings also draws

on its own resources to implement such programmes. For example, in order to convey environmental messages to passengers across the territory, two buses from New World First Bus Services Limited and Citybus Limited were turned into Green Buses.

In late 2004, NWS Holdings became one of the first corporate sponsors of Po Leung Kuk's Child Sponsorship Scheme. In addition to sponsoring its Small Group Homes, the Group engaged the children in its Life Rejuvenation Scheme, by inviting them to the Group's staff activities, such as NWSH Sports Fun Day and Ocean Park Fun Nite. A Chinese New Year party was also organized for the children.

A spirit of volunteering

The Group develops innovative educational and care projects through its corporate volunteer team, NWS Volunteer Alliance. Partnering with Hans Andersen Club, it launched the Companion Storytelling Scheme to help children improve language proficiency and communication skills in a fun and interactive setting. Hundreds of storybooks collected from staff were also donated to Storyland's library. For the second year in a row, NWS Volunteer Alliance organized English phonics classes for children in Moon Lok Kindergarten in Tsuen Wan. About 70 children, mostly



Green Kindergarten Network: the first environmental education programme for pre-school children in Hong Kong

new arrivals, learned to grasp the fundamentals of English pronunciation with the help of volunteers.

Elderly service is another focus of NWS Volunteer Alliance. During the year, the volunteers continued to make sustained efforts to deliver warmth and care to the elderly, especially those who live alone. Regular services included hairstyling and concerned visits.

The Group also supported a number of charity events, such as ACCA Charity Fun Day, Green Power Hike, and charity sale and flag days to raise funds for different organizations.

Winning recognitions

To date, NWS Volunteer Alliance has devoted more than 17,000 hours to community services, with more than 900 staff members and their associates registering as members. The selfless devotion of these volunteers has been widely recognized. NWS Holdings garnered the Gold Award for Volunteer Service from the Social Welfare Department for the fourth consecutive year. It also received the Caring Company logo from Hong Kong Council of Social Service together with 15 subsidiaries.

The Group endeavours to promote corporate community engagement across the territory by sharing its experience with other companies as well as the third sector. For example, senior executives have become members of the Government's Community Investment and Inclusion Fund Committee, as well as The Asia Foundation's focus group on promoting corporate philanthropy in Hong Kong.



Caring for the elderly



Inspiring children

Management Discussion and Analysis

Group Overview

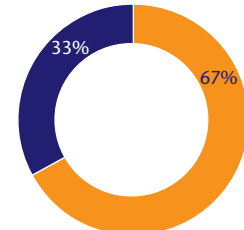
The Group reported a profit attributable to shareholders of HK\$2.918 billion for FY2005, an increase of HK\$1.380 billion or 90%, as compared to HK\$1.538 billion for FY2004. Attributable Operating Profit ("AOP") dropped by 26% from HK\$1.903 billion in FY2004 to HK\$1.415 billion in FY2005. After disposal of our attributable interests in Container Terminal No. 3 ("CT3") and Container Terminal No. 8 West ("CT8W") in Hong Kong, management decided to streamline the Group's major businesses into two divisions,

namely "Infrastructure" and "Service & Rental". Infrastructure division achieved a stable AOP of HK\$1.010 billion, a slight increase as compared to HK\$1.006 billion in FY2004. Service & Rental division reported an AOP of HK\$404.8 million, a decrease of 55% from HK\$897.1 million in FY2004. Apart from the operating results, additional profits of HK\$1.777 billion were recognized for the disposal of our interests in CT3 and CT8W and HK\$253.2 million for the disposal of our stakes in other infrastructure projects. On the other

hand, assets impairment losses of HK\$57.8 million were recorded, mainly for goodwill and other investments, as compared to HK\$375.4 million in FY2004. As the new Hong Kong Financial Reporting Standard 3 ("HKFRS 3"), Hong Kong Accounting Standard 36 ("HKAS 36") and Hong Kong Accounting Standard 38 ("HKAS 38") were early adopted, no amortization of goodwill was recorded, as compared to HK\$70.8 million amortization of net negative goodwill in FY2004.

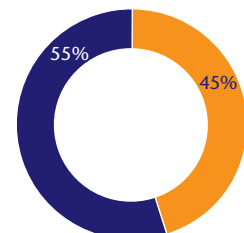
Contribution by Division For the year ended 30 June		
	2005 HK\$'m	2004 HK\$'m
Infrastructure	1,010.2	1,006.2
Service & Rental	404.8	897.1
Attributable operating profit	1,415.0	1,903.3
<i>Head office and non-operating items</i>		
Profit/(loss) on disposal of port projects	1,777.0	(3.3)
Net profit on disposal of other infrastructure projects	253.2	408.7
Loss on disposal of fixed assets	–	(26.7)
Assets impairment loss	(57.8)	(375.4)
Amortization of net negative goodwill	–	70.8
Other interest income	56.8	4.4
Other finance costs	(175.4)	(170.8)
Others	(350.8)	(272.8)
	1,503.0	(365.1)
Profit attributable to shareholders	2,918.0	1,538.2

AOP by Region



2005
Total HK\$1,415.0 million

- Hong Kong
- Mainland China and Macau



2004
Total HK\$1,903.3 million

- Hong Kong
- Mainland China and Macau

Contributions from Hong Kong accounted for 33% of AOP while Mainland China and Macau contributed 67%, as compared to 55% and 45% respectively in FY2004.

Earnings per share

The earnings per share for FY2005 was HK\$1.62, an 88% increase over HK\$0.86 in FY2004, mainly due to the substantial increase of net profit driven by exceptional profits. Diluted earnings per share for FY2005 were HK\$1.61 after we take into account the dilutive effect of share options, as compared to HK\$0.86 for FY2004.

Liquidity and financial resources

The Group's funding and treasury policy is to maintain a balanced debt profile with significant risk diversification. As at 30 June 2005, total cash and bank balances amounted to HK\$3.650 billion, as compared to HK\$3.502 billion as at 30 June 2004. Net Debt dropped significantly by 46% from HK\$4.618

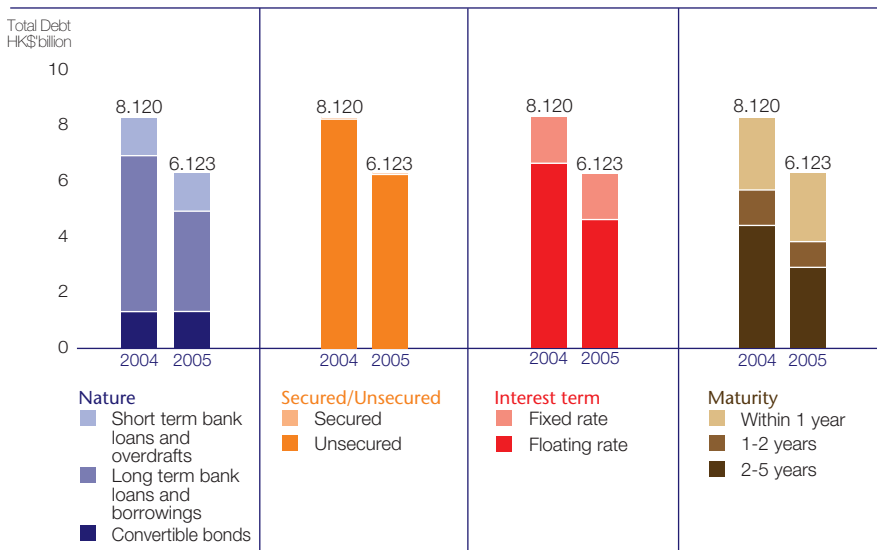
billion as at 30 June 2004 to HK\$2.473 billion as at 30 June 2005. The gearing ratio decreased significantly from 44% as at 30 June 2004 to 18% as at 30 June 2005. The capital structure of the Group was 32% debt and 68% equity as at 30 June 2005, a much stronger financial position as compared to 46% debt and 54% equity as at 30 June 2004.

As at 30 June 2005, Total Debt decreased to HK\$6.123 billion from HK\$8.120 billion as at 30 June 2004. Besides the HK\$1.350 billion zero coupon guaranteed convertible bonds due 2009, long-term bank loans and borrowings decreased from HK\$4.214 billion as at 30 June 2004 to HK\$2.493 billion as at 30 June 2005, with HK\$1.041 billion maturing in the second year and the remaining in the third to fifth year. Secured bank loans and overdrafts amounted to HK\$42.6 million, of which HK\$42.1 million was secured by the toll collection right of a toll road in Mainland China. Bank loans of

HK\$46.3 million were denominated in RMB; all other bank loans were denominated in Hong Kong dollars. Except for the RMB bank loans and the convertible bonds, all other debts were bearing interest at floating rate. The Group did not have any material exposure in exchange risk other than RMB during the year. No fixed assets were pledged as at 30 June 2005.

Total Group commitments for capital expenditure were HK\$22.0 million as at 30 June 2005 as compared to HK\$69.4 million as at 30 June 2004, and the share of commitments for capital expenditure committed by jointly controlled entities was HK\$166.2 million as at 30 June 2005 as compared to HK\$473.5 million as at 30 June 2004. Sources of funding for commitments for capital expenditure are internally generated resources and banking facilities. In addition, the Group had committed to acquire interests in various infrastructure projects in Mainland China. The estimated total relevant commitments as at 30 June 2005 were approximately HK\$829.2 million.

Debt Profile



Contingent liabilities of the Group were HK\$1.122 billion as at 30 June 2005 as compared to HK\$2.150 billion as at 30 June 2004. These were composed of guarantees for credit facilities granted to associated companies, jointly controlled entities and a related company of HK\$19.2 million, and HK\$1.048 billion and HK\$55.0 million as at 30 June 2005 as compared to HK\$82.4 million for associated companies and HK\$2.068 billion for jointly controlled entities respectively as at 30 June 2004. The share of contingent liabilities of jointly controlled entities was HK\$95.1 million as at 30 June 2005 as compared to HK\$206.9 million as at 30 June 2004.

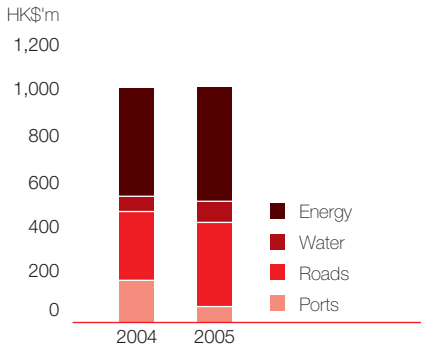
Management Discussion and Analysis

Infrastructure

Operational Review

The strong economic growth in Mainland China and Macau stimulated all businesses relating to energy, water, roads and ports. The Group is well positioned to tap business opportunities in these areas in order to sustain long-term growth.

AOP Contribution by Segment



The overall performance of the Infrastructure division was satisfactory for FY2005 with AOP amounted to HK\$1.010 billion, a slight increase of HK\$4.0 million over last year. The significant decline in the contribution from Ports segment was mainly due to the decline in earnings from Hong Kong port operation caused by the tough operating environment in Hong Kong and partly due to the disposal of CT3 in February 2005.

Energy

AOP of the Energy segment increased by HK\$26.8 million to HK\$489.9 million, up 6% from FY2004.

The combined electricity sales of Zhujiang Power Phase I and II ("Zhujiang Power") increased by only 2% due to a 50-day major overhaul of one of the power generating units. Although electricity demand in Guangdong Province is still surging, soaring coal price hindered profitability. To maintain the profitability of the Energy segment, the Group, through Zhujiang Power, acquired an effective 35% interest in a joint venture in October 2004, which produces and supplies aerated concrete to the Pearl River Delta

AOP Contribution by Segment

For the year ended 30 June

	2005 HK\$m	2004 HK\$m	Change % Fav./Unfav.)
Energy	489.9	463.1	6
Water	80.6	66.3	22
Roads	372.3	291.0	28
Ports	67.4	185.8	(64)
Total	1,010.2	1,006.2	–



Macau Power

The performance of Macau Power was satisfactory with an 11% increase in electricity sales.

region. On 28 October 2004, the Group issued a letter of acknowledgement to the Mainland joint venture partner of Zhujiang Power confirming that the Mainland joint venture partner would be fully responsible for the daily operations of Zhujiang Power and would govern the financial and operating policies of Zhujiang Power. Accordingly, the carrying value of the Group's share of net assets in Zhujiang Power has been reclassified from jointly controlled entities to associated companies on that date.

The performance of Macau Power was satisfactory with an 11% increase in electricity sales and AOP grew as a result of less tax provision being required after a reduction of effective income tax rate in Macau from 15.75% to 12% in FY2005. Sale and purchase agreements were entered into with the Mainland joint venture partner in respect of the disposal of the Group's 60% interest in Sichuan Qianwei Dali Power Company Limited for a consideration of RMB48 million and a loss on disposal of HK\$2.1 million was recognized.

Management Discussion and Analysis

Infrastructure – Operational Review



The increase in AOP was mainly attributable to the full year contribution from a water project in Sanya City, Hainan, a new project in Tanggu, Tianjin that commenced operation in April 2005, and the impressive performance of Zhongshan Water Plants.

Water

The AOP of the Water segment increased by 22% to HK\$80.6 million for FY2005. The increase was mainly attributable to the full year contribution from a water project in Sanya City, Hainan, a new project in Tanggu, Tianjin that commenced operation in April 2005, and the impressive performance of Zhongshan Water Plants. The average daily water sales volume of Zhongshan Quanlu and Dafeng Water Plants increased by 7% and the average water tariff increased by 8%. The Chongqing Water Plant had a remarkable increase of 18% in water sales revenue and also a substantial increase in income derived from water connection works. The average daily water sales volume of Macau Water Plant increased by 3% in FY2005 but AOP contribution dropped due to an increase in the unit price of raw water effective from January 2005. Performance of other water projects in Mainland China was satisfactory while contribution from Far East Landfill Technologies Limited grew by 17% in FY2005.



Qingdao Water Plant

Roads

The AOP of the Roads segment was HK\$372.3 million, an increase of 28% when compared to FY2004.

Performance of projects within the Pearl River Delta region was outstanding. Average daily traffic flow of Guangzhou City Northern Ring Road (“GNRR”) increased by 3% and toll income increased by HK\$46.7 million during FY2005. The opening of the new airport in Guangzhou in August 2004 had positively impacted on the traffic flow of GNRR. However, the positive effect was partly offset by the reduction of toll fare for truck vehicles since 1 June 2005. Average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Section) increased by 10% and 19% respectively and the overall toll income of both sections increased by HK\$73.1 million. The combined average daily traffic flow of Shenzhen-Huizhou Roadway and Expressway increased by 20%.

During FY2005, the Group contracted three new expressway projects in order to capture the robust economic growth of the Pearl River Delta region. The Group acquired a 15% effective interest in Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section) in September 2004 and a 25% interest in Guangzhou-Zhaoqing Expressway in April 2005. Furthermore, an agreement to acquire a 25% interest in the Pearl River Delta Ring Road (South-Western Section) was signed in March 2005.

Performance of projects within the Pearl River Delta region was outstanding. During FY2005, the Group contracted three new expressway projects in order to capture the robust economic growth of the region.



Guangzhou City Northern Ring Road



Management Discussion and Analysis

Infrastructure – Operational Review

Performance of the Guangxi Roadways Network was satisfactory with toll revenue increased 10% or HK\$11.2 million over FY2004. Average daily traffic flow maintained at the same level as last year. Although the reduction of toll rate for larger trucks in Guangxi Autonomous Region became effective on 1 January 2005, the toll revenue of the roadways in Guangxi was not seriously affected due to an increase in revenue from passenger vehicles.

Tangjin Expressway (Tianjin North Section) recorded an increase in average daily traffic flow by 13% and toll income by HK\$36.7 million, benefited by the opening of Phase III and the temporary renovation work being undertaken in a competitive highway. As repairs and maintenance works on this expressway had been finished at the end of November 2004, the expenditure incurred in FY2005 reduced substantially.

The increase in the utilization of Wuhan Tianhe Airport boosted the traffic flow of the Wuhan Airport

Expressway. The average daily traffic flow increased by 10% during FY2005. AOP increased significantly when compared to FY2004.

AOP from Tate's Cairn Tunnel decreased slightly by 2% in FY2005 as a result of a decrease in average daily traffic flow by 2% as compared to FY2004. The drop in traffic flow was mainly due to the negative impact arising from the opening of Ma On Shan Rail and the increase in toll rate of the Eastern Harbour Tunnel. The toll revenue of Tate's Cairn Tunnel is expected to increase after its toll increment became effective on 1 August 2005.

Subsequent to the signing of the agreement in principle with the Wuhan party in December 2003 in respect of the disposal of the Group's interests in Wuhan Bridge, the Group signed a formal sale and purchase agreement during the year and recognized a disposal gain of approximately HK\$190.7 million in FY2005.



Beijing-Zhuhai Expressway
(Guangzhou-Zhuhai Section)

Xiamen New World
Xiangyu Terminals



Ports

The AOP of the Ports segment was HK\$67.4 million, a decrease of 64% when compared to FY2004. The AOP of CT3 decreased by 64% as compared to FY2004. The AOP decrease was mainly due to the loss of certain major customers after their contracts expired in 2004, as well as the disposal of our interest in CT3 which was completed in February 2005.

CT8W recorded an Attributable Operating Loss ("AOL") mainly due to additional payroll, overhead and marketing expenses incurred for commencement of operation, depreciation and interest expenses charged upon its commencement of operation in FY2005.

The investments made by the Group in CT3 and CT8W were for long-term purpose. However, in view of the market conditions and business uncertainty of container handling business in Hong Kong and the unsolicited offer by PSA International Pte Ltd ("PSA"), the Group considered the offer was exceptionally attractive and therefore entered into two separate share sale agreements with PSA on 4 February

In view of the market conditions and the business uncertainty surrounding the container handling business in Hong Kong, the Group disposed of its interests in CT3 and CT8W.

2005 to sell its 33.34% interest in CT3 and 31.4% interest in CT8W to PSA at a total consideration of HK\$3.0 billion. The aforementioned disposals were completed on 21 February 2005 and 18 March 2005 respectively. A disposal gain of approximately HK\$1.777 billion was recognized in FY2005.

CSX Orient (Tianjin) Container Terminals Co., Limited ("CSXOT"), operator of four container berths and one coal berth in Tianjin Xingang, contributed an AOP of HK\$26.6 million, a decrease of 20% over FY2004 mainly due to a drop in throughput with the increase in keen competition from newly built terminal. The throughput mix of CSXOT has been gradually shifting from foreign trade to domestic trade and transshipment, which in turn drove down the revenue per TEU and resulted in a lower profitability as compared to FY2004.

Xiamen New World Xiangyu Terminals Co., Ltd. (formerly known as Xiamen Xiang Yu Quay Co., Ltd.) reported an AOP of HK\$26.3 million, an increase of 28% over FY2004. The increase in AOP was mainly due to a 5% volume growth from 603,000 TEUs in FY2004 to 635,000 TEUs in FY2005.

In order to maintain the earning capacity of the Ports segment, the Group entered into an agreement in May 2005 to invest in an 18% interest in Tianjin Five Continents project, which was approved by the relevant government authorities in September 2005. In September 2005, the Group has signed a letter of intent with China Railway Container Transport Corp. Ltd and other independent third parties to set up a sino-foreign joint venture, in which the Group will hold 22% interest, to develop, operate and manage 18 large-scale pivotal rail container terminals in 18 major cities of Mainland China.

Management Discussion and Analysis

Infrastructure

Business Outlook



Macau Power



Looking ahead, the upkeep of production units and cost management will be the most challenging issues in the coming period, and shall incubate a healthy platform for trial operation of the “Two-tier” tariff and power pooling systems in late 2005.

Energy

Although power shortage continues, new generation capacity coming into operation will ease the pressure of increasing demand from industrial and residential consumption.

Profitability will be hindered by rising coal costs despite the shifting of fuel cost burden to consumers based on pre-determined auto-system that became effective on 1 May 2005.

Average end-users’ tariff increased by RMB0.025/kWh nationwide while the on-grid tariff in Guangdong Province rose by RMB0.019/kWh. In the case of Zhujiang Power, tariff was raised about 4.5% but could hardly offset the negative impact of the surging coal cost since late 2003. Looking ahead, upkeep of production units and cost management will be the

most challenging issues and shall incubate a healthy platform for trial operation of the “Two-tier” tariff and power pooling systems in late 2005. Four provinces, including Southern Power Grid Company in Guangdong will trial-run the power pooling system with 20% of budgeted generation quota. The overall impact on profit is expected to be minimal at the moment.

The second round public consultation and government opinion on renewal of the concession agreements of CLP Power Hong Kong Limited and Hong Kong Electric Co., Limited will be released by the end of 2005. The conclusion will be important for Macau Power since its concession agreement will expire in 2010 with an interim review in 2005.

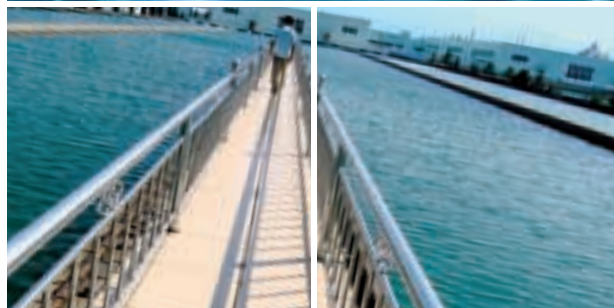
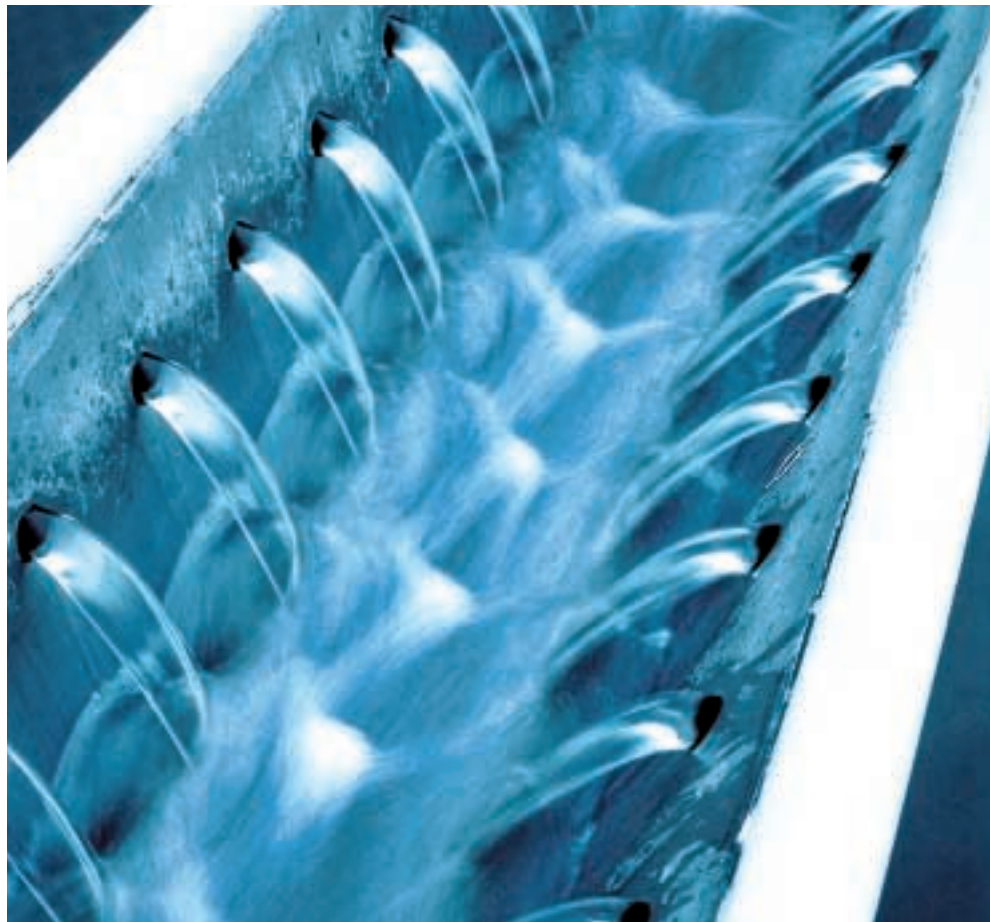
Water

The development in the Shanghai Chemical Industry Park (the "Park") is promising, as new industrialists have confirmed their investments in the Park. Our water treatment plant in the Park has already commenced its commercial operation in early April 2005 and the hazardous waste incinerator project is under construction and expected to be in operation in the second half of 2006. Furthermore, it is revealed that the most important project in Phase II development of the Park will commence construction in 2007 and will be in operation by 2009. It is believed that our projects within the Park will benefit when all these developments come on line.

New sewage treatment projects and water project opportunities will be explored in the cities where we have already established a significant presence.

The water plants in Qingdao, Chongqing and Sanya are expected to continue their volume growth. In order to capture these anticipated growth in future water demand, we have concluded new investments in phase II extension of Chongqing, Qingdao and Tanzhou water treatment plants. All of them will be in operation in mid-2006.

New sewage treatment projects and water project opportunities will be explored in the cities where we have already established a significant presence. In order to capture the anticipated growth in future water demand, we have concluded new investments in phase II extension of Chongqing, Qingdao and Tanzhou water treatment plants.



Macao Water

Management Discussion and Analysis

Infrastructure – Business Outlook



Guangzhou City▲
Northern Ring Road

Tate's Cairn Tunnel▶



Roads

Under the current stable financial system, flexible currency policy and macro-economic control measures being implemented at a steady pace, it is the general consensus that the Mainland China economy will continue to grow rapidly in the coming years. To accommodate the growing demand for road transport under the booming economy, the Ministry of Communications has announced a long term national expressway plan in early 2005, calling for construction of 50,000 km more expressways which involves total investment of RMB2,000 billion. This creates ample investment opportunities for toll road business. The prospect of the business is encouraging with the anticipated growth in transportation volume for both passenger and freight transports as well as surging in sales of passenger cars and trucks. On the other hand, soaring oil price will have adverse effect on traffic volume and the rise in interest rates of both Mainland China and the United States will put pressure on project financing costs that will adversely impact the AOP contribution of projects with RMB loans.

In order to lessen the impact of overloaded trucks and lower the burdens for drivers, the Ministry of Communications and the National Development and Reform Commission have jointly implemented new guidelines for the reduction of toll rate for larger trucks and standardization of vehicles classification. Toll rate scales in various provinces have been (or will be) restructured, which will negatively affect the toll rate per vehicle (though traffic flow may increase to certain extent). Nevertheless, toll road operators were compensated by a cut in business tax from 5% to 3% for expressways effective on 1 June 2005.

To accommodate the growing demand for road transport under the booming economy, the Ministry of Communications has announced a long term national expressway plan in early 2005, calling for construction of 50,000 km more expressways. The prospect of the business is encouraging with the anticipated growth in transportation volume for both passenger and freight transports as well as surging in sales of passenger cars and trucks.

Ports

It is expected that Hong Kong port will face further threats from Shenzhen with the recently approved new developments in this region, e.g. Yantian Phase 3, Dachan Bay, Nansha, Zhuhai Gaolan, etc. The modest throughput growth of Hong Kong had enabled Singapore to overtake Hong Kong as the world's number one container port in the first half of 2005.

Driven by the strong performance in economic and foreign trade growth, Mainland China reported a 24% growth in container throughput and reached 34.3 million TEUs in the first half of 2005. Despite the growing protectionism and the recent appreciation of RMB, Mainland China is expected to achieve 8% economic growth in 2005 and container throughput is targeted to reach 74 million TEUs at 24% growth. Mainland

The Ministry of Communications had recently approved the merger of Xiamen port with the nearby Zhangzhou port to enlarge Xiamen port's handling capacity. Tianjin has been positioned to transform into Northern China's international shipping and logistics centre.

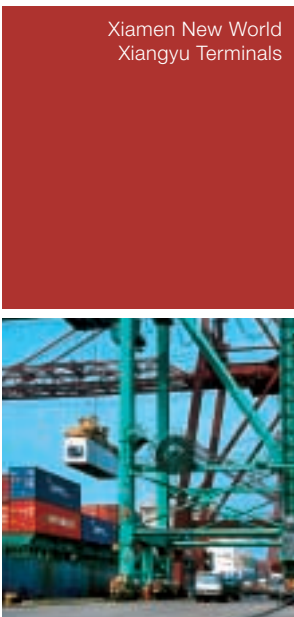
China plans to invest RMB400 billion in the next five years to develop container, coal, oil and minerals terminals in Baohai Bay, Yangtze River Delta and Pearl River Delta areas.

In developing Xiamen as an international transshipment hub port in this region and in preparing for cross-straits shipping links, the Ministry of Communications had recently approved the merger of Xiamen port with the nearby Zhangzhou port to enlarge Xiamen port's handling capacity. New terminal facilities have been planned at the existing Haicang port as well as the newly-planned

Songyu port and Liuwudian port with total handling capacity of over 10 million TEUs by 2010.

Tianjin has been positioned to transform into Northern China's international shipping and logistics centre. Premier Wen Jiabao visited Tianjin in June 2005 and endorsed the latest port development strategy with a plan to invest RMB24 billion to develop ports and related facilities in the next few years. 16 more container berths are scheduled to be built and the total container handling capacity is expected to reach over 11 million TEUs by 2010.

Xiamen New World
Xiangyu Terminals



Management Discussion and Analysis

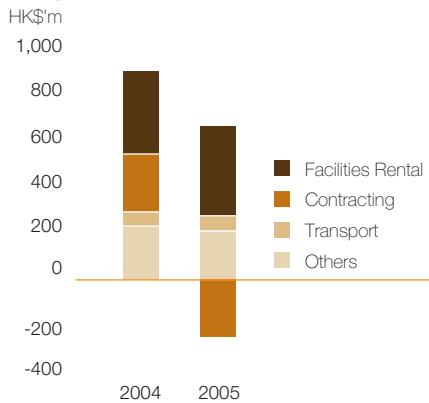
Service & Rental

Operational Review



With a new streamlined structure, Service & Rental division achieved satisfactory results during the year. The recovering of the property market in Hong Kong, the opening of Disneyland and contributions from Macau construction projects are among several positive factors contributing to stable growth prospects.

AOP Contribution by Segment



Service & Rental division achieved an AOP of HK\$404.8 million based on a turnover of HK\$10.019 billion. A significant reduction of AOP by HK\$492.3 million was mainly due to certain provisions made for the Contracting segment, which lagged behind in the recovery process. Apart from Contracting segment, the Service & Rental division achieved satisfactory results in FY2005.

During FY2005, management streamlined the existing businesses into the following segments, namely "Facilities Rental", "Contracting", "Transport" and "Others". ATL Logistics Centre Hong Kong Limited which was originally grouped under Ports business, was reclassified into the Facilities Rental segment.

Facilities Rental

The Facilities Rental segment comprises Hong Kong Convention and Exhibition Centre ("HKCEC") and ATL Logistics Centre ("ATL"). Facilities

AOP Contribution by Segment

For the year ended 30 June

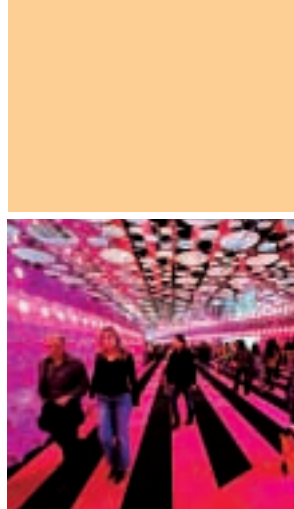
	2005 HK\$m	2004 HK\$m	Change % Fav./(Unfav.)
Facilities Rental	384.0	353.0	9
Contracting	(253.2)	253.6	(200)
Transport	65.6	65.7	-
Others	208.4	224.8	(7)
Total	404.8	897.1	(55)

Rental segment continued to contribute a stable profit and cash inflow to the Group. This segment recorded an AOP of HK\$384.0 million for FY2005, an increase of 9% over FY2004.

HKCEC achieved satisfactory results in FY2005 with profit increased by around 11%. Although HKCEC's average occupancy rate was slightly down to 53% from 55% last year, the profit margin from this year's event activities improved following local

HKCEC achieved satisfactory results in FY2005 with profit increased by around 11%. The profit margin from this year's event activities improved following local economic recovery.

Prestigious events held at Hong Kong Convention and Exhibition Centre



Management Discussion and Analysis

Service & Rental – Operational Review

ATL recorded a stable profit in FY2005 with its average occupancy rate increased slightly from 91% to 93%. It is expected that ATL will benefit from the improvement of the Hong Kong economy.

economic recovery. While rallying for the local business recovery, the AsiaWorld-Expo as well as conference and exhibitions from Mainland China and other Asian countries would pose increasing competitions in the market. In order to maintain HKCEC's leading position and sustain its branding as a proven venue choice in Hong Kong, with a long standing and recognized reputation for successful international trade shows, HKCEC will continually improve its customer services and hardware facilities. It is expected that its expansion plan will commence in 2006 and be completed in 2009. After completion of the expansion, HKCEC will have additional space of 19,400 square metres, creating total exhibition space of 88,300 square metres.

ATL recorded a stable profit in FY2005 with its average occupancy rate increased slightly from 91% to 93%. ATL is one of the largest multi-storey drive-in warehousing/container freight station complexes in the world and provides premier warehousing and terminal services to its clients and maintains a leading market position in the industry. In order to maintain its premier position and increase competitiveness, ATL keeps upgrading both hardware and software to enhance the quality of customer service. It is expected that ATL will benefit from the improvement of the Hong Kong economy as a result of the continued relaxation of restrictions on personal travel for Mainlanders, robust property market and increase in local consumer spending.



ATL Logistics Centre



Contracting

The Contracting segment reported an AOL of HK\$253.2 million, as compared to an AOP of HK\$253.6 million in FY2004. Although there was sustainable economic recovery in Hong Kong during FY2005, the building and construction industry was still lagging behind due to the consistently low level of government capital expenditure and the cautious investment attitude in the private sector. As a result, competition among major contractors remained intense and gross profit margin of contracts continued to be slim. The



Projects of Hip Hing Construction Group

results of the Contracting segment for the year were mainly affected by the performance of the construction business. After thorough review of all potential risks of its project portfolio, additional provisions of approximately HK\$316.0 million were made for two major projects due to claims for liquidated damages and foreseeable losses to be incurred. Apart from these provisions, the Contracting segment would have recorded a profit of HK\$62.8 million.

However, the outlook is very encouraging. During FY2005, the

Group secured contracts totalling HK\$10.4 billion, among which HK\$5.5 billion was attributable to the booming Macau market. Contracts on hand as at 30 June 2005 stood at HK\$17.7 billion, of which remaining works to be completed amounted to HK\$13.3 billion.

Performance of NWS Engineering Group was satisfactory with an increase in average gross profit margin from 5% in FY2004 to 6% in FY2005. The contracts awarded for FY2005 were HK\$1.5 billion in which 60% was secured in Mainland China.

Competition among major contractors remained intense and gross profit margin of contracts continued to be slim. However, the outlook is very encouraging. During FY2005, the Group secured contracts totalling HK\$10.4 billion, among which HK\$5.5 billion was attributable to the booming Macau market.

Management Discussion and Analysis

Service & Rental – Operational Review



Citybus, New World First Bus and New World First Ferry

Competition from new railways and higher operating costs made a significant negative impact, which was tempered to a large extent by the savings achieved in the areas of management alignment, resource integration and route rationalizations following the reorganization of Citybus Limited and New World First Holdings Limited.

Transport

The Transport segment achieved an AOP of HK\$65.6 million in FY2005, which was consistent with that of FY2004. The AOP was maintained merely due to the cessation of amortization of goodwill in FY2005 after the adoption of the new HKFRS during the year and the improved contribution from Kwoon Chung Bus Holdings Limited.

The performance of our two bus companies did not benefit from the recovery of Hong Kong economy. During the year, competition from the Ma On Shan Rail Link and the new Tsim Sha Tsui rail extension as well as higher operating costs arising mainly from the surge of fuel price and the increase in tunnel charges and staff

salaries made a significantly adverse impact on the companies' profitability. Thankfully, this negative impact was tempered to a large extent by the savings achieved in the areas of management alignment, resource integration and route rationalization following the reorganization of Citybus Limited and New World First Holdings Limited under NWS Transport Services Limited.

New World First Ferry Services Limited, conducting ferry business in the Hong Kong waters, incurred a loss for FY2005 mainly due to high fuel costs. New World First Ferry Services (Macau) Limited providing ferry services between Hong Kong and Macau continued to benefit from the guaranteed profit from Chow Tai Fook Enterprises Limited for FY2005.

Others

The Others segment comprises various service businesses. For FY2005, this segment achieved an AOP of HK\$208.4 million, slightly decreased by 7% compared with that of last year.

Urban Property Management Group continued to contribute a stable profit to the Group and successfully maintained a clientele of over 169,000 residential units under management. Kiu Lok Property Management Group focused on the market in Mainland China and its existing service networks have been successfully extended to 13 cities in Mainland China.

Free Duty 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 due to the rebound in Hong Kong's tourism sector.

Tricor Holdings Limited ("Tricor") achieved excellent results with a growth of 94% during FY2005. Tricor has expanded into Mainland China and Singapore markets through the establishment of offices in Shanghai and Beijing and acquisition of Singapore business from PricewaterhouseCoopers. Tai Fook Securities Group Limited and New World Insurance Management Limited both reported stable results during the year.

Urban Property Management Group continued to contribute a stable profit to the Group. Patronage of Free Duty retail outlets remains robust due to the rebound in Hong Kong's tourism sector. Tricor Holdings Limited achieved excellent results with a growth of 94% during FY2005 and has expanded into Mainland China and Singapore markets.



Diversified services ranging from property management, free duty sales to financial services



Management Discussion and Analysis

Service & Rental

Business Outlook



HKCEC atrium extension expected to be completed in 2009

With the gradual improvement in the Hong Kong economy, booming construction markets in Macau and Mainland China, together with the effort spent in improving operational efficiency, the Group believes that the construction business will move forward with better performance next year.

The Hong Kong economic rebound continues to favour business recovery in many of the service sectors of Hong Kong. The notable growth momentum of the Hong Kong economy continued into the first quarter of 2005, with Gross Domestic Products growing solidly further by 6.0% in real terms, following a strong 8.1% growth in 2004. However, the escalating oil price and the increasing interest rate will impede the momentum of growth.

While continuing to manage the service businesses in Hong Kong carefully, the Group is seeking new business opportunities in Mainland China, Macau and other potential markets for all segments in the

Service & Rental division. This push for expansion will also strengthen the operations going forward.

The Facilities Rental segment is expected to continue providing the Group with a stable profit and cash inflow with the leading market position of HKCEC and ATL in the region.

The building and construction activities in Hong Kong turned around to a modest growth in the first half of 2005. Although the construction market in Hong Kong has yet to pick up, the construction market in Macau has been booming since last year with the growth of the tourism and entertainment industries. It is

expected that the Macau market will continue to grow in the next few years and the Group is well positioned, with our experienced and professional human resources, management and technical expertise, to tap on the business opportunities there, and contribute to the overall profitability. With establishment of a fully operational subsidiary company in Mainland China, the Group is actively seeking business opportunities and aims to diversify its construction operations in the Mainland China market.

With the gradual improvement in the Hong Kong economy, booming construction markets in Macau and Mainland China, together with the effort spent in improving operational efficiency, the Group believes that the construction business will move forward with better performance next year.

The business environment for transport is believed to remain difficult in the coming year. The record high fuel cost, now showing no signs of abatement, will continue to plague the profitability of the Group's transport business. New and proposed railways will further intensify the market competition in Hong Kong. However, should the oil price return to a moderate level as predicted by some analysts, and with the possible increase in patronage by visitors to Hong Kong using our new Disney bus service, the transport scene may not be as bleak as it may seem in the longer term. Besides, management continues to implement cost reduction measures through further resource integration between the two bus companies and is also actively looking for investment opportunities in Mainland China and overseas.

Should the oil price return to a moderate level as predicted by some analysts, and with the possible increase in patronage by visitors to Hong Kong using our new Disney bus service, the transport scene may not be as bleak as it may seem in the longer term.



Expanding into transport business in Mainland China and contracting business in Macau

Reports and Financial Statement

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The directors submit their report together with the audited accounts of the Group for the year ended 30 June 2005.

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 and transport; and
- (ii) the development, investment, operation and/or management of power plants, water treatment and waste management plants, roads as well as container terminals.

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

Results and appropriations

The results of the Group for the year and the state of affairs of the Company and of the Group as at 30 June 2005 are set out in the accounts on pages 64 to 121.

The directors have resolved to recommend a final dividend for the year ended 30 June 2005 in scrip form equivalent to HK\$0.62 per share (2004: HK\$0.25 per share) with a cash option to shareholders registered on 29 November 2005. Together with the interim dividend of HK\$0.18 per share (2004: HK\$0.15 per share) paid in June 2005, total distributions for 2005 would thus be HK\$0.80 per share (2004: HK\$0.40 per share).

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") granting the listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholder could elect to receive in cash and they be given the option to elect to receive payment in cash of HK\$0.62 per share instead of the allotment of shares. Full details of the final scrip dividend will be set out in a letter to be sent to shareholders together with a form of election for cash on or about 20 December 2005.

The register of members of the Company will be closed from Thursday, 24 November 2005 to Tuesday, 29 November 2005, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed 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 Wednesday, 23 November 2005.

Subsidiary companies

Particulars of the Company's principal subsidiary companies are set out in note 37 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 39 and 38 to the accounts respectively.

Report of the Directors

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the accounts.

Distributable reserves

At 30 June 2005, the Company's reserves available for distribution amounted to HK\$1.379 billion.

Donations

During the year, the Group made charitable donations amounting to HK\$2.6 million (2004: HK\$3.9 million).

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 12 to the accounts.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 23 to the accounts.

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 the year. Neither the Company, nor any of its subsidiary companies has purchased or sold any of the Company's listed securities during the year.

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 the year ended 30 June 2005.

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 the year.

Directors

The directors of the Company during the year 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 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

(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)

* Independent non-executive directors

In accordance with the bye-law 87 of the Company's bye-laws, Dr Cheng Kar Shun, Henry, Mr Doo Wai Hoi, William, Mr Chan Kam Ling and Mr Wong Kwok Kin, Andrew 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 the year or at any time during the year.

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).

Report of the Directors

Directors' interests in competing business

During the year 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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	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 the year 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 2005, 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 30.06.05
	Personal interests	Family interests	Corporate interests		
Dr Cheng Kar Shun, Henry	2,000,000	587,000 ⁽¹⁾	8,000,000 ⁽²⁾	10,587,000	0.58%
Mr Doo Wai Hoi, William	1,333,333	–	826,000 ⁽³⁾	2,159,333	0.12%
Mr Chan Kam Ling	767,324	–	10,254,321 ⁽⁴⁾	11,021,645	0.60%
Mr Wong Kwok Kin, Andrew	4,068,348	2,650,051 ⁽⁵⁾	–	6,718,399	0.37%
Mr Lam Wai Hon, Patrick	317,384	–	4,551 ⁽⁶⁾	321,935	0.02%
Mr Cheung Chin Cheung	771,723	–	–	771,723	0.04%
Mr Kwong Che Keung, Gordon	400,000	–	–	400,000	0.02%
Mr Cheng Wai Chee, Christopher	406,866	–	–	406,866	0.02%
Dr Cheng Chi Pang, Leslie	176,759	–	–	176,759 ⁽⁷⁾	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 Dr Cheng Kar Shun, Henry.
- (3) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (4) The shares are held by a company of which Mr Chan Kam Ling holds 50% equity interests.
- (5) The shares are held by the spouse of Mr Wong Kwok Kin, Andrew.
- (6) The shares are held by a company wholly owned by Mr Lam Wai Hon, Patrick.
- (7) Dr Cheng Chi Pang, Leslie ceased to be a chief executive of the Company with effect from 12 March 2005 and the closing balance of his interest refers to the balance as at the date of cessation.
- (8) 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/ registered capital as at 30.06.05
	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 Cheung Chin Cheung	61,405	–	–	61,405	0.00%
Mr Kwong Che Keung, Gordon	30,000	–	–	30,000	0.00%
Dr Cheng Chi Pang, Leslie	1,400	–	–	1,400 ⁽¹⁾	0.00%
New World TMT Limited					
(Ordinary shares of HK\$1.00 each)					
Dr Cheng Kar Shun, Henry	–	1,000,000 ⁽²⁾	–	1,000,000	0.11%
Mr Doo Wai Hoi, William	–	–	12,000,000 ⁽³⁾	12,000,000	1.26%
Mr Chan Kam Ling	6,800	–	–	6,800	0.00%
Mr Cheung Chin Cheung	100,000	–	–	100,000	0.01%
Dr Cheng Chi Pang, Leslie	200	–	–	200 ⁽¹⁾	0.00%
New World China Land Limited					
(Ordinary shares of HK\$0.10 each)					
Dr Cheng Kar Shun, Henry	–	–	52,271,200 ⁽⁴⁾	52,271,200	1.39%
Mr Doo Wai Hoi, William	1,750,000	–	45,050,000 ⁽³⁾	46,800,000	1.24%
Mr Chan Kam Ling	1,000,000	–	–	1,000,000	0.03%
Mr Wong Kwok Kin, Andrew	600,000	–	–	600,000	0.02%
Fung Seng Estate Development (Shanghai) Co., Ltd.					
(Registered capital in US\$)					
Mr Doo Wai Hoi, William	–	–	US\$3,000,000 ⁽⁵⁾	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/ registered capital as at 30.06.05
	Personal interests	Family interests	Corporate interests		
Ramada Property Ltd.					
(Ordinary shares of US\$1.00 each)					
Mr Doo Wai Hoi, William	–	–	200 ⁽³⁾	200	20.00%
Shanghai Ju Yi Real Estate Development Co., Ltd.					
(Registered capital in RMB)					
Mr Doo Wai Hoi, William	–	–	RMB105,000,000 ⁽⁵⁾	RMB105,000,000	30.00%
Tai Fook Securities Group Limited					
(Ordinary shares in HK\$0.10 each)					
Mr Doo Wai Hoi, William	–	–	4,346,000 ⁽³⁾	4,346,000	0.74%
Wai Kee Holdings Limited					
(Ordinary shares of HK\$0.10 each)					
Mr Lam Wai Hon, Patrick	300,000	–	–	300,000	0.04%
Dr Cheng Chi Pang, Leslie	500,000	–	–	500,000 ⁽¹⁾	0.06%

Notes:

- (1) Dr Cheng Chi Pang, Leslie ceased to be a chief executive of the Company with effect from 12 March 2005 and the closing balance of his interest refers to the balance as at the date of cessation.
- (2) The shares are held by the spouse of Dr Cheng Kar Shun, Henry.
- (3) The shares are held by a company wholly owned by Mr Doo Wai Hoi, William.
- (4) The shares are held by a company wholly owned by Dr Cheng Kar Shun, Henry.
- (5) The interests represent the participating interests held by a company wholly owned by Mr Doo Wai Hoi, William.
- (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 2005, 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	Exercisable period (Note)	Number of share options				Balance as at 30.06.05	Exercise price per share ⁽¹⁴⁾ HK\$
			Balance as at 01.07.04	Exercised during the year	Adjusted during the year ⁽¹⁴⁾	Lapsed during the year		
Dr Cheng Kar Shun, Henry	21 July 2003	(1)	2,000,000	(1,000,000) ⁽⁴⁾	(1,000,000)	–	–	3.725
			–	–	1,009,849	–	1,009,849	3.719
Mr Doo Wai Hoi, William	21 July 2003	(1)	1,333,334	(666,667) ⁽⁴⁾	(666,667)	–	–	3.725
			–	–	673,233	–	673,233	3.719
Mr Chan Kam Ling	21 July 2003	(1)	1,333,334	(666,667) ⁽⁵⁾	(666,667)	–	–	3.725
			–	–	673,233	–	673,233	3.719
Mr Wong Kwok Kin, Andrew	21 July 2003	(1)	933,334	(466,667) ⁽⁶⁾	(466,667)	–	–	3.725
			–	–	471,263	–	471,263	3.719
Mr Lam Wai Hon, Patrick	21 July 2003	(1)	933,334	(366,667) ⁽⁷⁾	(566,667)	–	–	3.725
			–	–	572,248	–	572,248	3.719
Mr Cheung Chin Cheung	11 May 1999	(2)	300,000	(300,000) ⁽⁸⁾	–	–	–	6.930
	21 July 2003	(1)	400,000	(200,000) ⁽⁹⁾	(200,000)	–	–	3.725
			–	–	201,969	–	201,969	3.719
Mr Wilfried Ernst Kaffenberger	21 July 2003	(3)	600,000	–	(600,000)	–	–	3.725
			–	–	605,909	–	605,909	3.719
Mr To Hin Tsun, Gerald	21 July 2003	(1)	400,000	(200,000) ⁽¹⁰⁾	(200,000)	–	–	3.725
			–	–	201,969	–	201,969	3.719
Mr Dominic Lai	21 July 2003	(1)	400,000	(200,000) ⁽¹¹⁾	(200,000)	–	–	3.725
			–	–	201,969	–	201,969	3.719
Mr Kwong Che Keung, Gordon	21 July 2003	(1)	400,000	(200,000) ⁽¹²⁾	(200,000)	–	–	3.725
			–	–	201,969	–	201,969	3.719
Mr Cheng Wai Chee, Christopher	21 July 2003	(3)	600,000	(400,000) ⁽¹³⁾	(200,000)	–	–	3.725
			–	–	201,969	–	201,969	3.719
Dr Cheng Chi Pang, Leslie	21 July 2003	(3)	300,000	–	–	–	300,000 ⁽¹⁵⁾	3.725

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

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

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 exercise date was 19 October 2004. On 18 October 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$10.10.
- (5) The exercise date was 25 October 2004. On 21 October 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$10.50.
- (6) The exercise date was 25 August 2004. On 24 August 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$8.80.
- (7) The exercise dates were 1 April 2005 and 6 April 2005 for options representing 300,000 shares and 66,667 shares respectively. On 31 March 2005 and 4 April 2005, being the trading dates immediately before the share options were exercised, the closing price per share was HK\$11.00 and HK\$10.85 respectively.
- (8) The exercise date was 16 September 2004. On 15 September 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$9.30.
- (9) The exercise date was 22 November 2004. On 19 November 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$11.10.
- (10) The exercise date was 21 October 2004. On 20 October 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$11.10.
- (11) The exercise date was 4 August 2004. On 3 August 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$8.60.
- (12) The exercise date was 15 November 2004. On 12 November 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$11.25.
- (13) The exercise date was 30 November 2004. On 29 November 2004, being the trading date immediately before the share options were exercised, the closing price per share was HK\$11.10.
- (14) Pursuant to the 2001 Share Option Scheme (as defined hereinafter), the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the interim dividend for the year ended 30 June 2005 in scrip form (with cash option) on 14 March 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.725 to HK\$3.719 with effect from 30 June 2005.
- (15) Dr Cheng Chi Pang, Leslie ceased to be a chief executive of the Company with effect from 12 March 2005 and the closing balance of his interest refers to the balance as at the date of cessation. His interest in the share options of the Company was re-classified as employee's interest after his cessation as a chief executive of the Company.
- (16) The cash consideration paid by each director or chief executive for the share options granted on 21 July 2003 was HK\$10.
- (17) All the interests stated above represent long positions.

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

(i) New World China Land Limited

Under the share option scheme of New World China Land Limited (“NWCL”), a fellow subsidiary company of the Company, the following directors of the Company 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 ⁽¹⁾	Number of share options				Exercise price per share ⁽²⁾ HK\$
			Balance as at 01.07.04	Exercised during the year	Adjusted during the year ⁽²⁾	Balance as at 30.06.05	
Dr Cheng Kar Shun, Henry	7 February 2001	8 March 2001 to 7 March 2006	5,000,000	–	(5,000,000)	–	1.955
			–	–	12,500,000	12,500,000	1.782
Mr Doo Wai Hoi, William	8 February 2001	9 March 2002 to 8 March 2006	2,800,000	–	(2,800,000)	–	1.955
			–	–	7,000,000	7,000,000	1.782
Mr Chan Kam Ling	9 February 2001	10 March 2005 to 9 March 2006	400,000	(300,000)	(100,000)	–	1.955
			–	–	250,000	250,000	1.782

Notes:

- (1) The share options are exercisable within five years commencing from one month after the date of grant, provided that the maximum number of share options that can be exercised during each anniversary year is 20% of the total share options granted together with any unexercised share options carried forward from the previous anniversary years.
- (2) Pursuant to the share option scheme of NWCL, the number of share options and exercise price are subject to adjustment in case of alteration in NWCL's capital structure. Accordingly, the rights issue as announced by NWCL on 18 February 2005 constitutes an event giving rise to an adjustment to the exercise price and number of outstanding share options in accordance with the share option scheme. The exercise price per share of the share options has been adjusted from HK\$1.955 to HK\$1.782 with effect from 9 April 2005.
- (3) The cash consideration paid by each director for each grant of the share options was HK\$10.
- (4) 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 (Continued)

(II) New World Mobile Holdings Limited

Under the share option scheme of New World Mobile Holdings Limited (“NWMH”), a fellow subsidiary company of the Company, the following directors of the Company have personal interests in options to subscribe for shares in NWMH which have been granted to them as follows:

Name	Date of grant	Exercisable period	Number of share options			Exercise price per share HK\$
			Balance as at 01.07.04	Granted during the year	Balance as at 30.06.05	
Dr Cheng Kar Shun, Henry	28 January 2005	28 January 2005 to 31 December 2010	–	780,000	780,000	1.26
Mr Doo Wai Hoi, William	28 January 2005	28 January 2005 to 31 December 2010	–	300,000	300,000	1.26
Mr To Hin Tsun, Gerald	28 January 2005	28 January 2005 to 31 December 2010	–	482,000	482,000	1.26
Mr Kwong Che Keung, Gordon	28 January 2005	28 January 2005 to 31 December 2010	–	78,000	78,000	1.26

Notes:

- (1) No share option of NWMH was exercised by the above directors during the year.
- (2) The cash consideration paid by each director for each grant of the share options was HK\$1.
- (3) All the interests stated above represent long positions.

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.

Report of the Directors

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 thereafter certain rules of such scheme were altered and approved by the shareholders of the Company held on 12 March 2003 (the “2001 Share Option Scheme”). 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 an entity belonging to any of the following classes: (i) any eligible employee; (ii) any non-executive director (including independent non-executive director) 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; (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; (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

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. This Scheme was expired on 11 April 2000 and no further share option can be granted. All unexercised share options granted under this scheme were lapsed on 5 November 2004.	(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. The Company had granted options to certain eligible persons to subscribe for 41,497,000 shares of the Company under this scheme up to the date of this report. Furthermore, an adjustment on the number of unexercised options were made on 30 June 2005 as a result of the declaration of interim scrip dividend for the year end 30 June 2005. A total of 142,723 additional options were granted under the said adjustment. The total number of shares available for issue under this scheme is 138,225,201 representing approximately 7.54% of the Company's issued share capital as at the date of this report.
Maximum entitlement of each participant under the scheme	No eligible person 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.
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 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 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.

Report of the Directors

Share Option Schemes (Continued)

	1997 Share Option Scheme	2001 Share Option Scheme
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 ten years from the date of adoption, i.e. 6 December 2001.

During the financial year ended 30 June 2005, 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	Exercisable period (Note)	Number of share options				Balance as at 30.06.05	Exercise price per share HK\$
		Balance as at 01.07.04	Exercised during the year	Lapsed during the year	Adjusted during the year		
11 May 1999	(1)	1,600,000	(1,000,000)	(600,000)	–	–	6.930
11 May 1999	(2)	30,000	(30,000)	–	–	–	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) Exercisable from 5 May 2004 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\$10.893.

Share Option Schemes (Continued)

(b) Under the 2001 Share Option Scheme

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.05	Exercise price per share ⁽²⁾ HK\$
		Balance as at 01.07.04	Exercised during the year	Lapsed during the year	Adjusted during the year ⁽²⁾		
21 July 2003	(1)	19,202,002	(9,179,060)	(752,677)	(9,270,265)	–	3.725
		–	–	–	9,664,076	9,664,076 ⁽³⁾	3.719

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) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the interim dividend for the year ended 30 June 2005 in scrip form (with cash option) on 14 March 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.725 to HK\$3.719 with effect from 30 June 2005.
- (3) The balance includes the interest in 300,000 share options of the Company held by Dr Cheng Chi Pang, Leslie which was re-classified as employee's interest from chief executive's interest with effect from the date of his cessation as a chief executive of the Company, i.e. 12 March 2005.
- (4) The weighted average closing price of the shares immediately before the dates on which share options were exercised was HK\$9.502.

Report of the Directors

Substantial shareholders' interest in securities

As at 30 June 2005 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	
Chow Tai Fook Enterprises Limited	59,831,893	986,178,843 ⁽¹⁾	1,046,010,736	57.31%
New World Development Company Limited	675,912,210	310,266,633 ⁽²⁾	986,178,843	54.03%
Mombasa Limited	308,261,889	–	308,261,889	16.89%

Notes:

- (1) Chow Tai Fook Enterprises Limited ("CTF"), together with its subsidiary companies, have interests in more than one-third of the issued shares of New World Development Company Limited ("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 interest 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 2,004,744 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 2005.

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 the year and up to the date of this report:

- (1) Following the reorganization of the Group, which was completed on 29 January 2003, the Company was expected to engage in a number of transactions of a recurrent nature which constitute continuing connected transactions between the Group and NWD and its associates under the Listing Rules. Such transactions were categorized as construction services, electrical and mechanical engineering services ("E & M 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. The abovesaid continuing connected transactions were approved by the independent shareholders at the special general meeting of the Company held on 12 March 2003. Moreover, a conditional waiver was obtained by the Company from the Hong Kong Stock Exchange on 8 April 2003 (the "Conditional Waiver") from strict compliance with the connected transactions requirements under the then Listing Rules.

The Company made an announcement on 30 May 2005 that due to the deconsolidation of NWS Transport Services Limited from the accounts of the Company and the general adverse economic conditions in Hong Kong in recent years, a decrease in the annual turnover of the Group for the year ended 30 June 2005 was expected. The transaction values of the E & M engineering services, the facility management services, the property management services and other services (including rental of properties and the management services) under the Conditional Waiver were expected to exceed their respective annual caps.

Pursuant to the terms of the Conditional Waiver, the Company will have to comply with the reporting, announcement and independent shareholders' approval requirements with respect to those categories of continuing connected transactions with transaction values which are expected to exceed their respective annual caps. The new annual caps for the abovementioned categories of services were approved by the independent shareholders at the special general meeting of the Company held on 30 June 2005.

As at 30 June 2005, the contract amounts for each category of services were summarized as follows:

Category of services	Approximate total contract amount HK\$'m	Approximate percentage of the Group's turnover	Annual cap
Facility management services	11.3	N/A	HK\$16 million
Construction services	956.9	9.30%	25% of the Group's turnover
E & M engineering services	271.8	N/A	HK\$304 million
Property management services	29.7	N/A	HK\$45 million
Security and guarding services	23.5	0.23%	0.35% of the Group's turnover
Cleaning and landscaping services	57.1	0.56%	0.8% of the Group's turnover
Financial services	4.7	0.05%	0.1% of the Group's turnover
Rental of properties and other services	14.6	N/A	HK\$31 million

Report of the Directors

Connected transactions (Continued)

- (2) On 20 May 2004, Merryhill Group Limited (now known as NWS Transport Services Limited, "NWST") and the Company entered into a master services agreement (the "NWST Master Services Agreement") under which NWST agreed to, and procured that members of the NWST Group (including NWST and its subsidiaries) engage relevant members of the Group to provide operational services, which includes construction services, E & M 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 NWST and the Company may agree upon from time to time in writing, to NWST and/or relevant members of the NWST Group during the term of the NWST Master Services Management. Moreover, under the NWST Master Services Agreement, NWST also agreed and undertook that it shall procure the relevant members of the NWST Group to rent or otherwise license spare office, commercial, storage and car-parking spaces in the depots of the relevant members of the NWST Group to members of the Group.

The transactions contemplated under the NWST Master Services Agreement were 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 NWST is an associate of CTF, the NWST Master Services Agreement and all the transactions contemplated thereunder constituted continuing connected transactions for the Company under the Listing Rules.

Furthermore, before the completion of the share exchange on 9 March 2004, members of the Group entered into transactions on a recurring basis with members of the New World First Holdings Limited and its subsidiaries as well as Citybus Limited and its subsidiaries (which, upon completion of the said share exchange, became members of the NWST 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 (the "Existing CCT").

As at 30 June 2005, the contract amounts for each category of services under the NWST Master Services Agreement and the Existing CCT were summarized as follows:

Category of services	Approximate total contract amount HK\$'000	Annual cap HK\$'000
<i>Contracts under the NWST Master Services Agreement:</i>		
Facility management services	678.0	15,500
Construction services	–	27,000
E & M engineering services	7.5	900
Property management services	–	900
Security and guarding services	274.0	5,500
Cleaning and landscaping services	20,219.9	35,000
Financial services	165.0	1,300
Rental or licensing of spare spaces	190.5	6,600
<i>Contracts under the Existing CCT:</i>		
Facility management services	245.6	400
E & M engineering services	72.5	95
Property management services	509.8	700
Security and guarding services	767.8	900
Cleaning and landscaping services	2,279.3	14,000
Rental or licensing of spare spaces	380.9	450

Connected transactions (Continued)

- (3) On 5 August 2004, an agreement (the “Agreement”) was entered into between 四川犍為電力(集團)股份有限公司 (unofficial translation being Sichuan Qianwei Dali Power Company Limited, “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 四川犍為大立電力有限公司 (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 instalments. The first instalment of RMB26.0 million was paid on the date of signing of the agreement and the remaining balance was paid in 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 wired to overseas bank account specified by Lucrative Rich Limited.

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.

The Company further announced on 13 December 2004 that due to the internal corporate restructuring of Qianwei Power Group, Lucrative Rich entered into two sale and purchase agreements on 13 December 2004 both with Qianwei Power Group for the transfer of its 35% interest in Qianwei to Qianwei Power Group, and its remaining 25% interest in Qianwei to Qianwei Power Group or its nominee, in replacement of the Agreement. The consideration for such disposal remains unchanged while the material terms of the Agreement remain substantially unchanged. The procedures for transfer of the said interests are arranging in progress.

- (4) On 30 May 2005, NWD and the Company entered into a master services agreement (the “NWD Master Services Agreement”) whereby (a) NWD agreed to, and agreed to procure that members of the NWD Group (as defined in the NWD Master Services Agreement) shall, to the extent practicable, engage members of the Group to provide certain operational services, which include contracting services, facility management services, security and guarding services, cleaning and landscaping services, financial services, property management services, etc., and to sell frozen food products to NWD and/or relevant members of the NWD Group and (b) the Company agreed to, and agreed to procure that members of the Group shall, to the extent practicable, engage members of the NWD Group to rent properties and vessels to the Group, during the term of the NWD Master Services Agreement.

The NWD Master Services Agreement has an initial term of three years (from 1 July 2005 to 30 June 2008). Subject to re-compliance with the reporting, announcement and independent shareholders’ approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time, the NWD Master Services Agreement may be renewed for a further term of three years unless either party gives written notice to the other party not later than two months before the expiry of the initial term.

As NWD holds approximately 54% of the total issued share capital of the Company, it is a substantial shareholder of the Company and hence, a connected person of the Company. Accordingly, the transactions contemplated under the NWD Master Services Agreement constitute continuing connected transactions of the Company. The Master Services Agreement and the continuing connected transactions contemplated thereunder were approved by the independent shareholders at the special general meeting of the Company held on 30 June 2005.

Report of the Directors

Connected transactions (Continued)

- (5) On 14 June 2005, Hip Hing Engineering (Macau) Limited (“Hip Hing (Macau)”, an indirect wholly owned subsidiary company of the Company) as management contractor entered into a management contractor agreement with Arc of Triumph Development Company Limited (“ATDL”) as developer in respect of the construction work of a 55-storey super deluxe residential, hotel and entertainment complex building with apartments, amenities and a shopping area to be constructed and developed called “Arc de Triomphe, Macau” (the “Project”) for a service fee of approximately HK\$27 million. The consideration is payable in stages according to the development and construction of the Project. Moreover, ATDL will pay Hip Hing (Macau) and Hip Hing (Macau) will pay the sub-contractors according to the arrangements between Hip Hing (Macau) and the sub-contractors under their respective construction agreements. The relevant construction work is expected to be completed in 3 phases. The first phase is expected to be completed by September 2006, the second phase by May 2008 and the third phase by February 2009.

Moreover, on the same day, Hip Hing (Macau), as a management contractor, entered into a sub-contractor construction agreement with Vibro (Macau) Limited (“Vibro (Macau)”, an indirect non-wholly owned subsidiary company of the Company), as a sub-contractor, in respect of the piling work of the Project for the contract amount of approximately MOP87.8 million (approximately HK\$83.4 million). The consideration is payable by ATDL to Hip Hing (Macau) in stages according to the progress of the piling work. Then Hip Hing (Macau) will pay Vibro (Macau) according to the arrangements in the abovesaid management contractor agreement and the said sub-contractor construction agreement. The relevant piling work is expected to be completed by September 2006.

By virtue of the fact that 40% of the equity interest in ATDL is held by Cheung Hung Development (Holdings) Limited, of which CTF Group (CTF and its subsidiaries) held 48.75% interest. CTF is the controlling shareholder of NWD while NWD is the holding company of the Company, as such, ATDL is a connected person of the Company. Thus, the abovesaid management contractor agreement constitutes a connected transaction for the Company under the Listing Rules. Furthermore, according to the arrangements of the said management contractor agreement, ATDL will make payments to Hip Hing (Macau) and Hip Hing (Macau) will make payments to Vibro (Macau) under the terms of the said sub-contractor construction agreement. As such, the said sub-contractor construction agreement also constitutes a connected transaction for the Company under the Listing Rules.

The continuing connected transactions mentioned in (1) and (2) 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.

Moreover, the Company has received from its auditors a letter reporting that the continuing connected transactions mentioned in (1) and (2) above:

- (a) were approved by the Executive Committee of the Company;
- (b) were in accordance with the terms of the relevant agreements governing such transactions; and

Connected transactions (Continued)

(c) were within the caps, where appropriate, set out under the relevant press announcements.

Save as disclosed above, a summary of significant related party transactions, which do not constitute connected transactions, made during the year is disclosed in note 33 to the accounts.

Disclosure pursuant to Rules 13.20 and 13.22 of the Listing Rules

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

(a) Advance to an entity

As at 30 June 2005, 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\$1.563 billion for financing its project costs. Such advances include the sum of HK\$562.8 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\$1.0 billion for certain banking facilities offered to First Star. These advances represent approximately 8% of the total market capitalization of the Company.

(b) Financial assistance and guarantees to affiliated companies

As at 30 June 2005, the Group has provided financial assistance, by way of shareholder loans/advances, in the aggregate amount of HK\$2.598 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\$1.067 billion (included in the amounts disclosed in note 31 to the accounts) and contracted to provide an aggregate amount of HK\$15.8 million in capital and loans to affiliated companies. The said amounts, in aggregate, represents approximately 18% 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\$454.6 million which carry interest ranging from 2% to 10% per annum, an amount of HK\$7.8 million which carries interest at Hong Kong prime rate per annum, and an amount of HK\$731.2 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.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined balance sheet of those affiliated companies with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 30 June 2005 are presented as follows:

	Proforma combined balance sheet HK\$m	Group's attributable interest HK\$m
Non-current assets	21,608.2	9,352.9
Current assets	9,870.2	3,614.3
Current liabilities	(7,281.3)	(2,812.6)
Non-current liabilities	(5,622.2)	(2,199.9)
Shareholders' loan and advances	(6,964.8)	(2,597.5)
	11,610.1	5,357.2

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)

The proforma combined balance sheet of the affiliated companies is prepared by combining their balance sheets, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant balance sheet classification, as at 30 June 2005.

Employees and remuneration policies

As at 30 June 2005, over 43,000 staff were employed by entities under the Group's management of which some 28,000 were employed in Hong Kong. Total staff related costs, excluding directors' remunerations, were HK\$2.189 billion (2004: HK\$2.789 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 were provided to employees on an ongoing basis.

Details of the retirement benefits schemes of the Company are set out in note 29 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 years is set out on pages 124 and 125.

Auditors

The accounts for the year ended 30 June 2005 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, 5 October 2005



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TO THE MEMBERS OF NWS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 64 to 121 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 2005 and of the profit and cash flows of the Group 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, 5 October 2005

Consolidated Profit and Loss Account

for the year ended 30 June 2005

	Note	2005 HK\$m	2004 HK\$m
Turnover	2	10,286.1	12,552.9
Cost of sales		(9,568.2)	(11,180.9)
Gross profit		717.9	1,372.0
Other income	3	2,117.4	564.3
General and administrative expenses		(810.1)	(983.1)
Other charges	3	(59.9)	(405.4)
Operating profit	3	1,965.3	547.8
Finance costs	5	(205.5)	(280.8)
Share of results of			
Jointly controlled entities		1,019.1	1,127.5
Associated companies		423.3	493.0
Profit before taxation		3,202.2	1,887.5
Taxation	6	(287.7)	(329.5)
Profit after taxation		2,914.5	1,558.0
Minority interests		3.5	(19.8)
Profit attributable to shareholders	7	2,918.0	1,538.2
Dividends	8	1,462.3	720.3
Earnings per share	9		
Basic		HK\$1.62	HK\$0.86
Diluted		HK\$1.61	HK\$0.86

Consolidated Balance Sheet

as at 30 June 2005

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	Note	2005 HK\$m	2004 HK\$m
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill	11	329.9	(516.1)
Fixed assets	12	3,359.3	3,621.8
Jointly controlled entities	14	9,009.1	9,685.5
Associated companies	15	3,010.0	1,966.0
Other non-current assets	16	635.4	492.9
		16,343.7	15,250.1
Current assets			
Inventories	17	145.5	123.8
Debtors, deposits and prepayments	18	5,022.4	5,038.1
Trading securities	19	32.0	1.3
Bank balances and cash	20	3,649.9	3,501.8
		8,849.8	8,665.0
Current liabilities			
Creditors and accrued charges	21	4,414.6	4,293.1
Taxation		107.4	105.9
Current portion of loans and borrowings	26	1,319.0	1,346.2
Current portion of amount due to a fellow subsidiary company	27	192.9	181.6
Short term bank loans and overdrafts			
– Secured		0.5	0.8
– Unsecured		960.4	1,209.2
		6,994.8	7,136.8
Net current assets		1,855.0	1,528.2
Total assets less current liabilities		18,198.7	16,778.3
Non-current liabilities			
Loans and borrowings	26	3,843.2	5,563.7
Other long term liabilities	27	602.9	794.2
Minority interests and loans	28	810.6	869.8
		5,256.7	7,227.7
Net assets		12,942.0	9,550.6
CAPITAL AND RESERVES			
Share capital	23	1,825.1	1,792.5
Reserves	24	11,116.9	7,758.1
Shareholders' funds		12,942.0	9,550.6

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Balance Sheet

as at 30 June 2005

	Note	2005 HK\$'m	2004 HK\$'m
ASSETS AND LIABILITIES			
Non-current assets			
Fixed assets	12	7.3	4.9
Subsidiary companies	13	14,579.2	16,483.0
		14,586.5	16,487.9

Current assets			
Debtors, deposits and prepayments	18	26.6	63.2
Bank balances and cash		910.3	154.6
		936.9	217.8

Current liabilities			
Creditors and accrued charges	21	45.1	95.1
Current portion of loans and borrowings	26	1,025.0	1,200.0
Current portion of amount due to a fellow subsidiary company	27	192.9	181.6
Short term bank loans and overdrafts, unsecured		850.0	932.0
		2,113.0	2,408.7

Net current liabilities		(1,176.1)	(2,190.9)

Total assets less current liabilities		13,410.4	14,297.0

Non-current liabilities			
Loans and borrowings	26	2,490.8	3,917.4
Other long term liabilities	27	312.1	505.0
		2,802.9	4,422.4

Net assets		10,607.5	9,874.6
CAPITAL AND RESERVES			
Share capital	23	1,825.1	1,792.5
Reserves	24	8,782.4	8,082.1
Shareholders' funds		10,607.5	9,874.6

Dr Cheng Kar Shun, Henry
Director

Mr Chan Kam Ling
Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2005

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	Note	2005 HK\$m	2004 HK\$m
Equity at the beginning of year, as previously reported		9,550.6	8,250.5
Negative goodwill derecognition	1, 24	976.5	–
Equity at the beginning of year, as adjusted		10,527.1	8,250.5
Issue of new shares	23, 24	246.3	43.8
Change in fair value of non-trading securities recognized in investment revaluation reserve	24	(0.9)	14.9
Change in fair value of investment properties recognized in investment properties revaluation reserve	24	30.0	17.6
Exchange differences	24	(1.6)	0.5
Net gain not recognized in the profit and loss account		27.5	33.0
Profit for the year	24	2,918.0	1,538.2
Goodwill impairment charged to the profit and loss account	24	–	310.0
Dividends	24	(776.9)	(624.9)
Equity at the end of year		12,942.0	9,550.6

Consolidated Cash Flow Statement

for the year ended 30 June 2005

	Note	2005 HK\$'m	2004 HK\$'m
Cash flows from operating activities			
Net cash generated from operations	32(a)	508.9	612.0
Finance costs paid		(205.5)	(280.8)
Interest received		33.5	9.3
Hong Kong profits tax paid		(53.7)	(100.1)
Mainland China and overseas taxation paid		(10.2)	(15.8)
Net cash generated from operating activities		273.0	224.6
Cash flows from investing activities			
Dividends received from jointly controlled entities		429.8	658.8
Dividends received from associated companies		377.7	191.7
Acquisition of subsidiary companies, net of cash acquired		-	66.3
Disposal of an investment		110.4	-
Disposal of subsidiary companies, net of cash disposed	32(b),(c)	1,094.8	831.6
Restructuring of transport business and deconsolidation of a subsidiary company		-	1,330.8
Acquisition of additional interests in subsidiary companies		(13.5)	(2.0)
Decrease/(increase) in investments in jointly controlled entities		1,320.1	(441.7)
(Increase)/decrease in investments in associated companies		(492.0)	30.1
Additions of fixed assets		(73.6)	(151.4)
Sale of fixed assets		76.4	59.6
Sale of trading securities		-	31.0
Decrease in short term deposits with maturity more than three months		-	11.2
Acquisition of non-trading securities		(259.5)	(7.5)
Acquisition of trading securities		(31.0)	-
Decrease in long term receivable		64.8	-
Net cash generated from investing activities		2,604.4	2,608.5
Cash flows from financing activities			
New bank loans and borrowings	32(d)	2,600.0	5,958.0
Repayment of bank loans and borrowings		(4,596.3)	(7,915.5)
Issuance of convertible bond		-	1,350.0
Issuance of new shares		246.3	43.8
Repayment of amount due to related companies		(181.6)	(652.6)
Settlement of loans from minority shareholders		(12.2)	(22.4)
Interest element of finance lease		-	(0.1)
Capital element of finance lease		(0.5)	-
Dividends paid to shareholders		(776.9)	(624.9)
Dividends paid to minority shareholders		(8.1)	(4.8)
Net cash used in financing activities		(2,729.3)	(1,868.5)
Net increase in cash and cash equivalents		148.1	964.6
Cash and cash equivalents at the beginning of year		3,501.8	2,537.2
Cash and cash equivalents at the end of year		3,649.9	3,501.8
Analysis of cash and cash equivalents			
Bank balances and cash		3,649.9	3,501.8

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 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”), including applicable Hong Kong Statements of Standard Accounting Practice and certain Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively the “HKFRSs”) as described further below. The accounts are prepared under the historical cost convention, except that investment properties and other investments are carried at fair value as set out in notes (i) and (k) below.

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods commencing on or after 1 January 2005. In preparing these accounts, the Group early adopted the following HKFRS and HKASs:

HKFRS 3	Business combinations
HKAS 36	Impairment of assets
HKAS 38	Intangible assets

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in changes in the accounting policies for goodwill and negative goodwill. Details of the changes in the accounting policies and the effects of adopting these standards are set out in note (f) below.

The Group has not early adopted other new and revised HKFRSs in the accounts for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to analyze and quantify the impact of these new and revised HKFRSs on its results of operations and financial position.

(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 goodwill carried in the balance sheet.

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

Notes to the Accounts

1 Principal accounting policies (Continued)

(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 impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividend income.

(d) **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 dividend income.

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 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.

(e) **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.

1 Principal accounting policies (Continued)

(e) Associated companies (Continued)

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill on acquisition less provision for impairment losses. The Group's share of results of associated companies for the year is recognized in the profit and loss account. The Company's investments in associated companies are carried at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income.

(f) Goodwill

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary companies, associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions of subsidiary companies is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities is included in investments in associated companies and jointly controlled entities respectively. Gains and losses on the disposal of all or part of business combination include the carrying amount of goodwill relating to the entity sold.

In previous years, goodwill arising from acquisition after 1 January 2001 was amortized on a straight line basis over its estimated useful life of not more than 20 years. Goodwill was assessed for indication of impairment at each balance sheet date.

Following the adoption of HKFRS 3, HKAS 36 and HKAS 38, goodwill on acquisitions of subsidiary companies, associated companies and jointly controlled entities is no longer amortized but tested for impairment annually. Any impairment loss recognized is charged to the profit and loss account. Accumulated amortization as at 1 July 2004 has been eliminated with a corresponding decrease in the cost of goodwill. Goodwill previously taken to reserves, totalling HK\$1,971.4 million as at 1 July 2004 and included in revenue reserve, is not reinstated on the balance sheet or included in the calculation of the profit or loss on disposal of subsidiary company, associated company and jointly controlled entity.

(ii) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net identifiable assets of the acquired subsidiary companies, associated companies or jointly controlled entities acquired over the cost of an acquisition.

In previous years, negative goodwill, to the extent that it did not relate to identifiable expected future loss and expenses at the date of acquisition, was recognized in the profit and loss account over the remaining weighted average life of those assets.

Following the adoption of HKFRS 3, the Group ceased amortization of negative goodwill from 1 July 2004. The remaining negative goodwill, after eliminating its corresponding accumulated amortization, has been derecognized and credited to the equity as at 1 July 2004. From 1 July 2004, any excess of the fair value of the Group's share of the net identifiable assets of the acquired subsidiary companies, associated companies or jointly controlled entities over the cost of an acquisition is recognized immediately in the profit and loss account.

Notes to the Accounts

1 Principal accounting policies (Continued)

(f) Goodwill (Continued)

These changes in the accounting policies for goodwill and negative goodwill have been made in accordance with the transitional provisions in the respective standards and have been applied prospectively. In particular, negative goodwill arising on acquisitions has been derecognized from 1 July 2004 and results in the following:

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

In addition, these changes in the accounting policies have also resulted in the following:

	HK\$'m
Decrease in amortization of goodwill	63.3
Decrease in amortization of negative goodwill	(114.8)
Goodwill credited to profit and loss account	2.7
Increase in profit on disposal of assets	1,711.9
Increase in profit for the year ended 30 June 2005	1,663.1

(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.

1 Principal accounting policies (Continued)

(g) Revenue recognition (Continued)

(iv) *Rental income*

Rental income is recognized on a straight line basis over the terms of the lease agreements.

(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 (i)(ii) below.

(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.

Notes to the Accounts

1 Principal accounting policies (Continued)

(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 annual 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.

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 depreciation is provided based on the ratio of actual traffic volume compared to the total projected traffic volume over the remaining toll collection periods. 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.

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:

Leasehold land	Unexpired period of the lease
Buildings	2.5% – 3%
Ports facilities and terminal equipment	2.25% – 15%
Plant and equipment, furniture and fixtures, and others	4% – 50%

(iii) *Profit 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 revenue reserve.

(iv) *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.

1 Principal accounting policies (Continued)

(i) Fixed assets (Continued)

(v) 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) Impairment of assets

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

(k) 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 investment 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 investment revaluation reserve, is dealt with in the profit and loss account. Impairment loss recognized in the profit and loss account is 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.

(l) 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 (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.

Notes to the Accounts

1 Principal accounting policies (Continued)

(m) 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.

(n) 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.

(o) 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.

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

(p) 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.

(q) 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 development cost 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.

1 Principal accounting policies (Continued)

(r) 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 that 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.

(s) 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”) schemes, 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.

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.

(t) Convertible bonds

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

(u) 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.

Notes to the Accounts

2 Turnover and segment information

	2005 HK\$m	2004 HK\$m
Container handling, logistics and warehousing	13.4	17.3
Roads and bridges	221.1	368.4
Energy, water treatment and waste management	–	0.9
Facilities rental	776.5	751.3
Facilities management	2,588.2	2,250.3
Contracting	6,386.7	7,696.5
Transport	–	1,138.1
Sales of goods and rendering of other services	300.2	330.1
Turnover	10,286.1	12,552.9

The Group is principally engaged in container handling, logistics and warehousing, infrastructure operations, facilities rental, facilities management, contracting, transport and other services.

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 below. There are no other significant identifiable business segments.

2 Turnover and segment information (Continued)

(a) Primary reporting format – business segments

	Container handling, logistics and warehousing HK\$m	Roads and bridges management HK\$m	Energy, water treatment and waste management HK\$m	Facilities rental management HK\$m	Facilities management HK\$m	Contracting HK\$m	Transport HK\$m	Others HK\$m	Eliminations HK\$m	Consolidated HK\$m
Year 2005										
External sales	13.4	221.1	-	776.5	2,588.2	6,386.7	-	300.2	-	10,286.1
Inter-segment sales	-	-	-	0.3	153.9	428.9	-	19.6	(602.7)	-
Total turnover	13.4	221.1	-	776.8	2,742.1	6,815.6	-	319.8	(602.7)	10,286.1
Segment results	2.8	43.0	11.9	224.1	156.9	(345.6)	-	(8.4)	-	84.7
Profit on disposal of subsidiary companies	684.7	64.6	-	-	-	-	-	-	-	749.3
Profit/(loss) on disposal of jointly controlled entities	1,092.3	-	(2.1)	-	-	-	-	-	-	1,090.2
Profit on disposal of an investment	-	190.7	-	-	-	-	-	-	-	190.7
Assets impairment loss	(7.4)	(15.4)	-	-	-	-	-	(35.0)	-	(57.8)
Unallocated corporate expenses										(91.8)
Operating profit										1,965.3
Finance costs										(205.5)
Share of results of										
Jointly controlled entities	40.1	377.6	309.8	178.7	-	(0.2)	90.8	22.3	-	1,019.1
Associated companies	50.6	-	202.5	47.2	0.4	67.3	-	55.3	-	423.3
Profit before taxation										3,202.2
Taxation										(287.7)
Profit after taxation										2,914.5
Minority interests										3.5
Profit attributable to shareholders										2,918.0
Segment assets	126.0	1,854.1	-	1,199.9	534.1	4,590.4	-	345.0	-	8,649.5
Jointly controlled entities	414.7	3,753.4	1,262.7	1,804.5	8.7	621.5	1,068.5	75.1	-	9,009.1
Associated companies	94.9	375.7	1,219.0	-	0.9	750.0	-	569.5	-	3,010.0
Unallocated assets										4,524.9
Total assets										25,193.5
Segment liabilities	3.2	258.3	0.4	272.9	373.3	3,440.4	-	74.4	-	4,422.9
Unallocated liabilities										7,018.0
Minority interests and loans										810.6
Total liabilities and minority interests										12,251.5
Capital expenditure	1.0	1.3	-	19.4	22.6	18.7	-	10.6	-	73.6
Depreciation	4.3	71.6	-	16.9	37.2	62.2	-	8.4	-	200.6

Notes to the Accounts

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 rental HK\$'m	Facilities management 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	751.3	2,250.3	7,696.5	1,138.1	330.1	-	12,552.9
Inter-segment sales	-	-	-	0.5	142.1	473.0	0.2	22.0	(637.8)	-
Total turnover	17.3	368.4	0.9	751.8	2,392.4	8,169.5	1,138.3	352.1	(637.8)	12,552.9
Segment results	3.7	161.9	10.6	210.5	182.7	22.9	72.1	38.5	-	702.9
Amortization of net negative goodwill	-	(3.5)	-	10.7	0.1	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
Loss on disposal of fixed assets	(26.7)	-	-	-	-	-	-	-	-	(26.7)
Assets impairment loss	(346.0)	-	(29.0)	-	-	(0.4)	-	-	-	(375.4)
Unallocated corporate expenses										(229.2)
Operating profit										547.8
Finance costs										(280.8)
Share of results of										
Jointly controlled entities	48.2	286.2	518.5	147.4	22.4	52.7	35.8	16.3	-	1,127.5
Associated companies	162.9	-	-	64.7	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	1,155.6	590.3	4,491.4	-	184.2	-	8,476.3
Jointly controlled entities	578.2	3,666.4	2,406.1	1,325.8	9.3	613.2	1,004.3	82.2	-	9,685.5
Associated companies	428.3	-	-	485.8	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	237.1	341.8	3,254.4	-	95.2	-	4,254.5
Unallocated liabilities										9,240.2
Minority interests and loans										869.8
Total liabilities and minority interests										14,364.5
Capital expenditure	6.7	6.6	-	16.6	33.5	39.8	31.4	16.8	-	151.4
Depreciation	5.9	137.1	-	18.7	36.8	85.8	151.2	6.2	-	441.7

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 2005				
Hong Kong	8,822.5	41.5	6,078.0	65.0
Mainland China	1,294.3	30.0	2,461.8	8.3
Others	169.3	13.2	109.7	0.3
	10,286.1	84.7	8,649.5	73.6
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

3 Operating profit

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

	2005 HK\$'m	2004 HK\$'m
Crediting		
Gross rental income from investment properties	40.9	40.5
Outgoings	(10.1)	(10.6)
	30.8	29.9
Other income		
Profit on disposal of subsidiary companies	749.3	395.6
Profit on disposal of a jointly controlled entity	1,092.3	13.1
Profit on disposal of an investment	190.7	–
Profit on disposal of trading securities	–	13.7
Amortization of net negative goodwill	–	70.8
Interest income	33.5	9.3
Management fee	31.4	48.8
Machinery hire income	20.2	13.0
	2,117.4	564.3

Notes to the Accounts

3 Operating profit (Continued)

	2005 HK\$'m	2004 HK\$'m
Charging		
Auditors' remuneration	14.5	13.5
Cost of inventories sold	905.6	780.7
Depreciation	200.6	441.7
Operating lease rental expense		
Land and buildings	54.1	87.4
Other equipment	1.0	55.9
Staff costs (Note 4)	1,872.3	2,442.0
Other charges		
Loss on disposal of a subsidiary company	-	3.3
Loss on disposal of a jointly controlled entity	2.1	-
Loss on disposal of fixed assets	-	26.7
Assets impairment loss	57.8	375.4
	59.9	405.4

4 Staff costs

	2005 HK\$'m	2004 HK\$'m
Wages and salaries	2,141.6	2,735.2
Long service payment obligations	4.9	(6.9)
Defined contribution plans (Note 29)	90.5	103.7
Defined benefits plans (Note 29)	0.6	0.5
	2,237.6	2,832.5
Capitalized under contracts in progress	(365.3)	(390.5)
	1,872.3	2,442.0

5 Finance costs

	2005 HK\$m	2004 HK\$m
Interest on loans and borrowings		
Wholly repayable within five years	123.0	157.1
Not wholly repayable within five years	–	5.2
Interest on loans from minority shareholders	19.0	75.3
Interest on finance lease	–	0.1
Other borrowing costs	63.5	43.1
	205.5	280.8

6 Taxation

	2005 HK\$m	2004 HK\$m
Company and subsidiary companies		
Hong Kong profits tax	53.4	76.1
Mainland China and overseas taxation	12.0	12.8
Deferred taxation	6.6	25.2
	72.0	114.1
Jointly controlled entities		
Hong Kong profits tax	64.5	44.1
Mainland China and overseas taxation	86.3	91.4
Deferred taxation	2.3	14.3
	153.1	149.8
Associated companies		
Hong Kong profits tax	37.8	65.8
Mainland China and overseas taxation	29.2	–
Deferred taxation	(4.4)	(0.2)
	62.6	65.6
Taxation charge	287.7	329.5

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Mainland China and overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Accounts

6 Taxation (Continued)

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	
	2005 HK\$m	2004 HK\$m
Profit before taxation	3,202.2	1,887.5
Calculated at the rate of 17.5% (2004: 17.5%)	560.4	330.3
Effect of different taxation rates under other taxation jurisdiction	(15.7)	(7.3)
Tax exemption granted	(43.9)	(24.5)
Income not subject to taxation	(416.2)	(151.8)
Expenses not deductible for taxation purposes	116.8	134.4
Unused tax losses not recognized	106.0	56.6
Utilization of previously unrecognized tax losses	(7.8)	(13.0)
Others	(11.9)	4.8
Taxation charge	287.7	329.5

7 Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$1,263.5 million (2004: HK\$608.9 million).

8 Dividends

	2005 HK\$m	2004 HK\$m
Interim dividend paid of HK\$0.18 (2004: HK\$0.15) per share	325.3	268.7
Final dividend proposed of HK\$0.62 (2004: paid of HK\$0.25) per share	1,137.0	451.6
	1,462.3	720.3

On 5 October 2005, the board of directors recommended a final dividend of HK\$0.62 (2004: HK\$0.25) per share. This dividend will be accounted for as an appropriation of the retained profits for the year ending 30 June 2006.

9 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit of HK\$2,918.0 million (2004: HK\$1,538.2 million).

The calculation of basic earnings per share is based on the weighted average of 1,803.7 million (2004: 1,784.5 million) shares in issue during the year.

The calculation of the diluted earnings per share for the year ended 30 June 2005 is based on 1,813.1 million (2004: 1,799.0 million) shares, representing the weighted average number of 1,803.7 million (2004: 1,784.5 million) shares in issue during the year plus the weighted average of 9.4 million shares deemed to be issued at HK\$3.725 (2004: 14.4 million at HK\$3.725 and 0.1 million at HK\$6.93), if all outstanding share options had been exercised. The convertible bonds do not have a dilutive effect.

10 Emoluments of directors and five highest paid individuals

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

	2005 HK\$m	2004 HK\$m
Fees	2.3	1.9
Salaries and other emoluments	15.6	15.6
Contributions to retirement benefits schemes	1.3	1.1
Share option benefits	29.8	24.5
	49.0	43.1

Notes to the Accounts

10 Emoluments of directors and five highest paid individuals (Continued)

The remunerations of the directors for the year ended 30 June 2005 are set out below:

Name of directors	Note	Basic salaries, allowances and other benefits		Share option benefits	Employer's contribution to pension scheme	2005 Total emoluments	2004 Total emoluments
		Fees	benefits				
<i>Executive directors</i>							
Dr Cheng Kar Shun, Henry		0.25	0.10	7.23	–	7.58	7.60
Mr Doo Wai Hoi, William		0.15	1.64	4.82	0.16	6.77	7.26
Mr Chan Kam Ling		0.15	3.15	4.38	0.31	7.99	7.43
Mr Tsang Yam Pui		0.15	3.02	–	0.15	3.32	0.18
Mr Wong Kwok Kin, Andrew		0.15	2.67	2.37	0.20	5.39	5.20
Mr Lam Wai Hon, Patrick		0.15	2.63	2.61	0.20	5.59	6.82
Mr Cheung Chin Cheung		0.15	2.40	1.48	0.24	4.27	4.24
<i>Non-executive directors</i>							
Mr Wifried Ernst Kaffenberger		0.15	–	–	–	0.15	0.11
Mr To Hin Tsun Gerald		0.15	–	1.36	–	1.51	1.57
Mr Dominic Lai	(a)	0.17	–	0.99	–	1.16	1.13
<i>Independent non-executive directors</i>							
Mr Kwong Che Keung, Gordon		0.25	–	1.48	–	1.73	1.34
Mr Cheng Wai Chee, Christopher		0.25	–	3.07	–	3.32	0.23
The Honourable Shek Lai Him, Abraham	(b)	0.19	–	–	–	0.19	–
Total		2.31	15.61	29.79	1.26	48.97	43.11

(a) Re-designated on 28 September 2004 from independent non-executive director to non-executive director.

(b) Appointed on 28 September 2004 as independent non-executive director.

(c) The five individuals whose emoluments are the highest in the Group for the years ended 30 June 2005 and 30 June 2004 are also directors and their emoluments are included in the above.

(d) Remuneration package including salaries, contribution to pension scheme and share options are determined according to individual performance, job responsibility and seniority, and are reviewed with reference to market conditions.

(e) There is no payment on discretionary bonuses, inducement fees and compensation for loss of office as director.

11 Goodwill

	Group		
	Goodwill HK\$'m	Negative goodwill HK\$'m	Total HK\$'m
Cost			
At 1 July 2004, as previously reported	382.9	(1,532.9)	(1,150.0)
Elimination	(37.6)	671.5	633.9
Derecognition (Note 1(f))	–	861.4	861.4
At 1 July 2004, as adjusted	345.3	–	345.3
Impairment	(15.4)	–	(15.4)
At 30 June 2005	329.9	–	329.9
Accumulated amortization			
At 1 July 2004, as previously reported	37.6	(671.5)	(633.9)
Elimination	(37.6)	671.5	633.9
At 1 July 2004, as adjusted, and at 30 June 2005	–	–	–
Net book value			
At 30 June 2005	329.9	–	329.9
At 30 June 2004	345.3	(861.4)	(516.1)

Goodwill is allocated to the Group's cash generating units identified according to business segments. The recoverable amounts of the business units are determined based on value-in-use calculations. The key assumptions used in the value-in-use calculations are based on management's best estimates of growth rates and discount rates.

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	Other assets HK\$'m	Construction in progress HK\$'m	Total HK\$'m	Other Assets HK\$'m
Cost or valuation								
At 1 July 2004	1,010.1	763.7	2,039.0	11.1	1,359.6	31.3	5,214.8	5.3
Additions	0.2	5.0	–	–	68.4	–	73.6	5.3
Transfers	–	9.1	–	–	1.2	(10.3)	–	–
Disposal of subsidiary companies	–	–	(146.4)	–	(0.4)	–	(146.8)	–
Disposals	–	(45.7)	–	–	(80.4)	(0.6)	(126.7)	–
Revaluation	30.0	–	–	–	–	–	30.0	–
At 30 June 2005	1,040.3	732.1	1,892.6	11.1	1,348.4	20.4	5,044.9	10.6
Accumulated depreciation and impairment								
At 1 July 2004	–	369.6	286.0	4.0	933.4	–	1,593.0	0.4
Depreciation	–	10.7	69.0	1.0	119.9	–	200.6	2.9
Impairment	–	4.4	–	–	–	–	4.4	–
Disposal of subsidiary companies	–	–	(34.0)	–	(0.4)	–	(34.4)	–
Disposals	–	(10.8)	–	–	(67.2)	–	(78.0)	–
At 30 June 2005	–	373.9	321.0	5.0	985.7	–	1,685.6	3.3
Net book value								
At 30 June 2005	1,040.3	358.2	1,571.6	6.1	362.7	20.4	3,359.3	7.3
At 30 June 2004	1,010.1	394.1	1,753.0	7.1	426.2	31.3	3,621.8	4.9

12 Fixed assets (Continued)

Cost or valuation of properties is made up as follows:

	Group			
	2005		2004	
	Cost HK\$m	Professional valuation HK\$m	Cost HK\$m	Professional Valuation HK\$m
Investment properties				
Hong Kong long lease	–	1,038.1	–	1,007.9
Mainland China long lease	2.2	–	2.2	–
	2.2	1,038.1	2.2	1,007.9
Land and buildings				
Hong Kong long lease	127.5	–	141.9	–
Hong Kong medium lease	217.2	–	226.1	–
Mainland China long lease	26.1	–	30.7	–
Mainland China medium lease	356.8	–	354.6	–
Mainland China short lease	2.5	–	8.4	–
Mainland China freehold	2.0	–	2.0	–
	732.1	–	763.7	–
	734.3	1,038.1	765.9	1,007.9

- (a) The investment properties were revalued on 30 June 2005 on an open market value basis by Vigers Hong Kong Limited, independent professional property valuers. All other fixed assets are stated at cost.

13 Subsidiary companies

	2005 HK\$m	2004 HK\$m
Unlisted shares, at cost	3,393.2	3,393.2
Amounts receivable less provision	11,186.0	13,089.8
	14,579.2	16,483.0

- (a) The amounts receivable are unsecured, interest free and have no fixed terms of repayment.
- (b) Particulars of principal subsidiary companies are given in note 37.

Notes to the Accounts

14 Jointly controlled entities

	Note	Group	
		2005 HK\$m	2004 HK\$m
Co-operative joint ventures	(a)		
Cost of investment less provision		1,194.9	1,277.7
Goodwill		98.3	100.4
Negative goodwill		-	(32.0)
Share of undistributed post-acquisition results		704.3	546.5
Amounts receivable	(b)	1,319.4	1,350.3
Amounts payable		-	(1.0)
		3,316.9	3,241.9
Equity joint ventures			
Group's share of net assets		446.8	1,528.1
Goodwill		-	70.0
Amounts receivable	(b)	34.8	73.9
Amounts payable		-	(1.7)
		481.6	1,670.3
Companies limited by shares			
Group's share of net assets		4,071.3	3,409.3
Goodwill		363.0	435.3
Amounts receivable	(b)	776.3	928.7
		5,210.6	4,773.3
		9,009.1	9,685.5

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

14 Jointly controlled entities (Continued)

(b) Amounts receivable are analyzed as follows:

	2005 HK\$m	2004 HK\$m
Interest bearing		
Fixed rates (Note (i))	374.9	444.9
Variable rates (Note (ii))	7.8	12.9
Non-interest bearing (Note (iii))	1,747.8	1,895.1
	2,130.5	2,352.9

(i) Charged interest at fixed rates ranging from 2% to 10% per annum (2004: 2% to 14% per annum).

(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) Includes a subordinated loan of HK\$196.9 million (2004: HK\$310.8 million).

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

(c) Dividend income from jointly controlled entities was HK\$450.9 million (2004: HK\$661.7 million).

(d) Particulars of principal jointly controlled entities are given in note 39.

15 Associated companies

	Group 2005 HK\$m	2004 HK\$m
Group's share of net assets		
Listed shares in Hong Kong	865.3	810.4
Unlisted shares	1,877.5	1,207.9
	2,742.8	2,018.3
Goodwill	103.5	31.4
Negative goodwill (Note 1(f))	-	(83.1)
	103.5	(51.7)
Amounts receivable	176.6	2.9
Amounts payable	(12.9)	(3.5)
	163.7	(0.6)
	3,010.0	1,966.0

Notes to the Accounts

15 Associated companies (Continued)

- (a) The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for a subordinated loan of HK\$56.0 million (2004: Nil) which bears interest at 8% per annum.
- (b) The amounts payable are unsecured, interest free and repayable on demand.
- (c) Dividend income from associated companies was HK\$377.7 million (2004: HK\$195.6 million).
- (d) The market value of the Group's listed investment in associated companies amounts to HK\$472.3 million (2004: HK\$436.6 million).
- (e) Particulars of principal associated companies of the Group are given in note 38.

16 Other non-current assets

	Note	Group	
		2005 HK\$m	2004 HK\$m
Long term receivable	(a)	350.0	421.3
Non-trading securities			
– listed in Hong Kong, at market value		106.1	40.5
– unlisted, at fair value		162.5	7.5
Retirement benefit assets (Note 29)		8.6	7.1
Deferred tax assets (Note 25)		8.2	16.5
		635.4	492.9

(a) Long term receivable

	2005 HK\$m	2004 HK\$m
Long term receivable	421.3	486.1
Current portion included in debtors, deposits and prepayments (Note 18)	(71.3)	(64.8)
	350.0	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 receivable is secured by certain fixed assets of the debtor and bears interest at London Interbank Offered Rate plus 1.9% per annum.

17 Inventories

	Group	
	2005 HK\$'m	2004 HK\$'m
Raw materials	19.3	24.7
Work-in-progress	14.1	1.4
Finished goods	112.1	97.7
	145.5	123.8

The amount of inventories carried at net realizable value amounted to approximately HK\$1.8 million (2004: HK\$17.2 million).

18 Debtors, deposits and prepayments

	Note	Group		Company	
		2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m
Trade debtors	(a)	1,105.3	1,274.8	–	–
Retention money receivables		683.3	716.6	–	–
Current portion of long term receivable (Note 16 (a))		71.3	64.8	–	–
Amounts due from customers for contract works (Note 22)		362.5	330.0	–	–
Deposits and prepayments		2,509.6	2,543.8	26.6	63.2
Amounts due from jointly controlled entities		270.8	88.6	–	–
Amounts due from associated companies		19.6	19.5	–	–
		5,022.4	5,038.1	26.6	63.2

(a) Ageing analysis of trade debtors of the Group is as follows:

	2005 HK\$'m	2004 HK\$'m
Under 3 months	865.3	945.6
Between 4 – 6 months	56.1	75.9
Over 6 months	183.9	253.3
	1,105.3	1,274.8

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

Notes to the Accounts

19 Trading securities

	Group	
	2005 HK\$m	2004 HK\$m
Trading securities		
– listed in Hong Kong	1.2	1.3
– listed overseas	30.8	–
	32.0	1.3

20 Bank balances and cash

Bank balances and cash of the Group totaling HK\$14.4 million (2004: HK\$15.5 million) are pledged to banks to secure banking facilities to the extent of HK\$14.3 million (2004: HK\$15.5 million).

21 Creditors and accrued charges

		Group		Company	
	Note	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Trade creditors	(a)	578.5	561.8	–	–
Retention money payables		393.1	436.3	–	–
Advance received from customers		50.3	39.1	–	–
Amounts due to customers for contract works (Note 22)		368.3	458.9	–	–
Other creditors		–	87.4	–	–
Other payables and accruals		3,009.8	2,709.3	45.1	95.1
Amounts due to jointly controlled entities		14.6	0.3	–	–
		4,414.6	4,293.1	45.1	95.1

(a) Ageing analysis of trade creditors of the Group is as follows:

	2005 HK\$m	2004 HK\$m
Under 3 months	479.6	445.6
Between 4 – 6 months	35.2	39.6
Over 6 months	63.7	76.6
	578.5	561.8

22 Contracts in progress

	Group	
	2005 HK\$'m	2004 HK\$'m
Contract costs incurred plus attributable profits less foreseeable losses to date	13,430.4	17,747.3
Progress payments received and receivable	(13,436.2)	(17,876.2)
	(5.8)	(128.9)
Representing:		
Gross amount due from customers for contract works (Note 18)	362.5	330.0
Gross amount due to customers for contract works (Note 21)	(368.3)	(458.9)
	(5.8)	(128.9)

23 Share capital

	Ordinary Shares	
	Number of shares	HK\$'m
Authorized:		
At 30 June 2004 and 30 June 2005	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 1 July 2004	1,792,454,316	1,792.5
Exercise of share options	14,875,728	14.8
Issued as scrip dividend	17,800,525	17.8
At 30 June 2005	1,825,130,569	1,825.1

Notes to the Accounts

23 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 of the Company 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 expired on 11 April 2000. No further share options can be granted under this 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	
	2005	2004
At the beginning of year	1,930,000	2,000,000
Exercised	(1,330,000)	(70,000)
Lapsed	(600,000)	–
At the end of year	–	1,930,000

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 ten 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 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.

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

	Number of options	
	2005	2004
At the beginning of year	28,835,338	–
Granted (Note a)	–	41,497,000
Exercised	(13,545,728)	(11,625,315)
Lapsed	(752,677)	(1,036,347)
Adjusted (Note b)	142,723	–
At the end of year	14,679,656	28,835,338

23 Share capital (Continued)

- (a) On 21 July 2003, 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.
- (b) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the interim dividend for the year ended 30 June 2005 in scrip form (with cash option) on 14 March 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.725 to HK\$3.719 with effect from 30 June 2005.

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

	Expiry date	Number of options		Vested percentage	
		2005	2004	2005	2004
Exercise price		HK\$3.719	HK\$3.725		
Director	21 July 2008	5,015,580	9,333,336	11%	4%
Other eligible participants	21 July 2008	9,664,076	19,502,002	1%	9%
		14,679,656	28,835,338		

Notes to the Accounts

24 Reserves

	Group							Total HK\$m
	Share premium HK\$m	Special reserves HK\$m	Investment properties revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Exchange reserve HK\$m	Revenue reserve HK\$m		
At 1 July 2004, as previously reported	7,188.2	278.7	17.6	12.7	3.3	257.6	7,758.1	
Negative goodwill derecognition (Note 1(f))	–	–	–	–	–	976.5	976.5	
At 1 July 2004, as adjusted	7,188.2	278.7	17.6	12.7	3.3	1,234.1	8,734.6	
Issue of new shares	213.7	–	–	–	–	–	213.7	
Investment securities revaluation deficit	–	–	–	(0.9)	–	–	(0.9)	
Investment properties revaluation surplus	–	–	30.0	–	–	–	30.0	
Exchange difference	–	–	–	–	(1.6)	–	(1.6)	
Transfer	–	0.7	–	–	–	(0.7)	–	
Profit for the year	–	–	–	–	–	2,918.0	2,918.0	
Dividends (Note 8)	–	–	–	–	–	(776.9)	(776.9)	
At 30 June 2005	7,401.9	279.4	47.6	11.8	1.7	3,374.5	11,116.9	
Representing:								
At 30 June 2005	7,401.9	279.4	47.6	11.8	1.7	2,237.5	9,979.9	
Proposed final dividend	–	–	–	–	–	1,137.0	1,137.0	
	7,401.9	279.4	47.6	11.8	1.7	3,374.5	11,116.9	
Retained by/(accumulated in):								
Company and subsidiary companies	7,401.9	276.7	47.6	11.8	1.7	(488.7)	7,251.0	
Jointly controlled entities	–	2.7	–	–	–	2,509.9	2,512.6	
Associated companies	–	–	–	–	–	1,353.3	1,353.3	
At 30 June 2005	7,401.9	279.4	47.6	11.8	1.7	3,374.5	11,116.9	

24 Reserves (Continued)

	Group						
	Share premium HK\$m	Special reserves HK\$m	Investment properties revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Exchange reserve HK\$m	Revenue reserve HK\$m	Total HK\$m
At 1 July 2003	7,156.1	277.0	–	(2.2)	3.3	(964.5)	6,469.7
Issue of new shares	32.1	–	–	–	–	–	32.1
Investment securities revaluation surplus	–	–	–	14.9	–	–	14.9
Investment properties revaluation surplus	–	–	17.6	–	–	–	17.6
Goodwill impairment charged to the profit and loss account	–	–	–	–	–	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
Dividends (Note 8)	–	–	–	–	–	(624.9)	(624.9)
At 30 June 2004	7,188.2	278.7	17.6	12.7	3.3	257.6	7,758.1
Retained by/(accumulated in):							
Company and subsidiary companies	7,188.2	276.0	17.6	12.7	3.3	(2,263.9)	5,233.9
Jointly controlled entities	–	2.7	–	–	–	1,611.9	1,614.6
Associated companies	–	–	–	–	–	909.6	909.6
At 30 June 2004	7,188.2	278.7	17.6	12.7	3.3	257.6	7,758.1

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

Notes to the Accounts

24 Reserves (Continued)

	Company				
	Share premium	Capital redemption reserve	Contributed surplus	Revenue reserve	Total
	HK\$m	HK\$m	HK\$m	HK\$m	HK\$m
At 1 July 2003	7,156.1	1.1	237.3	671.5	8,066.0
Issue of new shares	32.1	–	–	–	32.1
Profit for the year	–	–	–	608.9	608.9
Dividends (Note 8)	–	–	–	(624.9)	(624.9)
At 1 July 2004	7,188.2	1.1	237.3	655.5	8,082.1
Issue of new shares	213.7	–	–	–	213.7
Profit for the year	–	–	–	1,263.5	1,263.5
Dividends (Note 8)	–	–	–	(776.9)	(776.9)
At 30 June 2005	7,401.9	1.1	237.3	1,142.1	8,782.4
Representing:					
At 30 June 2005	7,401.9	1.1	237.3	5.1	7,645.4
Proposed final dividend	–	–	–	1,137.0	1,137.0
	7,401.9	1.1	237.3	1,142.1	8,782.4

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.

25 Deferred taxation

	Group	
	2005 HK\$m	2004 HK\$m
At the beginning of year	56.2	235.5
Disposal of subsidiary companies	4.6	(103.4)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	–	(101.1)
Charged to the profit and loss account	6.6	25.2
At the end of year	67.4	56.2

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

25 Deferred taxation (Continued)

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\$461.6 million (2004: HK\$694.5 million) to carry forward against future taxable income. The 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 depreciation		Provisions		Tax losses		Others		Total	
	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m
At the beginning of year	10.5	23.2	0.4	0.4	6.6	106.4	1.7	0.8	19.2	130.8
Disposal of subsidiary companies (Note 32(b))	(4.6)	(6.1)	-	-	-	-	-	-	(4.6)	(6.1)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	-	-	-	-	-	(83.0)	-	-	-	(83.0)
(Charged)/credited to the profit and loss account	(2.2)	(6.6)	-	-	(2.4)	(16.8)	0.1	0.9	(4.5)	(22.5)
At the end of year	3.7	10.5	0.4	0.4	4.2	6.6	1.8	1.7	10.1	19.2

Deferred tax liabilities

	Group					
	Accelerated depreciation		Others		Total	
	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m
At the beginning of year	75.2	366.3	0.2	-	75.4	366.3
Disposal of subsidiary companies (Note 32(b))	-	(109.5)	-	-	-	(109.5)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary company	-	(184.1)	-	-	-	(184.1)
Charged to the profit and loss account	2.1	2.5	-	0.2	2.1	2.7
At the end of year	77.3	75.2	0.2	0.2	77.5	75.4

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.

Notes to the Accounts

25 Deferred taxation (Continued)

	Group	
	2005 HK\$m	2004 HK\$m
Deferred tax assets (Note 16)	(8.2)	(16.5)
Deferred tax liabilities (Note 27)	75.6	72.7
	67.4	56.2

26 Loans and borrowings

		Group		Company	
	Note	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Bank loans and borrowings	(a)	2,493.2	4,213.7	2,490.8	3,917.4
Convertible bonds	(b)	1,350.0	1,350.0	–	–
		3,843.2	5,563.7	2,490.8	3,917.4

(a) Bank loans and borrowings

		Group		Company	
	Note	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Bank loans wholly repayable within five years					
Secured	(i)	42.1	42.1	–	–
Unsecured		3,770.1	5,517.3	3,515.8	5,117.4
Obligations under finance leases wholly repayable within five years		–	0.5	–	–
		3,812.2	5,559.9	3,515.8	5,117.4
Current portion included in current liabilities		(1,319.0)	(1,346.2)	(1,025.0)	(1,200.0)
		2,493.2	4,213.7	2,490.8	3,917.4

26 Loans and borrowings (Continued)

(a) Bank loans and borrowings (Continued)

	Group			Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Obligations under finance lease HK\$m	
The maturity of bank loans and borrowings for 2005 is as follows:				
Within one year	42.1	1,276.9	–	1,319.0
In the second year	–	1,040.8	–	1,040.8
In the third to fifth year	–	1,452.4	–	1,452.4
	42.1	3,770.1	–	3,812.2
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

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

(b) Convertible bonds

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, subject to adjustments, at any time on and after 27 May 2004 up 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.

Notes to the Accounts

27 Other long term liabilities

	Note	Group		Company	
		2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Long service payment obligations		64.9	87.7	-	-
Deferred tax liabilities (Note 25)		75.6	72.7	-	-
Deferred interest income		150.3	128.8	-	-
		290.8	289.2	-	-
Amount due to a fellow subsidiary company	(a)	505.0	686.6	505.0	686.6
Current portion included in current liabilities		(192.9)	(181.6)	(192.9)	(181.6)
		312.1	505.0	312.1	505.0
		602.9	794.2	312.1	505.0

- (a) The amount is due to New World TMT Limited ("NWTMT") 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 of the Group which was completed on 29 January 2003. Interest charged on the amount due to NWTMT is by reference to the actual interest charged on the bank loans.

28 Minority interests and loans

	Group	
	2005 HK\$m	2004 HK\$m
Equity interests	362.2	359.2
Loans from minority shareholders of subsidiary companies	448.4	510.6
	810.6	869.8

Loans from minority shareholders include HK\$102.8 million (2004: HK\$106.1 million), which are unsecured, carry interest at 10% (2004: at fixed rates ranging from 10% to 15%) per annum and HK\$249.0 million (2004: HK\$303.1 million), which have repayment terms specified in the relevant joint venture agreements. The remaining loans are unsecured, interest free and have no specific repayment terms.

29 Retirement benefits

The Group operates various retirement benefit 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\$90.5 million (2004: HK\$103.7 million) during the year. Forfeited contributions totalling HK\$12.1 million (2004: HK\$9.2 million) were utilized during the year leaving HK\$1.0 million (2004: HK\$0.1 million) available at 30 June 2005 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 benefit plans were valued by Watson Wyatt Hong Kong Limited as at 30 June 2005.

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

	Group	
	2005 HK\$m	2004 HK\$m
Present value of funded obligations	(43.4)	(26.1)
Fair value of plan assets	57.2	37.5
	13.8	11.4
Unrecognized actuarial losses	(5.2)	(4.3)
Retirement benefits assets	8.6	7.1

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

	Group	
	2005 HK\$m	2004 HK\$m
Current service cost	1.9	1.2
Interest cost	1.6	0.9
Expected return on plan assets	(2.8)	(1.6)
Net actuarial losses recognized	(0.1)	–
Total, included in staff costs (Note 4)	0.6	0.5

Notes to the Accounts

29 Retirement benefits (Continued)

(b) Defined benefits plans (Continued)

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

	Group	
	2005 HK\$'m	2004 HK\$'m
At the beginning of year	7.1	2.1
Net expenses recognized in the profit and loss account (Note 4)	(0.6)	(0.5)
Contributions paid	2.1	5.5
At the end of year	8.6	7.1

The principal actuarial assumptions used are as follows:

	2005	2004
Discount rate	3.8%	5.3%
Expected rate of return on plan assets	5% to 7%	7%
Expected rate of future salary increases	3%	3% to 4%

30 Commitments

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

	Group		Company	
	2005 HK\$'m	2004 HK\$'m	2005 HK\$'m	2004 HK\$'m
Contracted but not provided for	22.0	69.0	–	–
Authorized but not contracted for	–	0.4	–	–
	22.0	69.4	–	–

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

	Group	
	2005 HK\$'m	2004 HK\$'m
Contracted but not provided for	121.0	205.1
Authorized but not contracted for	45.2	268.4
	166.2	473.5

30 Commitments (Continued)

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain jointly controlled entities under various joint venture contracts to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$15.8 million (2004: HK\$33.0 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities.
- (d) The Group has committed to acquire interests in various infrastructure projects in Mainland China. The estimated total relevant commitments as at 30 June 2005 is approximately HK\$829.2 million (2004: Nil).
- (e) Commitments under operating leases
The future aggregate lease payments under non-cancellable operating leases are as follows:

	Group	
	2005 HK\$'m	2004 HK\$'m
Land and buildings		
In the first year	31.7	42.2
In the second to fifth year inclusive	32.4	39.2
After the fifth year	4.7	6.9
	68.8	88.3
Other equipment		
In the first year	1.8	–
	70.6	88.3

- (f) Future minimum rental payment receivable
The future minimum rental payments receivable under non-cancellable leases are as follows:

	Group	
	2005 HK\$'m	2004 HK\$'m
In the first year	7.3	1.0
In the second to fifth year inclusive	1.7	1.2
	9.0	2.2

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

Notes to the Accounts

31 Contingent liabilities

(a) The Group's and the Company's contingent liabilities are as follows:

	Group		Company	
	2005 HK\$m	2004 HK\$m	2005 HK\$m	2004 HK\$m
Guarantees for credit facilities granted to:				
Jointly controlled entities	1,047.6	2,067.7	1,000.0	858.0
Associated companies	19.2	82.4	11.9	–
A related company	55.0	–	–	–
	1,121.8	2,150.1	1,011.9	858.0

(b) The Group's share of contingent liabilities of the jointly controlled entities not included above are as follows:

	Group	
	2005 HK\$m	2004 HK\$m
Share of contingent liabilities of jointly controlled entities	95.1	206.9

32 Notes to consolidated cash flow statement

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

	2005 HK\$m	2004 HK\$m
Operating profit	1,965.3	547.8
Depreciation	200.6	441.7
Amortization of net negative goodwill	–	(70.8)
Assets impairment loss	57.8	375.4
Loss on disposal of fixed assets	–	26.7
Net profit on disposal of subsidiary companies, jointly controlled entities, an investment and trading securities	(2,030.2)	(419.1)
Interest income	(33.5)	(9.3)
Unrealized loss/(gain) on trading securities	0.3	(0.9)
Exchange difference	(1.6)	0.5
Operating profit before working capital changes	158.7	892.0
Increase in deferred interest income	21.5	19.7
Decrease in long service payment obligations	(22.8)	(19.6)
Increase in retirement benefit assets	(1.5)	(5.0)
(Increase)/decrease in inventories	(21.7)	11.9
Decrease/(increase) in debtors, deposits and prepayments	344.8	(166.2)
Increase/(decrease) in creditors and accrued charges	197.9	(227.7)
(Decrease)/Increase in amounts due to related companies	(168.0)	106.9
Net cash generated from operations	508.9	612.0

32 Notes to consolidated cash flow statement (Continued)

(b) Disposal of subsidiary companies

	2005 HK\$m	2004 HK\$m
Net assets disposed		
Fixed assets	112.4	2,008.4
Jointly controlled entities	–	458.3
Associated companies	844.3	–
Deferred tax assets	4.6	6.1
Debtors, deposits and prepayments	1.5	5.5
Bank balances and cash	2.5	378.4
Creditors and accrued charges	(25.0)	(465.4)
Loans and borrowings	–	(88.8)
Deferred tax liabilities	–	(109.5)
Taxation	–	(0.5)
Minority interests and loans	(21.9)	(845.3)
	918.4	1,347.2
Goodwill	–	58.6
Net gain on disposals	749.3	392.3
Consideration	1,667.7	1,798.1
Represented by:		
Cash consideration	1,097.3	1,210.0
Debtors, deposits and prepayments	138.8	102.0
Jointly controlled entities	431.6	–
Long term receivables	–	486.1
	1,667.7	1,798.1

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

	2005 HK\$m	2004 HK\$m
Cash consideration	1,097.3	1,210.0
Bank balances and cash disposed of	(2.5)	(378.4)
	1,094.8	831.6

Notes to the Accounts

32 Notes to consolidated cash flow statement (Continued)

(d) Analysis of changes in financing

	Share capital and share premium HK\$m	Long term loans and borrowings HK\$m	Amounts due to related companies HK\$m	Short term bank loans and overdrafts HK\$m	Minority interests and loans HK\$m	Total HK\$m
Year 2005						
At 1 July 2004	8,980.7	6,909.9	686.6	1,210.0	869.8	18,657.0
Net bank loans and borrowings repaid	-	(1,747.2)	-	(249.1)	-	(1,996.3)
Capital element of finance lease	-	(0.5)	-	-	-	(0.5)
Dividends to minority shareholders	-	-	-	-	(8.1)	(8.1)
Settlement of loan from minority shareholders	-	-	-	-	(12.2)	(12.2)
Repayment of amount due to a fellow subsidiary company	-	-	(181.6)	-	-	(181.6)
Disposal of subsidiary companies	-	-	-	-	(21.9)	(21.9)
Issue of new shares	246.3	-	-	-	-	246.3
Acquisition of additional interests in subsidiary companies	-	-	-	-	(13.5)	(13.5)
Minority interests' share of net loss and reserves	-	-	-	-	(3.5)	(3.5)
At 30 June 2005	9,227.0	5,162.2	505.0	960.9	810.6	16,665.7

	Share capital and share premium HK\$m	Long term loans and borrowings HK\$m	Amounts due to related companies 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	8,936.9	8,178.3	1,339.2	1,262.8	2,510.7	22,227.9
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)
Repayment of amounts due to related companies	-	-	(652.6)	-	-	(652.6)
Disposal of subsidiary companies	-	(88.8)	-	-	(845.3)	(934.1)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary companies	-	(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	686.6	1,210.0	869.8	18,657.0

33 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	2005 HK\$m	2004 HK\$m
Transactions with affiliated companies			
	(a)		
Provision of contracting work service	(b)	294.6	267.8
Interest income	(c)	14.4	16.6
Management fee	(d)	12.2	34.4
Transactions with other related parties			
	(a)		
Provision of contracting work services	(b)	1,230.6	1,773.6
Provision of other services	(e)	152.1	323.9
Rental and other related expenses	(f)	(19.3)	(28.0)

- (a) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are group companies, associated companies and jointly control entities of New World Development Company Limited ("NWD") which are not companies within the Group.
- (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 parties to lease office space with various terms based on fixed monthly rates in accordance with tenancy agreements.

34 Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

35 Ultimate holding company

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

Notes to the Accounts

36 Approval of accounts

The accounts were approved by the board of directors on 5 October 2005.

37 Principal subsidiary companies

As at 30 June 2005

	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
Billionoble Investment Limited	20,000*	100	–	100.0	Investment holding
Broadway-Nassau Investments Limited	4,998	1	–	100.0	Property management
Care & Services Company Limited	2	10,000	–	100.0	Elderly care services
CiF Solutions Limited	3,000*	10,000	–	–	Provision of computer software development, computer system consultancy and maintenance services
Extensive Trading Company Limited	15,000,000	1	–	100.0	Trading of building material
Far East Engineering Services Limited	10	100	–	100.0	Mechanical and electrical engineering
General Security (H.K.) Limited	160,000*	100	–	100.0	Security services
Hip Hing Builders Company Limited	8,500,000	1	–	20.5	Construction
Hip Hing Construction (China) Company Limited	1,500,000*	1,000	–	100.0	Construction
Hip Hing Construction Company Limited	766,714	10	–	100.0	Construction and civil engineering
Hong Kong Convention and Exhibition Centre (Management) Limited	233,288*	10	–	100.0	Management of Hong Kong Convention and Exhibition Centre (“HKCEC”)
	8,402	100	–	100.0	
	11,600*	100	–	100.0	
	40,000	1,000	–	100.0	
	10,000*	1,000	–	100.0	
	100,001	100	–	100.0	
	1*	100	–	100.0	
	400,000	100	–	100.0	
	600,000*	100	–	100.0	
	3	1	–	100.0	
	1*	1	–	100.0	

37 Principal subsidiary companies (Continued)

As at 30 June 2005

	Issued share capital #		Approximate percentage		Principal activities
	Number	Par value per share HK\$	Company	Group	
Incorporated and operated in Hong Kong (Continued)					
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	–	80.84	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	– –	100.0 100.0	Interior decoration contracting
Kentfull Engineering Company Limited	6,000'A' 4,000'B'	1 1	– –	60.0	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
Kleaners Limited	5,000,000	1	–	100.0	Laundry services
Majestic 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	–	100.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100 100*	100 100	– –	100.0 50.0	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

37 Principal subsidiary companies (Continued)

As at 30 June 2005

	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
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	Mechanical 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

37 Principal subsidiary companies (Continued)

As at 30 June 2005

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
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 (a)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	–	70.0 (a)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	–	70.0 (a)	Operation of toll road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	–	60.0 (a)	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	–	60.0 (a)	Operation of toll road
Qingyuan Xincheng Highways Limited	Rmb72,000,000	–	80.0 (a)	Operation of toll road
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 (b)	Operation of toll road
Shanxi Xinhuang Highways Limited	Rmb56,000,000	–	90.0 (b)	Operation of toll road
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	90.0 (b)	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	90.0 (b)	Operation of toll road
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	45.0 (a)	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

(a) Profit sharing percentage in co-operative joint ventures

(b) Cash sharing ratio for the first 12 years of the joint venture period, and thereafter 60%

Notes to the Accounts

37 Principal subsidiary companies (Continued)

As at 30 June 2005

	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	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

[#] Represented ordinary shares, unless otherwise stated

38 Principal associated companies

As at 30 June 2005

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
Quon Hing Concrete Company Limited	200,000	HK\$100	–	50.0	Production and sales of concrete
Yargoon 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					
Build King Holdings Limited (formerly I-China Holdings Limited)	781,408,494 1,500,000,000 *	HK\$0.1 HK\$0.01	– –	24.7 –	Investment holding
Tai Fook Securities Group Limited	583,773,699	HK\$0.10	–	21.5	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.10	–	26.97	Investment holding
		Amount of registered capital	Approximate percentage of attributable interest		Principal activities
			Company	Group	
Incorporated and operated in Mainland China					
<i>Equity joint ventures</i>					
Guangzhou Oriental Power Company Limited		Rmb990,000,000	–	25.0 (a)	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited		Rmb420,000,000	–	50.0 (b)	Generation and supply of electricity
<i>Co-operative joint ventures</i>					
Zhaoqing Yuezhao Expressway Co. Ltd.		Rmb818,300,000	–	25.0 (a)	Operation of toll road
廣東京珠高速公路廣珠北段有限公司		Rmb394,787,199	–	15.0 (a)	Operation of toll road

Represented ordinary shares, unless otherwise stated

* Preference shares

(a) Percentage of interest in ownership and profit sharing

(b) 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.

Notes to the Accounts

39 Principal jointly controlled entities

As at 30 June 2005

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
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
Xiamen New World Xiangyu Terminals Co. Ltd. (formerly Xiamen Xiang Yu Quay Co., Ltd.)	Rmb384,040,000	–	50.0 (a)	Container handling and storage and road freight operations
<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 (e)	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
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	–	90.0 (f)	Operation of toll road

39 Principal jointly controlled entities (Continued)

As at 30 June 2005

	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 (Continued)</i>				
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	–	90.0 (f)	Operation of toll road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	–	90.0 (f)	Operation of toll road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	–	90.0 (f)	Operation of toll road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	–	90.0 (f)	Operation of toll road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	–	90.0 (f)	Operation of toll road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	–	90.0 (f)	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	–	90.0 (f)	Operation of toll road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	–	90.0 (f)	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	–	90.0 (f)	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) Profit sharing percentage in co-operative joint ventures

(f) Cash sharing ratio for the first 15 years of the joint venture period, and thereafter 60%

Notes to the Accounts

39 Principal jointly controlled entities (Continued)

As at 30 June 2005

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated and operated in Hong Kong					
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK\$1	–	55.7	Operation of cargo handling and storage facilities
	20,000'B' **	HK\$1	–	79.6	
	54,918 *	HK\$1	–	–	
ATL Logistics Centre Yantian Limited	10,000	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	HK\$0.01	–	29.5	Operation of toll tunnel
	600,000,000 *	HK\$1	–	–	
United Asia Terminals (Yantian) Limited	52,000'A'	HK\$1	–	–	Operation of cargo handling and storage facilities
	52,000'B'	HK\$1	–	40.0	
	26,000'C'	HK\$1	–	–	
Incorporated in British Virgin Islands					
DPI Terminals New World Limited (formerly CSX World Terminals New World Limited)	2,000	US\$1	–	50.0	Investment holding
NWS Transport Services Limited (formerly Merryhill Group Limited)	500,000,016	HK\$1	–	50.0	Investment holding
Incorporated in Cayman Islands					
DPI Terminals New World (Tianjin) Limited (formerly CSX World Terminals New World (Tianjin) Limited)	1,000	US\$1	–	50.0	Investment holding

39 Principal jointly controlled entities (Continued)

As at 30 June 2005

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
Incorporated in Hong Kong and operated in Macau and the Mainland China					
Sino-French Holdings (Hong Kong) Limited	1,086,280 'A'	HK\$100	–	–	Investment holding and operation of water and electricity plants
	2,089,000 'B'	HK\$100	–	50.0	
	1,002,720 'C'	HK\$100	–	–	

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

“FY2004”	the financial year ended 30 June 2004
“FY2005”	the financial year ended 30 June 2005
“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
“Mainland China”	The People’s Republic of China excluding Hong Kong, Macau and Taiwan
“PRC”	The People’s Republic of China
“RMB” or “Rmb”	the lawful currency of the PRC
“US\$”	the lawful currency of the United States

Technical terms

“cbm(s)” or “m ³ ”	cubic metre(s)
“CFS”	Container Freight Station
“CJV”	co-operative joint venture company
“EJV”	equity joint venture company
“ft”	feet
“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)

Technical terms

“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-operating items
“Earnings per Share – Basic”	$\frac{\text{Profit/(Loss) attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$
“Gearing Ratio”	$\frac{\text{Net Debt}}{\text{Total shareholders' funds + Minority interests and loans}}$
“Net Assets”	Total assets less total liabilities and minority interests and loans
“Net Assets per Share”	$\frac{\text{Net Assets}}{\text{Number of issued shares at the end of year}}$
“Net Debt”	Total Debt less cash and bank balances
“Net Tangible Assets”	Total assets excluding intangible assets less total liabilities
“Net Tangible Assets per Share”	$\frac{\text{Net Tangible Assets}}{\text{Number of issued shares at the end of year}}$
“Return on Capital Employed”	$\frac{\text{Profit/(Loss) attributable to shareholders}}{\text{Shareholders' funds + Non-current liabilities + Minority interests and loans}}$
“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

	2005	2004	2003	2002	2001
Earnings per share – Basic (HK\$)	1.62	0.86	1.36	0.05	0.69
Earnings per share – Diluted (HK\$)	1.61	0.86	N/A	N/A	0.53
Key ratios					
Gearing ratio	18%	44%	64%	–	–
Return on shareholders' funds	23%	16%	14%	4%	8%
Return on capital employed	16%	9%	6%	4%	7%
Profit and loss account (HK\$'m)					
Turnover	10,286.1	12,552.9	5,770.0	125.1	135.9
Turnover by activities					
Container handling, logistics and warehousing	13.4	17.3	12.8	125.1	135.9
Roads and bridges	221.1	368.4	182.6	–	–
Energy, water treatment and waste management	–	0.9	1.2	–	–
Facilities rental	776.5	751.3	159.4	–	–
Facilities management	2,588.2	2,250.3	558.2	–	–
Contracting	6,386.7	7,696.5	4,158.2	–	–
Transport	–	1,138.1	603.3	–	–
Sales of goods and rendering of other services	300.2	330.1	94.3	–	–
Turnover by region					
Hong Kong	8,822.5	10,527.2	4,362.2	–	–
Mainland China	1,294.3	1,733.8	1,405.8	125.1	135.9
Others	169.3	291.9	2.0	–	–
Profit attributable to shareholders	2,918.0	1,538.2	1,193.2	143.9	276.1
Attributable operating profit/(loss) by activities					
Energy	489.9	463.1	182.8	–	–
Water	80.6	66.3	24.7	–	–
Roads	372.3	291.0	107.1	–	–
Ports	67.4	185.8	238.0	187.0	149.7
Facilities Rental	384.0	353.0	180.3	173.8	169.6
Contracting	(253.2)	253.6	157.2	–	–
Transport	65.6	65.7	(23.6)	–	–
Others	208.4	224.8	79.2	–	–

	2005	2004	2003	2002	2001
Profit and loss account (Continued) (HK\$'m)					
Attributable operating profit by region					
Hong Kong	464.7	1,045.0	597.5	338.5	305.5
Mainland China	824.8	853.5	346.4	22.3	13.8
Others	125.5	4.8	1.8	–	–
Head office and non-operating items					
Profit/(loss) on disposal of port projects	1,777.0	(3.3)	–	(68.3)	–
Net profit on disposal of other infrastructure projects	253.2	408.7	27.1	–	–
Loss on disposal of fixed assets	–	(26.7)	–	–	–
Assets impairment loss	(57.8)	(375.4)	(74.8)	(119.5)	–
Recognition of one-off negative goodwill	–	–	474.0	–	–
Amortization of net negative goodwill	–	70.8	69.0	–	–
Other interest income	56.8	4.4	6.5	4.3	4.8
Other finance costs	(175.4)	(170.8)	(131.5)	–	–
Others	(350.8)	(272.8)	(122.8)	(33.4)	(48.0)
Balance sheet (HK\$'m)					
Total assets	25,193.5	23,915.1	27,218.2	3,817.1	3,942.9
Total liabilities and minority interests	12,251.5	14,364.5	18,967.7	99.7	464.2
Loans and borrowings	6,123.1	8,119.9	9,441.1	–	1.6
Shareholders' funds	12,942.0	9,550.6	8,250.5	3,717.4	3,478.7

Project Key Facts and Figures

Infrastructure



Energy

	1. Zhujiang Power Station – Phase I	2. Zhujiang Power Station – Phase II	3. Macau Power
Attributable Interest	50%	25%	19%
Form of Investment	EJV	EJV	Equity
Installed Capacity	600 MW	600 MW	488 MW
Location	Nansha Economic Development Zone, Guangzhou City	Nansha Economic Development Zone, Guangzhou City	One in Macau and two in Coloane
Type of Power	Coal-Fired Thermal	Coal-Fired Thermal	Oil-Fired Thermal
Operation Date	January 1994	April 1996	November 1985
Expiry Date	2017	2020	2010
	2005 2004 2003	2005 2004 2003	2005 2004 2003
Electricity Sales (GWh)	3,990 4,271 3,221	4,251 3,792 3,719	1,997 1,795 1,683


Water


	1. Macau Water Plant	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	Phase 1: 60,000 m ³ / day Phase 2: 90,000 m ³ / day
Location	Macau	Lianjiang, Guangdong Province	Zhongshan, Guangdong Province
Operation Date	1985	N/A	Phase 1: January 1994 Phase 2: June 2006 (Estimate)
Expiry Date	2010	2027	2027
	2005 2004 2003	2005 2004 2003	2005 2004 2003
Average Daily Volume Sold (m ³)	148,734 143,981 136,737	N/A N/A N/A	58,600 56,257 50,241
	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
	2005 2004 2003	2005 2004 2003	2005 2004 2003
Average Daily Volume Sold (m ³)	641,677 598,669 567,858		N/A
	7. Nanchang Water Plant	8. Baoding Water Plant	9. Siping Water Plant
Attributable Interest	25%	27.5%	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
	2005 2004 2003	2005 2004 2003	2005 2004 2003
Average Daily Volume Sold (m ³)	72,315 63,937 41,000	234,000 234,000 234,000	39,918 20,606 32,413
	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
	2005 2004 2003	2005 2004 2003	2005 2004 2003
Average Daily Volume Sold (m ³)	288,000 286,475 270,000	75,370 65,851 59,005	16,762 16,084 17,726

Project Key Facts and Figures







Attributable Interest Form of Investment Capacity Location Operation Date Expiry Date Average Daily Volume Sold (m ³)	13. Panjin Water Plant 30% Equity 110,000 m ³ / day Panjin, Liaoning Province April 2002 2032 2005 2004 2003 74,391 71,832 71,298	14. Shanghai Spark Water Plant 25% Equity 100,000 m ³ / day Shanghai January 2002 2031 2005 2004 2003 42,192 38,758 39,068	15. Shanghai SCIP Water Treatment Plants 25% Equity Waste water: 50,000 m ³ / day Industrial water: 200,000 m ³ / day Shanghai April 2005 2052 2005 2004 2003 Waste Water 21,969 N/A N/A Industrial Water 60,504 N/A N/A
	16. Qingdao Water Plant 25% Equity Phase 1: 543,000 m ³ / day Phase 2: 183,000 m ³ / day Qingdao, Shandong Province Phase 1: August 2002 Phase 2: May 2006 (Estimate) 2027 2005 2004 2003 530,121 421,954 405,997	17. Chongqing Water Plant 30% Equity Phase 1: 345,000 m ³ / day Phase 2: 160,000 m ³ / day Chongqing Phase 1: November 2002 Phase 2: May 2006 (Estimate) 2052 2005 2004 2003 174,964 155,734 111,416	18. Sanya Water Plant 25% Equity 235,000 m ³ / day Sanya, Hainan Province January 2004 2033 2005 2004 2003 110,315 93,304 N/A
Attributable Interest Form of Investment Capacity Location Operation Date Expiry Date Average Daily Volume Sold (m ³)	19. Tanggu Water Plant 25% Equity 310,000 m ³ / day Tanggu, Tianjin April 2005 2039 2005 2004 2003 137,734 N/A N/A	20. Shanghai SCIP Waste Incineration Plant 10% Equity 60,000 tonnes / year Shanghai 2nd half of 2006 (Estimate) 2053 N/A	21. Far East Landfill Technologies Limited 47% Equity 35 million m ³ Hong Kong June 1995 2045 N/A


Roads

 <p>Guangdong Province</p> <p>Roads Expressway Grade 1 Highway Grade 2 Highway</p>	1. Guangzhou City Northern Ring Road 65.29% CJV 22 km Dual 3-Lane Guangzhou City January 1994 2023 RMB2 – RMB65 2005 2004 2003 126,833 122,917 117,217
	2. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Section) 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: RMB3 – RMB160 2005 2004 2003 Section I: 40,725 37,078 31,513 Section II: 41,040 34,617 29,039
3. Beijing – Zhuhai Expressway (Guangzhou – Zhuhai Northern Section) 15% CJV 37 km Dual 3-Lane Guangzhou City December 2005 (Estimate) 2032 N/A N/A	4a. Guangzhou – Zhaoqing Expressway 25% CJV 48 km Dual 2-Lane Zhaoqing City April 2005 2031 RMB5 – RMB75 2005 2004 2003 15,177 N/A N/A

<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>	<p>4b. Guangzhou – Zhaoqing Expressway (Roadway No. 321)</p> <p>25% CJV 60.37 km Dual 2-Lane Zhaoqing City April 2005 2031 RMB2 – RMB28</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>20,860</td> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table>	2005	2004	2003	20,860	N/A	N/A	<p>5. Roadway No. 1906 (Qingcheng Section)</p> <p>80% CJV 26.8 km Dual 2-Lane Qingcheng District, Qingyuan City September 2001 2023 N/A (annual toll ticket system has been implemented since October 2004)</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>N/A</td> <td>4,237</td> <td>3,569</td> </tr> </tbody> </table>	2005	2004	2003	N/A	4,237	3,569	<p>6a. Shenzhen – Huizhou Expressway (Huizhou Section)</p> <p>33.33% CJV 34.7 km Dual 2-Lane Huizhou City June 1993 2027 RMB2 – RMB75</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>14,997</td> <td>11,245</td> <td>11,375</td> </tr> </tbody> </table>	2005	2004	2003	14,997	11,245	11,375
2005	2004	2003																			
20,860	N/A	N/A																			
2005	2004	2003																			
N/A	4,237	3,569																			
2005	2004	2003																			
14,997	11,245	11,375																			
<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>	<p>6b. Shenzhen – Huizhou Roadway (Huizhou Section)</p> <p>50% CJV 21.8 km Dual 2-Lane Huizhou City December 1997 2023 RMB1 – RMB21</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>11,853</td> <td>11,204</td> <td>11,529</td> </tr> </tbody> </table>	2005	2004	2003	11,853	11,204	11,529	<p>7. Hui – Ao Roadway a. Hui – Dan Section b. Hui – Ao Section</p> <p>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 – RMB21</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>7,972</td> <td>7,642</td> <td>7,462</td> </tr> </tbody> </table>	2005	2004	2003	7,972	7,642	7,462	<p>8. Gaoming Bridge</p> <p>30% / 80% CJV 1.1 km Dual 1-Lane Gaoming District, Foshan City November 1996 2021 N/A (annual toll ticket system has been implemented since March 2003)</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>N/A</td> <td>N/A</td> <td>16,227</td> </tr> </tbody> </table>	2005	2004	2003	N/A	N/A	16,227
2005	2004	2003																			
11,853	11,204	11,529																			
2005	2004	2003																			
7,972	7,642	7,462																			
2005	2004	2003																			
N/A	N/A	16,227																			
 <p>Guangxi Province</p> <p>Roads Grade 1 Highway Grade 2 Highway</p>	<p>9. Beiliu City Roadways</p> <p>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</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>4,482</td> <td>5,076</td> <td>4,501</td> </tr> </tbody> </table>			2005	2004	2003	4,482	5,076	4,501												
2005	2004	2003																			
4,482	5,076	4,501																			
<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>	<p>10. Rongxian Roadways</p> <p>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</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>4,266</td> <td>4,281</td> <td>4,521</td> </tr> </tbody> </table>	2005	2004	2003	4,266	4,281	4,521	<p>11. Yulin – Shinan Roadway</p> <p>60% CJV 27.8 km Dual 2-Lane Yulin City May 1998 2022 RMB1 – RMB25</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>6,655</td> <td>6,278</td> <td>5,753</td> </tr> </tbody> </table>	2005	2004	2003	6,655	6,278	5,753	<p>12. Yulin Shinan – Dajiangkou Roadway</p> <p>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</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>2,764</td> <td>2,777</td> <td>2,941</td> </tr> </tbody> </table>	2005	2004	2003	2,764	2,777	2,941
2005	2004	2003																			
4,266	4,281	4,521																			
2005	2004	2003																			
6,655	6,278	5,753																			
2005	2004	2003																			
2,764	2,777	2,941																			
<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>	<p>13. Roadway No. 321 (Wuzhou Section)</p> <p>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 RMB1 – RMB30</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>5,851</td> <td>5,640</td> <td>4,994</td> </tr> </tbody> </table>	2005	2004	2003	5,851	5,640	4,994	<p>14. Cangwu County Roadway</p> <p>70% CJV 10.1 km Dual 2 to 3-Lane Cangwu County January 1999 2022 RMB1 – RMB20</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>5,065</td> <td>5,000</td> <td>4,503</td> </tr> </tbody> </table>		2005	2004	2003	5,065	5,000	4,503						
2005	2004	2003																			
5,851	5,640	4,994																			
2005	2004	2003																			
5,065	5,000	4,503																			

Project Key Facts and Figures

	<h2 style="color: red;">Shanxi Province</h2> 	<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow</p>	<h3 style="color: red;">15. Shanxi Taiyuan – Gujiao Roadway (Taiyuan Section)</h3> <p>60% / 90% CJV 23.18 km Dual 1-Lane Taiyuan City July 2000 2025 RMB10 – RMB60 <table border="1"> <tr> <td>2005</td> <td>2004</td> <td>2003</td> </tr> <tr> <td>636</td> <td>864</td> <td>430</td> </tr> </table> </p>	2005	2004	2003	636	864	430												
2005	2004	2003																			
636	864	430																			
<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow</p>	<h3 style="color: red;">16. Shanxi Taiyuan – Gujiao Roadway (Gujiao Section)</h3> <p>60% / 90% CJV 36.02 km Dual 1-Lane Gujiao City April 1999 2025 RMB10 – RMB60 <table border="1"> <tr> <td>2005</td> <td>2004</td> <td>2003</td> </tr> <tr> <td>1,534</td> <td>805</td> <td>1,019</td> </tr> </table> </p>	2005	2004	2003	1,534	805	1,019	<h3 style="color: red;">17. Roadway No. 309 (Changzhi Section)</h3> <p>60% / 90% CJV 22.2 km Dual 1-Lane (16.75 km) Dual 2-Lane (5.45 km) Changzhi City July 2000 2023 RMB10 – RMB60 <table border="1"> <tr> <td>2005</td> <td>2004</td> <td>2003</td> </tr> <tr> <td>2,106</td> <td>1,319</td> <td>1,161</td> </tr> </table> </p>	2005	2004	2003	2,106	1,319	1,161	<h3 style="color: red;">18. Taiyuan – Changzhi Roadway (Changzhi Section)</h3> <p>60% / 90% CJV 18.3 km Dual 1-Lane (4.05 km) Dual 2-Lane (14.25 km) Changzhi City August 2000 2023 RMB10 – RMB70 <table border="1"> <tr> <td>2005</td> <td>2004</td> <td>2003</td> </tr> <tr> <td>2,533</td> <td>2,186</td> <td>2,749</td> </tr> </table> </p>	2005	2004	2003	2,533	2,186	2,749
2005	2004	2003																			
1,534	805	1,019																			
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2,106	1,319	1,161																			
2005	2004	2003																			
2,533	2,186	2,749																			
	<h2 style="color: red;">Wuhan City</h2> 	<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow</p>	<h3 style="color: red;">19. Wuhan Airport Expressway</h3> <p>40% CJV 18 km Dual 2-Lane Wuhan City April 1995 2025 RMB5 – RMB50 <table border="1"> <tr> <td>2005</td> <td>2004</td> <td>2003</td> </tr> <tr> <td>9,971</td> <td>9,073</td> <td>6,974</td> </tr> </table> </p>	2005	2004	2003	9,971	9,073	6,974												
2005	2004	2003																			
9,971	9,073	6,974																			
	<h2 style="color: red;">Tianjin Municipality</h2> 	<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates Average Daily Traffic Flow</p>	<h3 style="color: red;">20. Tangjin Expressway (Tianjin North Section)</h3> <p>90% distributable cash for the first 15 years; 60% 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: December 1998 Section II: December 2000 Section I: 2028 Section II: 2028 RMB5 – RMB115 <table border="1"> <tr> <td>2005</td> <td>2004</td> <td>2003</td> </tr> <tr> <td>17,181</td> <td>15,170</td> <td>13,313</td> </tr> </table> </p>	2005	2004	2003	17,181	15,170	13,313												
2005	2004	2003																			
17,181	15,170	13,313																			

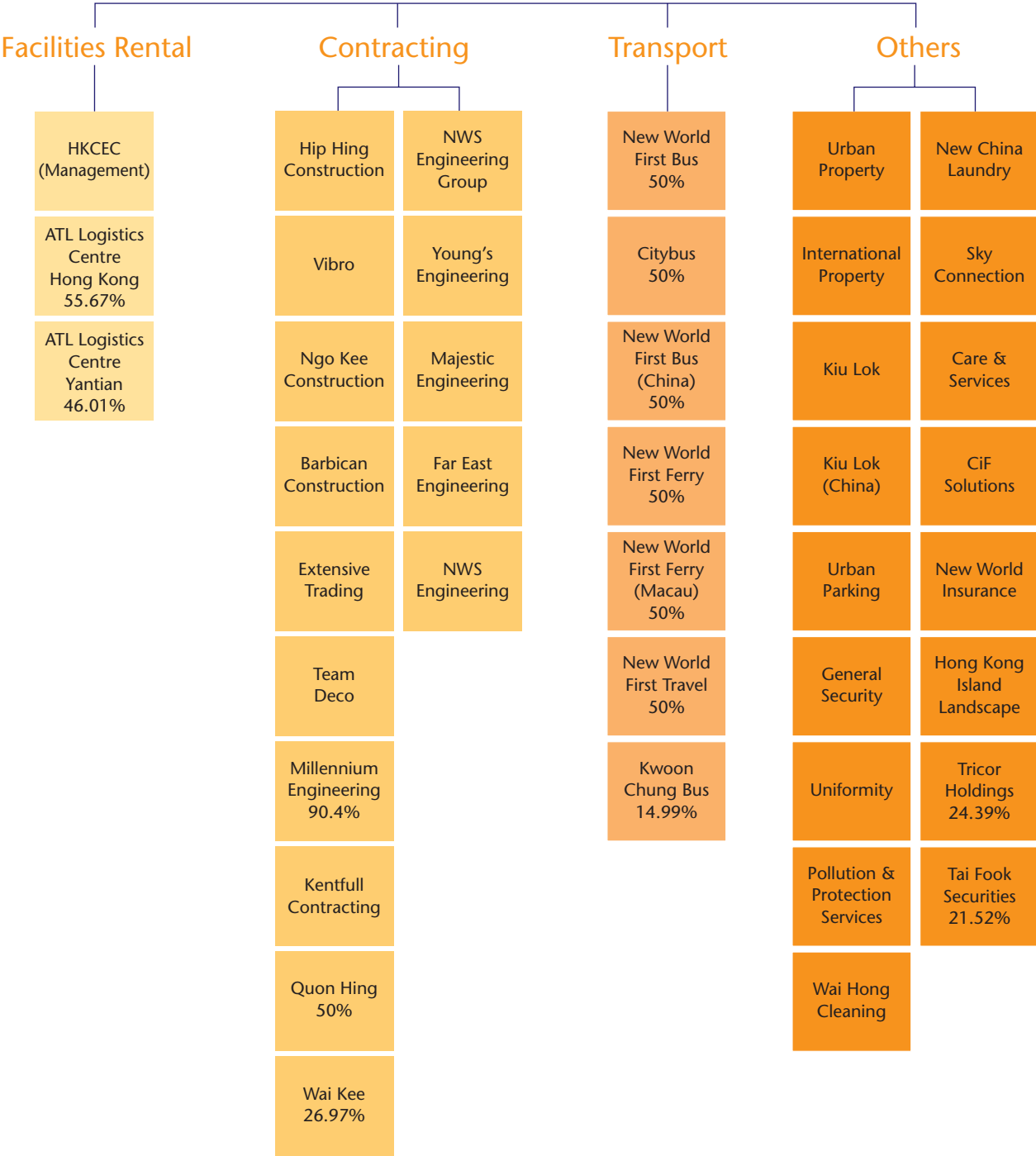
	<h2 style="text-align: center;">Hong Kong</h2> <p style="text-align: center;">Roads Expressway</p>	<p>Attributable Interest Form of Investment Length Lanes Location Operation Date Expiry Date Current Toll Rates</p> <p>Average Daily Traffic Flow</p>	<h3 style="text-align: center;">21. Tate's Cairn Tunnel</h3> <p>29.5% Equity 4 km Dual 2-Lane Hong Kong June 1991 2018 HK\$10 – HK\$26</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>59,986</td> <td>61,213</td> <td>61,456</td> </tr> </tbody> </table>	2005	2004	2003	59,986	61,213	61,456
2005	2004	2003							
59,986	61,213	61,456							

Ports

<p>Attributable Interest Form of Investment Handling Capacity Total Area Location</p> <p>Operation Date Expiry Date Length of Berths No. of Cranes</p> <p>Throughput Achieved (TEUs)</p>	<h3 style="text-align: center;">1. CSX Orient (Tianjin) Container Terminals Co., Limited</h3> <p>24.5% EJV 1.4 million TEUs pa 469,000 sq m Xingang Dongtudi South Terminal, Tanggu, Tianjin January 1999 2027 1,136 m 8</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>1,087,000</td> <td>1,145,000</td> <td>1,027,000</td> </tr> </tbody> </table>	2005	2004	2003	1,087,000	1,145,000	1,027,000	<p>Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Length of Berths No. of Cranes</p> <p>Throughput Achieved (TEUs)</p>	<h3 style="text-align: center;">2. Xiamen New World Xiangyu Terminals Co., Ltd.</h3> <p>50% EJV 1 million TEUs pa 488,000 sq m Huli Industrial Zone, Xiamen, Fujian April 1997 2052 976 m 6 (3 new cranes commenced operation in July 2005)</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>635,000</td> <td>603,000</td> <td>482,000</td> </tr> </tbody> </table>	2005	2004	2003	635,000	603,000	482,000
2005	2004	2003													
1,087,000	1,145,000	1,027,000													
2005	2004	2003													
635,000	603,000	482,000													
<p>Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date</p> <p>CFS handling volume (cbm)</p>	<h3 style="text-align: center;">3. United Asia Terminals (Yantian) Limited</h3> <p>40% Equity 700,000 cbm pa 12,000 sq m Yantian, Shenzhen February 1997 2006</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>417,000</td> <td>325,000</td> <td>452,000</td> </tr> </tbody> </table>	2005	2004	2003	417,000	325,000	452,000	<p>Attributable Interest Form of Investment Total Area Location Operation Date Expiry Date</p> <p>Yearly Average Occupancy Rate</p>	<h3 style="text-align: center;">4. Xiamen New World Xiangyu Warehouse & Processing Zone Limited</h3> <p>100% FWOE 89,000 sq m Huli Industrial Zone, Xiamen, Fujian January 1998 2045</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>87%</td> <td>85%</td> <td>75%</td> </tr> </tbody> </table>	2005	2004	2003	87%	85%	75%
2005	2004	2003													
417,000	325,000	452,000													
2005	2004	2003													
87%	85%	75%													
<p>Attributable Interest Form of Investment Handling Capacity Total Area</p> <p>Location Operation Date Expiry Date</p> <p>Throughput Achieved (TEUs) (Cargo Consolidation)</p>	<h3 style="text-align: center;">5. Xiamen Xinyuan Container Terminal Co., Ltd.</h3> <p>70% EJV 23,000 TEUs pa 58,000 sq m (area leased from Xiamen New World Xiangyu Warehouse & Processing Zone Limited) Huli Industrial Zone, Xiamen, Fujian January 1999 2018</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>19,329</td> <td>18,225</td> <td>13,197</td> </tr> </tbody> </table>	2005	2004	2003	19,329	18,225	13,197	<p>Attributable Interest Form of Investment Handling Capacity Total Area Location Operation Date Expiry Date Length of Berths</p> <p>Throughput Achieved (TEUs)</p>	<h3 style="text-align: center;">6. Dalian Container Terminal Co., Limited</h3> <p>4.8% EJV 2.2 million TEUs pa 635,000 sq m Berths 3 to 7, Dayaowan, Dalian June 2002 2046 1,493 m</p> <table border="1"> <thead> <tr> <th>2005</th> <th>2004</th> <th>2003</th> </tr> </thead> <tbody> <tr> <td>1,861,000</td> <td>1,587,000</td> <td>1,268,000</td> </tr> </tbody> </table>	2005	2004	2003	1,861,000	1,587,000	1,268,000
2005	2004	2003													
19,329	18,225	13,197													
2005	2004	2003													
1,861,000	1,587,000	1,268,000													

Project Key Facts and Figures

Service & Rental



Facilities Rental

ATL Logistics Centre Hong Kong Limited

Attributable Interest	55.67%		
Form of Investment	Equity		
Lettable Area	5.9 million sq ft		
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	
Expiry Date	2047		
Yearly Average	2005	2004	2003
Occupancy Rate	92.8%	90.8%	95.4%
CFS handling volume (cbm)	1,052,000	1,257,000	1,302,000

ATL Logistics Centre Yantian Limited

Attributable Interest	46%		
Form of Investment	Equity		
Handling Capacity	600,000 cbm pa		
Total Area	26,000 sq m		
Location	Yantian, Shenzhen		
Operation Date	January 2002		
Expiry Date	2019		
CFS handling volume (cbm)	2005	2004	2003
	305,000	352,000	396,000

Hong Kong Convention and Exhibition Centre (Management) Limited

Services Offered	Provision of venues for exhibitions, conventions, meetings, entertainment and special events, and catering, etc
Gross Rentable Space	64,000 sq m
No. of Events Held This Year	1,493
No. of Attendants This Year	4,359,288

Contracting

Hip Hing Construction Company Limited

Service Offered	Construction engineering service
Total Contract Sum This Year	HK\$10,023 million
Contract on Hand	HK\$15,170 million (remaining work: HK\$12,292 million)
Major Projects	Additional and alteration works for residential development at Hung Hom Bay reclamation area; structural steel works for Mega Tower at Union Square; MGM Grand Paradise Macau; Arc de Triomphe, Macau, etc

Vibro (HK) Limited

Services Offered	Design and construction of foundation, site investigation, civil engineering works
Total Contract Sum This Year	HK\$99 million
Contract on Hand	HK\$571 million (remaining work: HK\$238 million)
Major Projects	URA's Hanoi Road K11; Route 8 Lai Chi Kok Viaduct (Piling Works); No. 39 Conduit Road; Magazine Gap Road No. 3 fresh water service reservoir and associated mainlaying; landslip preventive works for slopes in Tuen Mun; Nam Van Lake District C Lot C12, etc

Ngo Kee Construction Company Limited

Service Offered	Construction engineering service
Total Contract Sum This Year	HK\$12 million
Contract on Hand	HK\$91 million (remaining work: HK\$50 million)
Major Projects	Chinese International School at Braemar Hill and High Island Training Camp at Sai Kung

Barbican Construction Company, Limited

Services Offered	Civil engineering and slope stabilizing works
Total Contract Sum This Year	HK\$168 million
Contract on Hand	HK\$1,538 million (remaining work: HK\$627 million)
Major Projects	Landslip preventive measures projects in Hong Kong Island, Tai Po, Yuen Long and Kwai Tsing; Route 5 section between Shek Wai Kok Road and Chai Wan Kok; road works in Areas 13 and 14 Yuen Long; Road T3 and associated road works; footbridge and desilting chamber in Tseung Kwan O, etc

Project Key Facts and Figures

Extensive Trading Company Limited

Services Offered	Trading, retail, contracting and environmental consultancy
Types of Products	Tiles, sanitarywares, ironmongery, kitchen cabinet, GRC & FRP products, stone, ceiling and partition, mechanical equipments, waterworks fittings, building automation system, IAQ products, environmental products and systems, etc
No. of Retail Shops	5

Team Deco International Limited

Service Offered	Interior design service
Major Projects	Eton Place Hotel (Pudong, Shanghai), Beijing Niceline Club House, Seasons Cafe of Kempinski Hotel Beijing, Kempinski Hotel Dalian, Catwalk Renovation of International Tourist Club (Ho Chi Minh City, Vietnam), etc

Kentfull Contracting Limited

Service Offered	Fitting out works
Total Contract Sum This Year	HK\$180 million
Contract on Hand	HK\$45 million
Major Projects	AIG Tower; apartment at Jing Guang Centre, Beijing; club house and service apartments for New World Plaza, Dalian; guestrooms, corridors, casino podium for Marina Square Hotel and Casino in Manila, Philippines; fitting out and alteration of service apartment at 6-8 Hospital Road, etc

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\$1,968 million
Contract on Hand	HK\$3,016 million (remaining work: HK\$2,118 million)
Major Projects	URA's Hanoi Road K11, Hotel Development at KIL 11103 Hung Hom Bay, Shanghai Shi Mao International Plaza, Shanghai Grand Gateway, Wuhan New World World Trade Building, Shanghai Daning The Life Hub, etc

Transport

New World First Bus Services Limited

Service Offered	Franchised bus service in Hong Kong
Fleet Size	694 buses
No. of Routes	95
Daily Patronage	493,000
Average Fleet Age	6.8 years

Citybus Limited

Services Offered	Franchised bus service on Hong Kong Island	Franchised bus service for Airport and Tung Chung new town
Fleet Size	742 buses	163 buses
No. of Routes	96	16
Daily Patronage	517,000	50,000
Average Fleet Age	8.8 years	7.1 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	692 buses
No. of Routes	41
Daily Patronage	457,000
Average Fleet Age	5.3 years

New World First Ferry Services Limited

Service Offered	Passenger ferry service within Hong Kong waters
Fleet Size	26 vessels (including 6 chartered vessels)
No. of Routes	10
Daily Patronage	40,000

New World First Ferry Services (Macau) Limited

Service Offered	Passenger ferry service between Tsim Sha Tsui, Hong Kong and Macau
Fleet Size	8 vessels
Daily Patronage	8,000

New World First Travel Services Limited

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

Urban Property Management Limited

Services Offered	Property asset and facility management
No. of Properties Managed	1,100 blocks of building
Gross Floor Area Managed	15 million sq m
Major Projects	Grand Millennium Plaza, Park Lane Shopper's Boulevard, Clovelly Court, City One Shatin, Riviera Gardens, etc

Kiu Lok Service Management Company Limited

Services Offered	Asset and facility management, agency and marketing, market research and promotion
Gross Floor Area Managed	730,000 sq m
Major Projects	New World Centre, Shun Tak Centre, Convention Plaza, etc.

Kiu Lok Property Services (China) Limited

Services Offered	Asset and facility management, agency and marketing, market research and promotion
Gross Floor Area Managed	2.35 million sq m
Major Projects	Beijing Sun Shine 100 International Apartments, Beijing Eastern International Apartments, Dalian New World Plaza, Beijing Fragrant Hill Villa, Beijing Embassy of Brunei Darussalam, Guangzhou Shun Tak Business Centre, etc

Urban Parking Limited

Services Offered	Car park operations and management, sales and installation of car park equipment
No. of Parking Spaces	About 26,000
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

General Security (H.K.) Limited

Services Offered	Guarding services including gurkha; armed and armoured transportation; ad hoc events security management; TP (24 hr computerized phone recording); supply, installation and maintenance of security systems
Security Force	About 1,500
No. of Guarding Locations	94
Major Clients	Hong Kong Jockey Club, Jones Lang Lasalle, City One Shatin, Hong Kong Convention and Exhibition Centre, etc

Uniformity Security Company Limited

Services Offered	Security and guarding services; gurkha guard services; special events security management; design, installation and maintenance of security systems
Security Force	About 1,200
No. of Guarding Locations	105
Major Clients	MTR Corporation Ltd, Sino Estates Management Ltd, Leisure and Cultural Services Department, Judiciary premises, etc

Pollution & Protection Services Limited

Services Offered	Cleaning management, service apartment maid service, marble and granite protection and restoration, curtain wall cleaning, carpet/fabric protection treatment, etc
No. of Projects Managed	About 200
Major Clients	Airport Authority Hong Kong, Hong Kong Academy of Performing Arts, Island Shangri-La Hong Kong, The American Club, etc

Wai Hong Cleaning & Pest Control Company Limited

Services Offered	Cleaning management, pest and termite management, maid service, waste collection, disposal and recycling, etc
No. of Projects Managed	250
Major Clients	Airport Authority Hong Kong, MTR Corporation Ltd, Hong Kong Science Park, Hong Kong University of Science and Technology, Standard Chartered Bank, Swire Properties, etc

New China Laundry Limited

Services Offered	Laundry and dry-cleaning, linen product trading, maintenance and replenishment services to major hotels, restaurants and retail clients in Hong Kong; laundry and dry-cleaning service for hotels and restaurant and industrial textile wash for Guangdong Province in Mainland China
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Sky Connection Limited

Service Offered	Retail of duty free liquor and tobacco
Locations of Shops	Hong Kong International Airport, Hong Kong-Macau Ferry Terminal and China Ferry Terminal

Care & Services Company Limited

Service Offered	Residential care for the elderly
No. of Elderly under Care	303
Total No. of Beds	330

CiF Solutions Limited

Services Offered	Packaged IT applications, enterprise solutions and professional IT consultancy services
Major Clients	ATICO International (HK) Ltd, British American Tobacco, Dah Chong Hong Ltd, SGS Hong Kong Ltd, Zuellig Pharma Ltd, Bausch and Lomb (HK) Ltd, etc

New World Insurance Management Limited

Service Offered	Risk and insurance management consultancy services
Annual Premium Handled	HK\$501 million
Major Clients	Asia Television Ltd, CALYON Corporate and Investment Bank, GlaxoSmithKline Ltd, Linfox Holdings Hong Kong Ltd, etc

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	3.7 million sq ft
Major Clients	Hotel Inter-Continental, The Peninsula, Grand Hyatt Hong Kong, Hong Kong Academy of Performing Arts, The Dynasty Club, etc

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

Mr Lam Wai Hon, Patrick

Company Secretary

Mr Chow Tak Wing

Head Office and Principal Place of Business

28/F, New World Tower
18 Queen's Road Central
Hong Kong
Tel : (852) 2131 0600
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

This Annual Report was produced by
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Department.

Where the English and the Chinese
texts conflict, the English text prevails.

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NWS Holdings Limited

(incorporated in Bermuda with limited liability)

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