

Infrastructure



Zhujiang Power Station supports the region's industrial growth.

(Guangzhou-Zhuhai Section) increased by 18% and 19% respectively. In November 2003, the Group announced the disposal of the Zhaoqing Roadways Network for a consideration of approximately HK\$1.168 billion. These disposals were all completed by March 2004. The contribution from the Bridges was not significant, owing to the Group's disposals of Tianjin Yonghe Bridge and a bridge project in Zhaoqing. Negotiations of the detailed terms in respect of the compensation from the Wuhan City Government following the cessation of toll collection at the Wuhan Bridges project is still in progress and partial consideration has been received according to the agreed schedule. The Group's development strategy is to focus on expressway projects located in cities and provinces with high growth potential.

The profit contribution from the Water Treatment and Waste Management operations increased in FY2004. The increase was attributable to the improved performance of certain projects in Mainland China, especially a full-year contribution from the Chongqing project that commenced operations in November 2002. The Macao Water Supply Company Limited was once again the highest profit contributor to the operations. The average daily sales of water increased by 5% over FY2003.

The infrastructure operations maintained stable growth in its profitability in FY2004. The Energy, Water Treatment and Waste Management businesses benefited from the surging demand for electricity and treated water respectively. The road and expressway projects benefited from the growth in high quality logistics services in Mainland China.

The Group's power plant operations benefited from surging electricity generation and consumption caused by economic growth, especially in Guangdong Province. Zhujiang Power Phase I & II and Macau Power electricity sales increased by 16% and 7% respectively.

The toll income of Guangzhou City Northern Ring Road increased by 19% mainly from the reclassification of toll rates/vehicle types in August 2003 under the Guangdong Province joint toll collection scheme. Average daily traffic flow of Sections I and II of Beijing-Zhuhai Expressway

Guangzhou City Northern Ring Road, a key component of Guangzhou's highway system.





Chongqing Water Plant supplies water to thousands of homes and businesses.

During the year, Sino-French, the equity joint venture under the Group, contracted new investments in the water treatment sector in Hainan Province and Tianjin Municipality in Mainland China. The water plant in Sanya City, Hainan Province commenced operation in January 2004 and the project in Tanggu District, Tianjin Province is expected to start operation later this year. With new projects coming on stream, the profit contribution is likely to grow.

The Group's Hong Kong port operations experienced downward pressure on its container handling fees, in face of fierce competition from Shenzhen ports. During the year CSX World Terminals Hong Kong Limited ("CSXWTHK") handled approximately 1.11 million TEUs, a decrease of 17% from 1.34 million TEUs recorded in FY2003. The change was mainly due to the loss of a major customer. CSXWTHK is now

undertaking aggressive marketing measures to seek replacement customers and implementing cost-saving measures to protect margins. The average occupancy rate of ATL Logistics Centre decreased slightly to 91% in FY2004, from 95% in FY2003. In order to maintain its premier position, ATL Logistics Centre is upgrading both hardware and software to enhance the quality of its customer service.

Asia Container Terminals Limited has an interest in two berths at Container Terminal No. 8 West, after the exchange of these two CT9 berths for Modern Terminals Limited's two berths at Container Terminal No. 8 West was completed during FY2004.

The ports of Tianjin and Xiamen continue to lead the way in the Mainland China port sector on the back of solid expansion in trade flows. In FY2004, the throughputs of the two ports increased 25% and 11% from the previous year respectively.

The Group's ports operations are well positioned to capture future growth and improve profitability, particularly those in Mainland China. The Group will continue to explore new investment opportunities in the port and logistics sectors in Mainland China with a view to widening the earnings base.