



# Infrastructure

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The overall performance of the Infrastructure division was satisfactory for FY2005. Energy, roads and water businesses were the key contributors to the Group. The significant decline in the contribution from the ports business was mainly due to the decline in earnings from Hong Kong port operations caused by the tough operation environment in Hong Kong and partly due to the disposal of Container Terminal No. 3 ("CT3") in February 2005.

The combined electricity sales of Zhujiang Power Phase I and II ("Zhujiang Power") increased by only 2% due to a 50-day major overhaul of one of the power generating units. Although the electricity demand in Guangdong Province is still surging, the contribution from Zhujiang Power did not register a significant growth over last year. Profitability was hindered by soaring coal price though there was an increase in sales volume and the tariff was raised in May 2005.

In October 2004, NWS Holdings Limited ("NWSH"), through Zhujiang Power, acquired an effective 35% interest in a joint venture which produces and supplies aerated concrete to the Pearl River Delta region.

Performance of Macau Power was satisfactory with 11% increase in electricity sales in FY2005.

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

During FY2005, NWSH invested in three new expressway projects, namely Beijing-Zhuhai Expressway (Guangzhou-Zhuhai Northern Section), Guangzhou-Zhaoqing Expressway and the Pearl River Delta Ring Road (South-Western Section), in order to capture the robust economic growth of the Pearl River Delta region.

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

To accommodate the growing demand for road transport under the booming economy, the Ministry of Communications has announced a long term national expressway plan in early 2005, calling for constructing 50,000 km more expressways which involves total investment of RMB2,000 billion. This creates ample investment opportunities for toll road business. The prospect of the business is



encouraging with the anticipated growth in transportation volume for both passenger and freight transports as well as surging in sales of passenger cars and trucks.

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

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

The contribution decrease from the Hong Kong ports operations was mainly due to the loss of certain major customers after their contract expired in 2004, as well as the disposal of our interest in CT3 completed in February 2005.

The investment made by NWSH in CT3 and Container Terminal No. 8 West ("CT8W") were for long-term purpose. However, in view of the market conditions and business uncertainty of container handling business in Hong Kong and the exceptionally attractive unsolicited offer by PSA International Pte Ltd ("PSA"), the Group entered into two separate share sale agreements with PSA to sell the Group's entire interests in CT3 and CT8W to PSA at a total consideration of HK\$3.0 billion. The aforementioned disposals were completed with a gain of approximately HK\$1.8 billion in FY2005.

The drop of throughput in CSX Orient (Tianjin) Container Terminals Co., Limited ("CSXOT"), operator



of four container berths and one coal berth in Tianjin Xingang, was due to the keen competition from another newly operated terminal. The throughput mix of CSXOT has been shifting from foreign trade to domestic trade and transshipment which generated lower revenue per TEU and resulted in a lower profitability as compared to FY2004.

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

NWSH entered into an agreement in May 2005 to acquire a 18% stake in Tianjin Five Continents International Container Terminal and approved by the relevant government authorities in September 2005. Tianjin has been positioned to transform into Northern China's international shipping and logistics centre. In order to maintain the earning capacity, the Group's ports operations are well positioned to capture future growth and improve profitability, particularly those in Mainland China.

Recently, NWSH has signed a letter of intent with China Railway Container Transport Corp Ltd. (中鐵集裝箱運輸有限責任公司) to set up a joint venture to develop, operate and manage large-scale pivotal rail container terminals in 18 major cities in Mainland China for 50 years.

