

## 1 Principal accounting policies

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

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong; and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), including applicable Hong Kong Statements of Standard Accounting Practice and certain Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively the “HKFRSs”) as described further below. The accounts are prepared under the historical cost convention, except that investment properties and other investments are carried at fair value as set out in notes (i) and (k) below.

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

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

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

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

### (b) Consolidation

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

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

The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any goodwill carried in the balance sheet.

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

# Notes to the Accounts

## 1 Principal accounting policies (Continued)

### (c) **Subsidiary companies**

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

The Company's investments in subsidiary companies are carried at cost less provision for impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividend income.

### (d) **Jointly controlled entities**

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

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

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

#### (i) *Equity joint ventures*

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

#### (ii) *Co-operative joint ventures*

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

#### (iii) *Companies limited by shares*

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

### (e) **Associated companies**

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

## 1 Principal accounting policies (Continued)

### (e) Associated companies (Continued)

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

### (f) Goodwill

#### (i) Goodwill

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

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

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

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

#### (ii) Negative goodwill

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

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

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

# Notes to the Accounts

## 1 Principal accounting policies (Continued)

### (f) Goodwill (Continued)

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

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

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

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

### (g) Revenue recognition

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

(i) *Construction and engineering*

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

(ii) *Toll revenue*

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

(iii) *Service fee income*

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

## 1 Principal accounting policies (Continued)

### (g) Revenue recognition (Continued)

(iv) *Rental income*

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

(v) *Insurance brokerage premium*

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

(vi) *Sales of goods*

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

(vii) *Interest income*

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

(viii) *Dividend income*

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

### (h) Assets under leases

(i) *Finance leases*

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

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

(ii) *Operating leases*

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

# Notes to the Accounts

## 1 Principal accounting policies (Continued)

### (i) Fixed assets

#### (i) *Investment properties*

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

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

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

#### (ii) *Other fixed assets and depreciation*

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

No depreciation is provided in respect of construction in progress.

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

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

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

#### (iii) *Profit or loss on disposal of fixed assets*

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

#### (iv) *Maintenance of fixed assets*

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

## 1 Principal accounting policies (Continued)

### (i) Fixed assets (Continued)

#### (v) Capitalization of fixed assets

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

### (j) Impairment of assets

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

### (k) Other investments

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

#### (i) Non-trading securities

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

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

#### (ii) Trading securities

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

### (l) Inventories and contracting work in progress

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

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

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

# Notes to the Accounts

## 1 Principal accounting policies (Continued)

### (m) Cash and cash equivalents

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

### (n) Provisions

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

### (o) Contingent liabilities and contingent assets

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

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

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

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

### (p) Deferred taxation

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

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

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

### (q) Capitalization of interest and finance charges

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

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



## 1 Principal accounting policies (Continued)

### (r) Foreign currencies

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

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

### (s) Employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

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

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

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

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

### (t) Convertible bonds

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

### (u) Segment reporting

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

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

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

# Notes to the Accounts

## 2 Turnover and segment information

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

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

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

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

## 2 Turnover and segment information (Continued)

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

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

# Notes to the Accounts

## 2 Turnover and segment information (Continued)

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

	Container handling, logistics and warehousing HK\$'m	Roads and bridges	Energy, water treatment and waste management HK\$'m	Facilities rental HK\$'m	Facilities management HK\$'m	Contracting HK\$'m	Transport HK\$'m	Others HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
Year 2004										
External sales	17.3	368.4	0.9	751.3	2,250.3	7,696.5	1,138.1	330.1	-	12,552.9
Inter-segment sales	-	-	-	0.5	142.1	473.0	0.2	22.0	(637.8)	-
<b>Total turnover</b>	<b>17.3</b>	<b>368.4</b>	<b>0.9</b>	<b>751.8</b>	<b>2,392.4</b>	<b>8,169.5</b>	<b>1,138.3</b>	<b>352.1</b>	<b>(637.8)</b>	<b>12,552.9</b>
Segment results	3.7	161.9	10.6	210.5	182.7	22.9	72.1	38.5	-	702.9
Amortization of net negative goodwill	-	(3.5)	-	10.7	0.1	88.3	(6.4)	(18.4)	-	70.8
Profit/(loss) on disposal of subsidiary companies	(3.3)	194.0	201.6	-	-	-	-	-	-	392.3
Profit on disposal of a jointly controlled entity	-	13.1	-	-	-	-	-	-	-	13.1
Loss on disposal of fixed assets	(26.7)	-	-	-	-	-	-	-	-	(26.7)
Assets impairment loss	(346.0)	-	(29.0)	-	-	(0.4)	-	-	-	(375.4)
Unallocated corporate expenses										(229.2)
Operating profit										547.8
Finance costs										(280.8)
Share of results of										
Jointly controlled entities	48.2	286.2	518.5	147.4	22.4	52.7	35.8	16.3	-	1,127.5
Associated companies	162.9	-	-	64.7	0.3	220.0	4.3	40.8	-	493.0
Profit before taxation										1,887.5
Taxation										(329.5)
Profit after taxation										1,558.0
Minority interests										(19.8)
Profit attributable to shareholders										1,538.2
Segment assets	132.1	1,921.9	0.8	1,155.6	590.3	4,491.4	-	184.2	-	8,476.3
Jointly controlled entities	578.2	3,666.4	2,406.1	1,325.8	9.3	613.2	1,004.3	82.2	-	9,685.5
Associated companies	428.3	-	-	485.8	1.1	632.9	2.7	415.2	-	1,966.0
Unallocated assets										3,787.3
<b>Total assets</b>										<b>23,915.1</b>
Segment liabilities	7.8	317.9	0.3	237.1	341.8	3,254.4	-	95.2	-	4,254.5
Unallocated liabilities										9,240.2
Minority interests and loans										869.8
<b>Total liabilities and minority interests</b>										<b>14,364.5</b>
Capital expenditure	6.7	6.6	-	16.6	33.5	39.8	31.4	16.8	-	151.4
Depreciation	5.9	137.1	-	18.7	36.8	85.8	151.2	6.2	-	441.7

## 2 Turnover and segment information (Continued)

### (b) Secondary reporting format – geographical segments

	Turnover HK\$'m	Segment results HK\$'m	Segment assets HK\$'m	Capital expenditure HK\$'m
<b>Year 2005</b>				
Hong Kong	<b>8,822.5</b>	<b>41.5</b>	<b>6,078.0</b>	<b>65.0</b>
Mainland China	<b>1,294.3</b>	<b>30.0</b>	<b>2,461.8</b>	<b>8.3</b>
Others	<b>169.3</b>	<b>13.2</b>	<b>109.7</b>	<b>0.3</b>
	<b>10,286.1</b>	<b>84.7</b>	<b>8,649.5</b>	<b>73.6</b>
<b>Year 2004</b>				
Hong Kong	10,527.2	501.1	5,782.6	133.4
Mainland China	1,733.8	197.1	2,682.9	18.0
Others	291.9	4.7	10.8	–
	12,552.9	702.9	8,476.3	151.4

## 3 Operating profit

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

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

# Notes to the Accounts

## 3 Operating profit (Continued)

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

## 4 Staff costs

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

## 5 Finance costs

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

## 6 Taxation

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

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

# Notes to the Accounts

## 6 Taxation (Continued)

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

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

## 7 Profit attributable to shareholders

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

## 8 Dividends

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

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



## 9 Earnings per share

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

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

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

## 10 Emoluments of directors and five highest paid individuals

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

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

# Notes to the Accounts

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

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

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

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

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

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

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

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

## 11 Goodwill

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

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

# Notes to the Accounts

## 12 Fixed assets

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

## 12 Fixed assets (Continued)

Cost or valuation of properties is made up as follows:

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

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

## 13 Subsidiary companies

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

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

# Notes to the Accounts

## 14 Jointly controlled entities

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

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

## 14 Jointly controlled entities (Continued)

(b) Amounts receivable are analyzed as follows:

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

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

(ii) Represents variable rate at three-month Hong Kong Interbank Offered Rate in respect of the loan to a jointly controlled entity and at Hong Kong prime rate in respect of the amounts due from jointly controlled entities.

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

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

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

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

## 15 Associated companies

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

# Notes to the Accounts

## 15 Associated companies (Continued)

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

## 16 Other non-current assets

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

### (a) Long term receivable

	2005 HK\$m	2004 HK\$m
Long term receivable	421.3	486.1
Current portion included in debtors, deposits and prepayments (Note 18)	(71.3)	(64.8)
	<b>350.0</b>	421.3

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



## 17 Inventories

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

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

## 18 Debtors, deposits and prepayments

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

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

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

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

# Notes to the Accounts

## 19 Trading securities

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

## 20 Bank balances and cash

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

## 21 Creditors and accrued charges

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

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

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

## 22 Contracts in progress

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

## 23 Share capital

	Ordinary Shares	
	Number of shares	HK\$'m
Authorized:		
At 30 June 2004 and 30 June 2005	2,400,000,000	2,400.0
Issued and fully paid:		
At 1 July 2003	1,780,759,001	1,780.8
Exercise of share options	11,695,315	11.7
At 1 July 2004	1,792,454,316	1,792.5
Exercise of share options	14,875,728	14.8
Issued as scrip dividend	17,800,525	17.8
<b>At 30 June 2005</b>	<b>1,825,130,569</b>	<b>1,825.1</b>

# Notes to the Accounts

## 23 Share capital (Continued)

### 1997 Share Option Scheme

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

	Number of options	
	2005	2004
At the beginning of year	<b>1,930,000</b>	2,000,000
Exercised	<b>(1,330,000)</b>	(70,000)
Lapsed	<b>(600,000)</b>	–
At the end of year	<b>–</b>	1,930,000

### 2001 Share Option Scheme

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

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

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

## 23 Share capital (Continued)

- (a) On 21 July 2003, 41,497,000 share options were granted to directors and certain eligible participants at the exercise price of HK\$3.725, which represents the average of the closing price of the Company's shares on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") for the five trading days immediately preceding the date of grant.
- (b) Pursuant to the 2001 Share Option Scheme, the number of unexercised share options and exercise price are subject to adjustment in case of alteration in the capital structure of the Company. The Company declared the interim dividend for the year ended 30 June 2005 in scrip form (with cash option) on 14 March 2005 which gave rise to an adjustment to the number of unexercised share options and the exercise price in accordance with the said scheme. The exercise price per share of share options was adjusted from HK\$3.725 to HK\$3.719 with effect from 30 June 2005.

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

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

# Notes to the Accounts

## 24 Reserves

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

## 24 Reserves (Continued)

	Group						
	Share premium HK\$m	Special reserves HK\$m	Investment properties revaluation reserve HK\$m	Investment revaluation reserve HK\$m	Exchange reserve HK\$m	Revenue reserve HK\$m	Total HK\$m
At 1 July 2003	7,156.1	277.0	–	(2.2)	3.3	(964.5)	6,469.7
Issue of new shares	32.1	–	–	–	–	–	32.1
Investment securities revaluation surplus	–	–	–	14.9	–	–	14.9
Investment properties revaluation surplus	–	–	17.6	–	–	–	17.6
Goodwill impairment charged to the profit and loss account	–	–	–	–	–	310.0	310.0
Exchange difference	–	0.5	–	–	–	–	0.5
Transfer	–	1.2	–	–	–	(1.2)	–
Profit for the year	–	–	–	–	–	1,538.2	1,538.2
Dividends (Note 8)	–	–	–	–	–	(624.9)	(624.9)
At 30 June 2004	7,188.2	278.7	17.6	12.7	3.3	257.6	7,758.1
Retained by/(accumulated in):							
Company and subsidiary companies	7,188.2	276.0	17.6	12.7	3.3	(2,263.9)	5,233.9
Jointly controlled entities	–	2.7	–	–	–	1,611.9	1,614.6
Associated companies	–	–	–	–	–	909.6	909.6
At 30 June 2004	7,188.2	278.7	17.6	12.7	3.3	257.6	7,758.1

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

# Notes to the Accounts

## 24 Reserves (Continued)

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

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

## 25 Deferred taxation

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

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



## 25 Deferred taxation (Continued)

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$461.6 million (2004: HK\$694.5 million) to carry forward against future taxable income. The tax losses have no expiry date.

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

### Deferred tax assets

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

### Deferred tax liabilities

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

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

# Notes to the Accounts

## 25 Deferred taxation (Continued)

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

## 26 Loans and borrowings

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

### (a) Bank loans and borrowings

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

## 26 Loans and borrowings (Continued)

### (a) Bank loans and borrowings (Continued)

	Group			Total HK\$m
	Secured bank loans HK\$m	Unsecured bank loans HK\$m	Obligations under finance lease HK\$m	
The maturity of bank loans and borrowings for 2005 is as follows:				
Within one year	42.1	1,276.9	–	1,319.0
In the second year	–	1,040.8	–	1,040.8
In the third to fifth year	–	1,452.4	–	1,452.4
	42.1	3,770.1	–	3,812.2
The maturity of bank loans and borrowings for 2004 is as follows:				
Within one year	–	1,345.7	0.5	1,346.2
In the second year	42.1	1,251.9	–	1,294.0
In the third to fifth year	–	2,919.7	–	2,919.7
	42.1	5,517.3	0.5	5,559.9

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

### (b) Convertible bonds

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

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

# Notes to the Accounts

## 27 Other long term liabilities

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

- (a) The amount is due to New World TMT Limited ("NWTMT") and represents the Company's undertaking of a bank loan of NWTMT as part of the consideration for acquisition of the infrastructure assets under the reorganization of the Group which was completed on 29 January 2003. Interest charged on the amount due to NWTMT is by reference to the actual interest charged on the bank loans.

## 28 Minority interests and loans

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

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

## 29 Retirement benefits

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

### (a) Defined contribution plans

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

Contributions to defined contribution plans and MPF scheme amounted to HK\$90.5 million (2004: HK\$103.7 million) during the year. Forfeited contributions totalling HK\$12.1 million (2004: HK\$9.2 million) were utilized during the year leaving HK\$1.0 million (2004: HK\$0.1 million) available at 30 June 2005 to reduce future contributions.

### (b) Defined benefits plans

Defined benefits plans are valued by independent qualified actuaries annually using the projected unit credit method. The defined benefit plans were valued by Watson Wyatt Hong Kong Limited as at 30 June 2005.

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

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

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

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

# Notes to the Accounts

## 29 Retirement benefits (Continued)

### (b) Defined benefits plans (Continued)

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

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

The principal actuarial assumptions used are as follows:

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

## 30 Commitments

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

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

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

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

### 30 Commitments (Continued)

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

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

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

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

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

# Notes to the Accounts

## 31 Contingent liabilities

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

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

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

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

## 32 Notes to consolidated cash flow statement

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

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



## 32 Notes to consolidated cash flow statement (Continued)

### (b) Disposal of subsidiary companies

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

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

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

# Notes to the Accounts

## 32 Notes to consolidated cash flow statement (Continued)

### (d) Analysis of changes in financing

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

	Share capital and share premium HK\$m	Long term loans and borrowings HK\$m	Amounts due to related companies HK\$m	Short term bank loans and overdrafts HK\$m	Minority interests and loans HK\$m	Total HK\$m
Year 2004						
At 1 July 2003	8,936.9	8,178.3	1,339.2	1,262.8	2,510.7	22,227.9
Net bank loans and borrowings repaid	-	(1,904.7)	-	(52.8)	-	(1,957.5)
Issue of convertible bonds	-	1,350.0	-	-	-	1,350.0
Dividends to minority shareholders	-	-	-	-	(4.8)	(4.8)
Settlement of loan from minority shareholders	-	-	-	-	(22.4)	(22.4)
Repayment of amounts due to related companies	-	-	(652.6)	-	-	(652.6)
Disposal of subsidiary companies	-	(88.8)	-	-	(845.3)	(934.1)
Transfer upon restructuring of transport business and deconsolidation of a subsidiary companies	-	(624.9)	-	-	(786.4)	(1,411.3)
Issue of new shares	43.8	-	-	-	-	43.8
Acquisition of additional interests in subsidiary companies	-	-	-	-	(2.0)	(2.0)
Minority interests' share of net profit and reserves	-	-	-	-	20.0	20.0
At 30 June 2004	8,980.7	6,909.9	686.6	1,210.0	869.8	18,657.0

### 33 Related party transactions

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

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

- (a) Affiliated companies include associated companies and jointly controlled entities of the Group. Related parties are group companies, associated companies and jointly control entities of New World Development Company Limited ("NWD") which are not companies within the Group.
- (b) Revenue from the provision of contracting work services was charged on normal contract terms no less favourable than those charged to and contracted with third party customers of the Group.
- (c) Interest income was charged at interest rates as specified in notes 14 and 15 on the outstanding balances due by the affiliated companies.
- (d) Management fee was charged at rates in accordance with relevant contracts.
- (e) The Group provided various kinds of services including facilities management, financial, environmental and other services to certain related parties. Revenue was made in the normal course of business at prices and at terms no less favourable than those charged to third party customers of the Group in accordance with the relevant contracts.
- (f) The Group entered into a number of lease agreements with related parties to lease office space with various terms based on fixed monthly rates in accordance with tenancy agreements.

### 34 Comparative figures

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

### 35 Ultimate holding company

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

# Notes to the Accounts

## 36 Approval of accounts

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

## 37 Principal subsidiary companies

As at 30 June 2005

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

## 37 Principal subsidiary companies (Continued)

As at 30 June 2005

	Issued share capital #		Approximate percentage		Principal activities
	Number	Par value per share HK\$	Company	Group	
<b>Incorporated and operated in Hong Kong (Continued)</b>					
Hong Kong Island Landscape Company Limited	980,000 20,000*	10 10	– –	100.0 –	Landscaping and project contracting
Hong Kong Ticketing Limited	11,481,580	1	–	80.84	Ticketing services
International Property Management Limited	450,000 95,500*	10 10	– –	99.0 83.5	Property management
Kentfull Contracting Limited	10 5,000,000*	1 1	– –	100.0 100.0	Interior decoration contracting
Kentfull Engineering Company Limited	6,000'A' 4,000'B'	1 1	– –	60.0	Building construction
Kiu Lok Property Services (China) Limited	2 2*	1 1	– –	100.0 100.0	Property agency management and consultancy
Kiu Lok Service Management Company Limited	2 1,002*	100 100	– –	100.0 100.0	Property management
Kleaners Limited	5,000,000	1	–	100.0	Laundry services
Majestic Engineering Company Limited	30,000	1,000	–	100.0	Mechanical and electrical engineering
Millennium Engineering Limited	18,750,000	1	–	90.4	Supply and installation of aluminium windows and curtain wall
New China Laundry Limited	40,000,002 704,000*	1 1	– –	100.0 100.0	Laundry services
New Waly Interior Products Limited	1,000,000	1	–	100.0	Trading of interior products
New World-Guangdong Highway Investments Co. Limited	100 100*	100 100	– –	100.0 50.0	Investment holding
New World Insurance Management Limited	100,000	1	–	100.0	Insurance broking
New World Port Investments Limited	2	1	–	100.0	Investment holding
Ngo Kee Construction Company Limited	270,000 1**	100 1	– –	100.0 –	Building and construction
NWS (Finance) Limited	2	1	–	100.0	Financial services
NWS Holdings (China) Limited	1	1	–	100.0	Investment holding

# Notes to the Accounts

## 37 Principal subsidiary companies (Continued)

As at 30 June 2005

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

# Represented ordinary shares, unless otherwise stated

\* Non-voting deferred shares

\*\* Redeemable preference shares

### 37 Principal subsidiary companies (Continued)

As at 30 June 2005

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
<b>Incorporated and operated in Mainland China</b>				
Gaoming Xinming Bridge Company Limited	Rmb60,000,000	–	30.0 (a)	Operation of toll bridge
Guangxi Beiliu Xinbei Highways Limited	Rmb99,200,000	–	60.0 (a)	Operation of toll road
Guangxi Cangwu Xincang Highways Limited	Rmb64,000,000	–	70.0 (a)	Operation of toll road
Guangxi Rongxian Xinrong Highways Limited	Rmb82,400,000	–	70.0 (a)	Operation of toll road
Guangxi Yulin Xinye Highways Limited	Rmb63,800,000	–	60.0 (a)	Operation of toll road
Guangxi Yulin Xinyu Highways Limited	Rmb96,000,000	–	60.0 (a)	Operation of toll road
Qingyuan Xincheng Highways Limited	Rmb72,000,000	–	80.0 (a)	Operation of toll road
新創機電工程有限公司	Rmb50,000,000	–	100.0	Mechanical and electrical engineering
Shanxi Xinda Highways Limited	Rmb49,000,000	–	90.0 (b)	Operation of toll road
Shanxi Xinhuang Highways Limited	Rmb56,000,000	–	90.0 (b)	Operation of toll road
Taiyuan Xintai Highways Limited	Rmb72,120,000	–	90.0 (b)	Operation of toll road
Taiyuan Xinyuan Highways Limited	Rmb85,880,000	–	90.0 (b)	Operation of toll road
Wuzhou Xinwu Highways Limited	Rmb72,000,000	–	45.0 (a)	Operation of toll road
Xiamen New World Xiangyu Warehouse & Processing Zone Limited	US\$5,000,000	–	100.0	Development of warehousing, processing and logistics facilities
Xiamen Xinyuan Container Terminal Co., Ltd.	Rmb17,000,000	–	70.0	Cargo consolidation container storage, repairs and maintenance

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

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

# Notes to the Accounts

## 37 Principal subsidiary companies (Continued)

As at 30 June 2005

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

<sup>#</sup> Represented ordinary shares, unless otherwise stated



## 38 Principal associated companies

As at 30 June 2005

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
<b>Incorporated and operated in Hong Kong</b>					
Quon Hing Concrete Company Limited	200,000	HK\$100	–	50.0	Production and sales of concrete
Yargoon Company Limited	150,000	HK\$100	–	42.0	Stone quarrying
<b>Incorporated in British Virgin Islands</b>					
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
<b>Incorporated in Bermuda and operated in Hong Kong</b>					
Build King Holdings Limited (formerly I-China Holdings Limited)	781,408,494 1,500,000,000 *	HK\$0.1 HK\$0.01	– –	24.7 –	Investment holding
Tai Fook Securities Group Limited	583,773,699	HK\$0.10	–	21.5	Investment holding
Wai Kee Holdings Limited	793,124,034	HK\$0.10	–	26.97	Investment holding
		Amount of registered capital	Approximate percentage of attributable interest		Principal activities
			Company	Group	
<b>Incorporated and operated in Mainland China</b>					
<i>Equity joint ventures</i>					
Guangzhou Oriental Power Company Limited		Rmb990,000,000	–	25.0 (a)	Generation and supply of electricity
Guang Zhou Pearl River Power Company Limited		Rmb420,000,000	–	50.0 (b)	Generation and supply of electricity
<i>Co-operative joint ventures</i>					
Zhaoqing Yuezhao Expressway Co. Ltd.		Rmb818,300,000	–	25.0 (a)	Operation of toll road
廣東京珠高速公路廣珠北段有限公司		Rmb394,787,199	–	15.0 (a)	Operation of toll road

# Represented ordinary shares, unless otherwise stated

\* Preference shares

(a) Percentage of interest in ownership and profit sharing

(b) Percentage of equity interest in an equity joint venture for the 11th year and onwards of the joint venture period. For the first 10 years of the joint venture period, the Group is entitled to a fixed return.

# Notes to the Accounts

## 39 Principal jointly controlled entities

As at 30 June 2005

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
<b>Incorporated and operated in Mainland China</b>				
<i>Equity joint ventures</i>				
CSX Orient (Tianjin) Container Terminals Co., Limited	US\$29,200,000	–	24.5 (a) 22.2 (b) 24.5 (c)	Operation of container terminal
Xiamen New World Xiangyu Terminals Co. Ltd. (formerly Xiamen Xiang Yu Quay Co., Ltd.)	Rmb384,040,000	–	50.0 (a)	Container handling and storage and road freight operations
<i>Co-operative joint ventures</i>				
Beijing-Zhuhai Expressway Guangzhou-Zhuhai Section Company Limited	Rmb580,000,000	–	25.0 (d)	Operation of toll road
Guangzhou Northring Freeway Company Limited	US\$19,255,000	–	65.3 (e)	Operation of toll road
Huishen (Yantian) Expressway Huizhou Company Limited	Rmb139,980,000	–	33.3 (d)	Operation of toll road
Huizhou City Hui-Ao Roadway Company, Limited	Rmb75,000,000	–	50.0 (d)	Operation of toll Road
Huizhou City Huixin Expressway Company Limited	Rmb34,400,000	–	50.0 (d)	Investment holding and operation of toll road
Tianjin Xindi Expressway Company Limited	Rmb93,688,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlong Expressway Company Limited	Rmb99,400,000	–	90.0 (f)	Operation of toll road
Tianjin Xinlu Expressway Company Limited	Rmb99,092,000	–	90.0 (f)	Operation of toll road

### 39 Principal jointly controlled entities (Continued)

As at 30 June 2005

	Amount of registered capital	Approximate percentage of attributable interest		Principal activities
		Company	Group	
<b>Incorporated and operated in Mainland China (Continued)</b>				
<i>Co-operative joint ventures (Continued)</i>				
Tianjin Xinming Expressway Company Limited	Rmb85,468,000	–	90.0 (f)	Operation of toll road
Tianjin Xinqing Expressway Company Limited	Rmb99,368,000	–	90.0 (f)	Operation of toll road
Tianjin Xinquan Expressway Company Limited	Rmb92,016,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsen Expressway Company Limited	Rmb87,300,000	–	90.0 (f)	Operation of toll road
Tianjin Xinshi Expressway Company Limited	Rmb99,388,000	–	90.0 (f)	Operation of toll road
Tianjin Xinsi Expressway Company Limited	Rmb96,624,000	–	90.0 (f)	Operation of toll road
Tianjin Xintong Expressway Company Limited	Rmb99,448,000	–	90.0 (f)	Operation of toll road
Tianjin Xintuo Expressway Company Limited	Rmb99,316,000	–	90.0 (f)	Operation of toll road
Tianjin Xinxiang Expressway Company Limited	Rmb90,472,000	–	90.0 (f)	Operation of toll road
Tianjin Xinyan Expressway Company Limited	Rmb89,028,000	–	90.0 (f)	Operation of toll road
Tianjin Xinzhan Expressway Company Limited	Rmb89,392,000	–	90.0 (f)	Operation of toll road
Wuhan Airport Road Development Limited	Rmb60,000,000	–	40.0 (d)	Operation of toll road

(a) Percentage of equity interest in equity joint ventures

(b) Voting power percentage in equity joint ventures

(c) Profit sharing percentage in equity joint ventures

(d) Percentage of interest in ownership and profit sharing

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

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

# Notes to the Accounts

## 39 Principal jointly controlled entities (Continued)

As at 30 June 2005

	Issued share capital #		Approximate percentage of shares held		Principal activities
	Number	Par value per share	Company	Group	
<b>Incorporated and operated in Hong Kong</b>					
ATL Logistics Centre Hong Kong Limited	100,000'A'	HK\$1	–	55.7	Operation of cargo handling and storage facilities
	20,000'B' **	HK\$1	–	79.6	
	54,918 *	HK\$1	–	–	
ATL Logistics Centre Yantian Limited	10,000	HK\$1	–	46.0	Investment holding
Far East Landfill Technologies Limited	1,000,000	HK\$1	–	47.0	Landfill
First Star Development Limited	100	HK\$1	–	50.0	Property development
Supertime Holdings Limited	100	HK\$1	–	50.0	Property development
Tate's Cairn Tunnel Company Limited	1,100,000	HK\$0.01	–	29.5	Operation of toll tunnel
	600,000,000 *	HK\$1	–	–	
United Asia Terminals (Yantian) Limited	52,000'A'	HK\$1	–	–	Operation of cargo handling and storage facilities
	52,000'B'	HK\$1	–	40.0	
	26,000'C'	HK\$1	–	–	
<b>Incorporated in British Virgin Islands</b>					
DPI Terminals New World Limited (formerly CSX World Terminals New World Limited)	2,000	US\$1	–	50.0	Investment holding
NWS Transport Services Limited (formerly Merryhill Group Limited)	500,000,016	HK\$1	–	50.0	Investment holding
<b>Incorporated in Cayman Islands</b>					
DPI Terminals New World (Tianjin) Limited (formerly CSX World Terminals New World (Tianjin) Limited)	1,000	US\$1	–	50.0	Investment holding

### 39 Principal jointly controlled entities (Continued)

As at 30 June 2005

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

# Represented ordinary shares, unless otherwise stated

\* Non-voting deferred shares

\*\* Non-voting preference shares