

Notes to the Accounts

1. Principal accounting policies

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

(a) Basis of preparation

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

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

(b) Consolidation

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

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

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

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

(c) Subsidiary companies

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

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

(d) Associated companies

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

Notes to the Accounts

1. Principal accounting policies (Continued)

(d) Associated companies (Continued)

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

(e) Jointly controlled entities

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

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

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

(i) Equity joint ventures

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

(ii) Co-operative joint ventures

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

(iii) Companies limited by shares

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

(f) Goodwill/negative goodwill

(i) Goodwill

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

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

1. Principal accounting policies (Continued)

(f) Goodwill/negative goodwill (Continued)

(i) Goodwill (Continued)

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

(ii) Negative goodwill

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

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

(g) Revenue recognition

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

(i) Construction and engineering

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

(ii) Toll revenue

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

(iii) Service fee income

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

(iv) Rental income

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

Notes to the Accounts

1. Principal accounting policies (Continued)

(g) Revenue recognition (Continued)

(v) Insurance brokerage premium

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

(vi) Sales of goods

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

(vii) Interest income

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

(viii) Dividend income

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

(h) Assets under leases

(i) Finance leases

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

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

(ii) Operating leases

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

(i) Fixed assets

(i) Investment properties

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

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

1. Principal accounting policies (Continued)

(i) Fixed assets (Continued)

(i) Investment properties (Continued)

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

(ii) Other fixed assets and depreciation

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

No depreciation is provided in respect of construction in progress.

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

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

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

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

(iii) Impairment of fixed assets

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

(iv) Gain or loss on disposal of fixed assets

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

Notes to the Accounts

1. Principal accounting policies (Continued)

(i) Fixed assets (Continued)

(v) Maintenance of fixed assets

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

(vi) Capitalization of fixed assets

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

(j) Other investments

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

(i) Non-trading securities

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

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

(ii) Trading securities

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

(k) Inventories and contracting work in progress

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

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

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

1. Principal accounting policies (Continued)

(l) Cash and cash equivalents

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

(m) Provisions

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

(n) Contingent liabilities and contingent assets

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

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

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

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

(o) Deferred taxation

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

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

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

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Notes to the Accounts

1. Principal accounting policies (Continued)

(o) Deferred taxation (Continued)

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

(p) Capitalization of interest and finance charges

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

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

(q) Foreign currencies

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

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

(r) Employee benefits

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

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

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

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

1. Principal accounting policies (Continued)

(r) Employee benefits (Continued)

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

(s) Convertible bonds

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

(t) Segment reporting

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

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

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

2. Turnover and segment information

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

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

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

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

Notes to the Accounts

2. Turnover and segment information (Continued)

(a) Primary reporting format – business segments

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

2. Turnover and segment information (Continued)

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

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

Notes to the Accounts

2. Turnover and segment information (Continued)

(b) Secondary reporting format – geographical segments

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

3. Operating profit

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

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

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

4. Staff costs (including directors' emoluments)

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

Notes to the Accounts

5. Finance costs

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

6. Taxation

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

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

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

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

6. Taxation (Continued)

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

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

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

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

7. Profit attributable to shareholders

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

Notes to the Accounts

8. Dividends

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

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

9. Earnings per share

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

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

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

10. Emoluments of directors and senior management

(a) Emoluments of directors

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

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

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

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

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

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

Notes to the Accounts

10. Emoluments of directors and senior management (Continued)

(b) Emoluments of five highest paid individuals

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

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

The emoluments fell within the following bands:

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

11. Goodwill

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

The prior year adjustments of deferred taxation have led to corresponding adjustments to the identifiable assets and liabilities of certain subsidiary companies, jointly controlled entities and associated companies acquired as part of the Reorganization (refer to the Company's 2003 annual report). Accordingly, the previously calculated goodwill and negative goodwill have been adjusted in accordance with SSAP 30 "Business Combinations".

Notes to the Accounts

12. Fixed assets

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

12. Fixed assets (Continued)

Cost or valuation of properties was made up as follows:

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

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

13. Subsidiary companies

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

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

Notes to the Accounts

14. Jointly controlled entities

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

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

14. Jointly controlled entities (Continued)

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

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

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

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

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

Notes to the Accounts

15. Associated companies

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

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

16. Other non-current assets

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

(a) Long term receivable

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

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

17. Inventories

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

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

Notes to the Accounts

18. Debtors, deposits and prepayments

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

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

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

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

19. Trading securities

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

20. Bank balances and cash

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

21. Creditors and accrued charges

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

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

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

(b) The Group entered into an agreement in principle (the "AIP") on 12 December 2003 with Wuhan City Construction Fund Management Office ("Wuhan Fund Office") for the disposal of its approximately 48.86% interest in Wuhan Bridge Construction Co., Ltd ("WBC"), a sino-foreign joint stock company incorporated in the PRC which operated the Yangtze River Bridge No.2 in Wuhan. The consideration payable by Wuhan Fund Office is RMB1,180 million (equivalent to approximately HK\$1,100 million) and the said consideration will be settled by installments on or before either 31 December 2004 or the 15th day after the approval of the proposed disposal by the relevant Mainland China authorities, whichever is later. The Group is in the process of finalising the sale and purchase agreement with Wuhan Fund Office. Notwithstanding the proposed disposal requires the entering into of a formal sale and purchase agreement and formal approval by the relevant PRC authorities, the Group considers that it no longer has control over the operations of WBC following the signing of the AIP. Accordingly, WBC, which was previously accounted for as a subsidiary company, has been deconsolidated and the amount received, net of its carrying value shared by the Group of approximately HK\$87.4 million, has been classified as other creditors as at 30 June 2004.

Notes to the Accounts

22. Contracts in progress

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

23. Amounts due to related companies

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

24. Share capital

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

24. Share capital (Continued)

1997 Share Option Scheme

On 11 April 1997, a share option scheme was adopted by the Company (the “1997 Share Option Scheme”) under which the directors may, at their discretion and during the period of three years commencing from 11 April 1997, grant options to executive directors or full-time employees of the Company or its subsidiary companies to subscribe for shares of the Company. The 1997 Share Option Scheme was expired on 11 April 2000. No further share options can be granted under such scheme. However, share options granted under the 1997 Share Option Scheme are still exercisable. Movements in the number of share options outstanding during the year are as follows:

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

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

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

2001 Share Option Scheme

A share option scheme was adopted by the Company on 6 December 2001 and amended on 12 March 2003 (the “2001 Share Option Scheme”) which will be valid and effective for a period of 10 years from the date of adoption. The directors of the Company may, at their discretion, grant options to any eligible participant as defined under the 2001 Share Option Scheme to subscribe for the ordinary shares of the Company. The total number of shares which may be issued upon exercise of all options to be granted under the 2001 Share Option Scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 12 March 2003, i.e. 1,780,759,001 shares.

Notes to the Accounts

24. Share capital (Continued)

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

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

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

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

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

25. Reserves

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

Notes to the Accounts

25. Reserves (Continued)

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

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

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

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

26. Deferred taxation

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

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

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

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

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

Deferred tax assets

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

Notes to the Accounts

26. Deferred taxation (Continued)

Deferred tax liabilities

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

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

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

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

27. Loans and borrowings

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

(a) Bank loans and borrowings

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

Notes to the Accounts

27. Loans and borrowings (Continued)

(a) Bank loans and borrowings (Continued)

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

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

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

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

27. Loans and borrowings (Continued)

(b) Convertible bonds

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

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

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

28. Other long term liabilities

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

Notes to the Accounts

28. Other long term liabilities (Continued)

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

The amounts recognized in the balance sheet are as follows:

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

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

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

Movements in the long service payment obligations are as follows:

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

The principal actuarial assumptions used are as follows:

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

28. Other long term liabilities (Continued)

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

29. Minority interests and loans

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

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

Notes to the Accounts

30. Retirement benefits

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

(a) Defined contribution plans

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

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

(b) Defined benefits plans

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

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

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

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

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

30. Retirement benefits (Continued)

(b) Defined benefits plans (Continued)

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

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

The principal actuarial assumptions used are as follows:

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

31. Commitments

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

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

Notes to the Accounts

31. Commitments (Continued)

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

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

A subsidiary company and certain jointly controlled entities are parties to agreements with third parties in respect of the joint development of CT9, the related berth swap arrangement and the funding. The Group's attributable share of such commitments for capital expenditure as at 30 June 2004 was HK\$101.4 million (2003: HK\$268.9 million) and has been included in above.

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

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

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain jointly controlled entities under various joint venture contracts to finance relevant projects. The directors estimate that the Group's share of projected funds requirements of these projects would be approximately HK\$33.0 million (2003: HK\$28.3 million) which represents the attributable portion of the capital and loan contributions to be made to the jointly controlled entities.

31. Commitments (Continued)

(d) Commitments under operating leases

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

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

(e) Future minimum rental payments receivable

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

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

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

Notes to the Accounts

32. Contingent liabilities

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

A corporate guarantee has been given by the Company in favour of certain banks for banking facilities granted to Asia Container Terminals Limited (“ACT”), a jointly controlled entity of CSXWTHK, an associated company of the Company, to the extent of approximately HK\$858.0 million as at 30 June 2004 (2003: HK\$858.0 million), in proportion to the Group’s interest in ACT. The proportionate amount utilized against such facilities at 30 June 2004 which was secured by the guarantee amounted to approximately HK\$351.4 million (2003: HK\$267.3 million).

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

33. Notes to consolidated cash flow statement

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

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

33. Notes to consolidated cash flow statement (Continued)

(b) Acquisition of subsidiary companies

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

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

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

Notes to the Accounts

33. Notes to consolidated cash flow statement (Continued)

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

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

(d) Disposal of subsidiary companies

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

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

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

33. Notes to consolidated cash flow statement (Continued)

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

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

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

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

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

Notes to the Accounts

33. Notes to consolidated cash flow statement (Continued)

(h) Analysis of changes in financing during the year

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

34. Related party transactions

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

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

- (a) Affiliated companies include associated companies and jointly controlled entities of the Group. Related companies are group companies, associated companies and jointly controlled entities of New World Development Company Limited ("NWD") which are not companies within the Group. NWD is the ultimate holding company of the Company.
- (b) Revenue from the provision of contracting work services was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.
- (c) Interest income was charged at interest rates as specified in Notes 14 and 15 on the outstanding balances due by the affiliated companies.
- (d) Management fee was charged at rates in accordance with relevant contracts.
- (e) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.
- (f) The Group entered into a number of lease agreements with related companies to lease office space with various terms based on fixed monthly rates in accordance with tenancy agreements.
- (g) Staff secondment fee was charged based on payroll costs of staff who were seconded from a fellow subsidiary company to the Group as specified in the secondment agreement.
- (h) On 19 March 2003, the Group and certain companies controlled by CTF entered into a master charter agreement (the "Master Charter Agreement"), pursuant to which the Group agreed to enter into eight separate bareboat charters (the "Bareboat Charters"). Under the Bareboat Charters, the Group paid HK\$43.0 million charter hire to the related parties up to 30 June 2004 (2003: HK\$8.5 million).

Under the Master Charter Agreement, CTF has agreed to provide guarantees in favour of the Group that the net profit before tax attributable to the operation of the vessels is not less than HK\$10.0 million. Pursuant to the Master Charter Agreement, an amount of HK\$30.9 million, representing the shortfall, is payable by CTF to the Group in respect of the guaranteed profit during the year ended 30 June 2004 (2003: HK\$8.5 million).

Notes to the Accounts

35. Comparative figures

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

36. Ultimate holding company

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

37. Approval of accounts

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

38. Principal subsidiary companies

As at 30 June 2004

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

38. Principal subsidiary companies (Continued)

As at 30 June 2004

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

Notes to the Accounts

38. Principal subsidiary companies (Continued)

As at 30 June 2004

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

[#] Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Redeemable preference shares

38. Principal subsidiary companies (Continued)

As at 30 June 2004

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

Notes to the Accounts

38. Principal subsidiary companies (Continued)

As at 30 June 2004

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

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

39. Principal associated companies

As at 30 June 2004

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

Represented ordinary shares, unless otherwise stated

*** Preference shares

40. Principal jointly controlled entities

As at 30 June 2004

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

Notes to the Accounts

40. Principal jointly controlled entities (Continued)

As at 30 June 2004

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

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

40. Principal jointly controlled entities (Continued)

As at 30 June 2004

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

[#] Represented ordinary shares, unless otherwise stated

* Non-voting deferred shares

** Non-voting preference shares