

Group Results

For the financial year ended 30th June, 2005, the toll revenue of the Group increased by 22% to HK\$1,514 million from HK\$1,245 million of the last financial year, mainly due to the rise in traffic flow of the Group's expressways in the People's Republic of China (the "PRC"). Of the total toll revenue, the Guangzhou-Shenzhen Superhighway ("GS Superhighway") contributed 88% or HK\$1,327 million, the Guangzhou East-South-West Ring Road ("ESW Ring Road") contributed 9% or HK\$143 million and the Phase I of the Western Delta Route ("Phase I West") contributed 3% or HK\$44 million. The growth in toll revenue by HK\$269 million, of which, the GS Superhighway contributed HK\$197 million, the ESW Ring Road contributed HK\$33 million and the Phase I West contributed HK\$39 million.

The Group's proportionately shared toll revenue is set out as follows:

	Year ended 30th June	
	2004 HK\$ million	2005 HK\$ million
GS Superhighway	1,130	1,327
ESW Ring Road	110	143
Phase I West	5	44
	1,245	1,514

Total expenses for the year ended 30th June, 2005, including toll operation expenses, depreciation and amortisation charges and general and administrative expenses increased 10% from HK\$411 million of the last financial year to HK\$451 million, mainly due to an increase in depreciation and amortisation charges. Since, under the Group's accounting policies, depreciation and amortisation charges of toll roads and additional investment costs are calculated based on the ratio of actual traffic volume in the year concerned compared to the total expected traffic volume over the remaining concession period of the respective jointly controlled entity. Depreciation and amortisation charges increased HK\$42 million in this financial year due to the stronger than expected growth of traffic flow.

The Group's earnings before interest and tax increased 28% from HK\$923 million to HK\$1,183 million for the year ended 30th June, 2005 and net profit increased 23% from HK\$735 million to HK\$901 million correspondingly, mainly due to the robust growth in toll revenue.

Although 7.5% PRC income tax has been charged for the first time on the profit derived from the Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway JV") since 1st January, 2005 after the expiry of a 5-year full exemption, its net profit still had a 16% increase over that of the last financial year.

Liquidity and Financial Resources

As a result of stable cash flow generated from its assets, the Group's gearing ratio (net debt to equity) was further improved to 30% as at 30th June, 2005 (2004: 36%). The Group's total debt to total assets ratio was stable at 36% (2004: 37%) and the gearing structure is set out below:

	As at 30th June	
	2004 HK\$ million	2005 HK\$ million
Total Debt	5,789	5,587
Net Debt ^(Note)	3,325	2,791
Total Assets	15,408	15,500
Equity	9,180	9,453
Total Debt / Total Assets	37%	36%
Net Debt / Total Equity	36%	30%

Note: Net debt is defined as total debt less bank balances and cash together with pledged bank deposits and debt securities investments.

As at 30th June, 2005, bank and other borrowings of the jointly controlled entities proportionately shared by the Group amounted to HK\$4,796 million (2004: HK\$4,951 million), with the following profile:

- (a) 98% was bank loans (2004: 98%) and 2% was other loans (2004: 2%); and
- (b) 72% was denominated in US dollars (2004: 72%) and 28% was denominated in Renminbi (2004: 28%).

The net current assets of the Group increased 71% from HK\$1,464 million as at 30th June, 2004 to HK\$2,497 million as at 30th June, 2005.

Debt Maturity Profile

The maturity profile of bank and other borrowings of the jointly controlled entities proportionately shared by the Group as at 30th June, 2005 as compared to that at 30th June, 2004 is shown as follows:

	As at 30th June	
	2004	2005
Repayable within 1 year	3%	4%
Repayable between 1 to 5 years	32%	36%
Repayable beyond 5 years	65%	60%

The Group has no unconsolidated bank borrowings both at 30th June, 2005 and 2004. Bank borrowings of the jointly controlled entities carry floating interest rates.

The extension of the bank loan maturities for the ESW Ring Road and the GS Superhighway by approximately an average of 3.5 years subsequent to the respective refinancing in June and August 2005 has further improved the Group's liquidity position. In addition, the Group obtained a fully underwritten commitment in August 2005 for a 5-year HK\$3.6 billion unsecured syndicated bank revolving credit and term loan facilities. These will definitely strengthen the Group's funding capabilities.

Interest Rate and Exchange Rate Exposures

There have been no significant changes in the Group's policy in terms of interest rate and exchange rate exposures. Neither the Group nor the jointly controlled entities have any financial derivative instruments to hedge the interest rate or foreign currency exchange rate exposures as the Hong Kong Dollar is pegged to US Dollar, and the exchange rate between Renminbi and Hong Kong Dollar is relatively stable during the year. Business operations of the Group and its jointly controlled entities are mainly denominated in these three currencies.

Treasury Policies

The Group continues to adopt prudent treasury policies in financial and funding management. Its liquidity and financial resources are reviewed on a regular basis to minimise the cost of funding and enhance the return on financial assets. Cash is generally placed in short-term deposits denominated in US Dollar and Hong Kong Dollar as well as overseas listed held-to-maturity debt securities.

Charges on Assets

As at 30th June, 2005, certain assets of the jointly controlled entities of the Group have been pledged to banks with a total net book value of approximately HK\$7,519 million (2004: HK\$7,647 million) to secure general banking facilities granted to the jointly controlled entities. The net book value of these assets are analysed as follows:

	As at 30th June	
	2004 HK\$ million	2005 HK\$ million
Toll roads	7,179	6,989
Prepaid lease payments	87	84
Bank deposits	319	334
Other assets	62	112
	7,647	7,519

In addition, the toll collection right of the GS Superhighway JV has been pledged to banks to secure its general banking facilities granted. The 90% (2004:100%) and 65% (2004:65%) of the toll collection rights of the Guangzhou E-S-W Ring Road Company Limited ("Ring Road JV") and the Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("West Route JV") respectively have been pledged to banks to secure general banking facilities granted to the respective jointly controlled entities.

Capital Commitments

As at 30th June, 2005, the Group had agreed, subject to the approvals of the relevant authorities, to make capital contribution to the West Route JV for development of the Phase II of the Western Delta Route amounting to approximately HK\$805 million (2004: Nil) which is expected to be spent over the next three calendar years. In addition, the GS Superhighway JV and the Ring Road JV had outstanding commitments in respect of acquisition of property and equipment contracted but not provided for amounting to approximately HK\$4 million (2004: HK\$23 million).

Contingent Liabilities

As at 30th June, 2005, there was no material change in contingent liabilities of the Group since the last financial year.

Material Acquisition or Disposal

During the year ended 30th June, 2005, there was neither material acquisition nor disposal of the Company's subsidiaries and associates.