

Group Results

Highlights

- **Toll revenue increased by 12% to HK\$1,030 million;**
- **Net profit excluding interest income from shareholder's loans increased 17% to HK\$507 million;**
- **Total debt decreased by 14% to HK\$6,380 million;**

Toll revenue increased by 12% to HK\$1,030 million from HK\$918 million from the previous financial year, driven in large part by the increase in traffic flow of the Group's expressways in the PRC. Of total toll revenue, GS Superhighway contributed 92%, or HK\$944 million, and ESW Ring Road contributed 8%, or HK\$86 million. Of the HK\$112 million increase in toll revenue from the last fiscal year, GS Superhighway contributed HK\$97 million, or 87%, and ESW Ring Road contributed HK\$15 million, or 13%. Other operating income decreased by 55% from HK\$152 million to HK\$68 million, largely driven by the decrease in interest income derived from the Group's shareholder's loans to the GS Superhighway JV, which was fully repaid in February 2002. Total revenue (including toll revenue and other operating income) increased 3% from HK\$1,070 million in fiscal year 2002 to HK\$1,098 million in fiscal year 2003.

Net profit excluding interest income from shareholder's loans increased 17% from HK\$433 million in fiscal year 2002 to HK\$507 million this fiscal year. Net profit totalled HK\$533 million, approximately the same as HK\$532 million from the previous financial year. Generally, the decrease in interest income from shareholders loans due to the loan repayment from the GS Superhighway JV was more than compensated for by the strong growth in toll revenue.

Total expenses, including toll operating expenses, depreciation and amortisation expenses and general and administrative expenses increased from HK\$289 million in fiscal year 2002 to HK\$329 million in fiscal year 2003, mainly due to the increase in repair and maintenance cost and depreciation charges. Since, under the Group's accounting policies, depreciation and amortisation charges are calculated based on the ratio of actual traffic volume compared to the total expected traffic volume over the remaining operation period of respective jointly controlled entities, depreciation and amortisation charges were higher this year due to the stronger growth of traffic. Finance costs decreased 9% from HK\$221 million to HK\$201 million due to the lower interest rate environment. The Group's effective tax rate increased from 3.4% to 4.3%. Income tax expenses increased by 28% from HK\$19.3 million to HK\$24.7 million due to an increase in deferred tax provisions.

Liquidity and Financial Resources

During the year, the Group repaid HK\$577 million of bank and other loans and HK\$668 million of amount due to holding companies. As a result of the stable cash flow generated from its assets, the Group improved its total debt to total assets ratio, from 57% as at 30th June, 2002 to 51% as at 30th June, 2003. Assuming the Initial Public Offering in August 2003 was completed during fiscal year

2003, on a pro-forma basis, the total debt to total assets ratio would have been 38% as at 30th June, 2003 and the pro forma net debt to total equity ratio would have been 37% as at 30th June, 2003. Net cashflow was HK\$204 million for fiscal year 2003.

The Group's gearing structure is set out as follows:

	At 30th June		
	2002 HK\$ million	2003 HK\$ million	Pro Forma ⁽³⁾ HK\$ million
Equity ⁽¹⁾	5,321	5,846	8,726
Total Debt	7,408	6,380	5,464
Total Net Debt ⁽²⁾	7,310	6,079	3,201
Total Assets	12,933	12,487	14,451
Total Debt/Total Assets	57%	51%	38%
Net Debt/Total Equity	137%	104%	37%

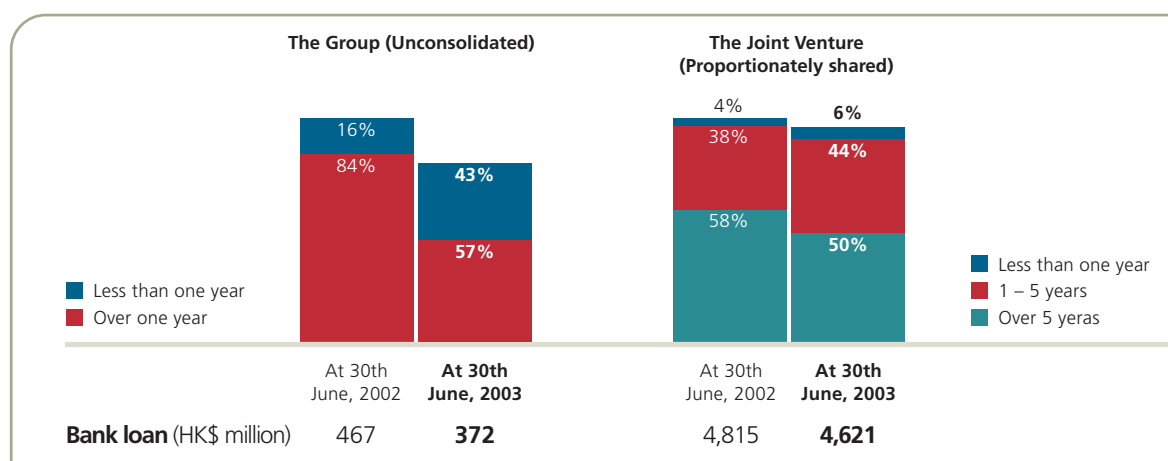
Notes:

(1) Assumes HK\$4,500 million of the amounts due to holding companies are capitalised;

(2) Net debt is defined as total debt less bank balances and cash;

(3) Assuming the Initial Public Offering in August 2003 was completed during fiscal year 2003, on a pro-forma basis, the balance at 30th June, 2003 was adjusted for estimated net listing proceeds of HK\$2,880 million less repayment of bank loans of HK\$372 million and repayment of shareholder's loans advanced by holding companies of HK\$544 million.

The maturity profile of the Group's bank borrowings at 30th June, 2003 as compared with that at 30th June, 2002 is shown as follows:



The Group (unconsolidated) borrowings are denominated in Hong Kong dollars and carry interest at floating rates. The Joint Venture companies borrowings are denominated in US dollars and Renminbi and carry floating interest rates.

The Group's average interest rate for bank loans for fiscal year 2003 was 2.7% (2002: 3.6%).