

# Financial Review

## Group Results

### Highlights:

- **Toll revenue increased by 21% to HK\$1,245 million;**
- **Net profit increased by 38% to HK\$735 million;**
- **Net profit excluding interest income from shareholder's loan and income from debt securities investments increased 37% to HK\$693 million;**
- **Finance costs decreased by 25% to HK\$151 million;**
- **Total debt decreased by 10% to HK\$5,719 million.**

For the financial year ended 30th June, 2004, toll revenue increased by 21% to HK\$1,245 million from HK\$1,030 million of the previous financial year, mainly due to the rise in traffic flow of the Group's expressways in the PRC. Of the total toll revenue, GS Superhighway contributed 90.8% or HK\$1,130 million, ESW Ring Road contributed 8.8% or HK\$110 million and Phase I West contributed 0.4% or HK\$5 million since its opening on 30th April, 2004. Of the HK\$215 million increase in toll revenue from the previous year, GS Superhighway contributed HK\$186 million or 87%, ESW Ring Road contributed HK\$24 million or 11% and Phase I West contributed HK\$5 million or 2%. Other operating income was up by 31% from HK\$68 million last financial year to HK\$89 million this financial year, largely due to interest and investment incomes from listing proceeds. Total revenue (including toll revenue and other operating income) increased 21% from HK\$1,098 million last financial year to HK\$1,334 million this financial year.

Net profit increased 38% from HK\$533 million last financial year to HK\$735 million this financial year, mainly due to the robust growth in toll revenue, increase in other operating income and lower finance costs.

Total expenses, including toll operation expenses, depreciation and amortisation charges and general and administrative expenses increased from HK\$329 million in financial year 2003 to HK\$411 million in financial year 2004, mainly due to higher repair and maintenance expenses and administrative expenses, and 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 compared to the total expected traffic volume over the remaining period of respective jointly controlled entities, depreciation and amortisation charges were higher by HK\$43 million this financial year due to the stronger than expected growth of traffic flow. Given the lower interest rate environment and repayment of bank loans by the Group from listing proceeds, finance costs decreased 25% from HK\$201 million to HK\$151 million. The Group's effective income tax rate decreased from 4.3% to 2.9%. Income tax expenses decreased by 11% from HK\$25 million to HK\$22 million.

## Liquidity and Financial Resources

During the year, the Group repaid HK\$561 million of bank loans and HK\$543 million of amounts due to the holding companies. As a result of the stable cash flow generated from its assets and the increased shareholders' funds after listing, the Group improved its total debt to total assets ratio, from 51% in financial year 2003 to 37% in financial year 2004. The Group also improved its net debt to total equity ratio from 104% in financial year 2003 to 35% in financial year 2004.

The Group applies prudent treasury policies in financial and funding management. Liquidity and financial resources are reviewed on a regular basis to minimise the cost of funding and enhance the return on financial assets.

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

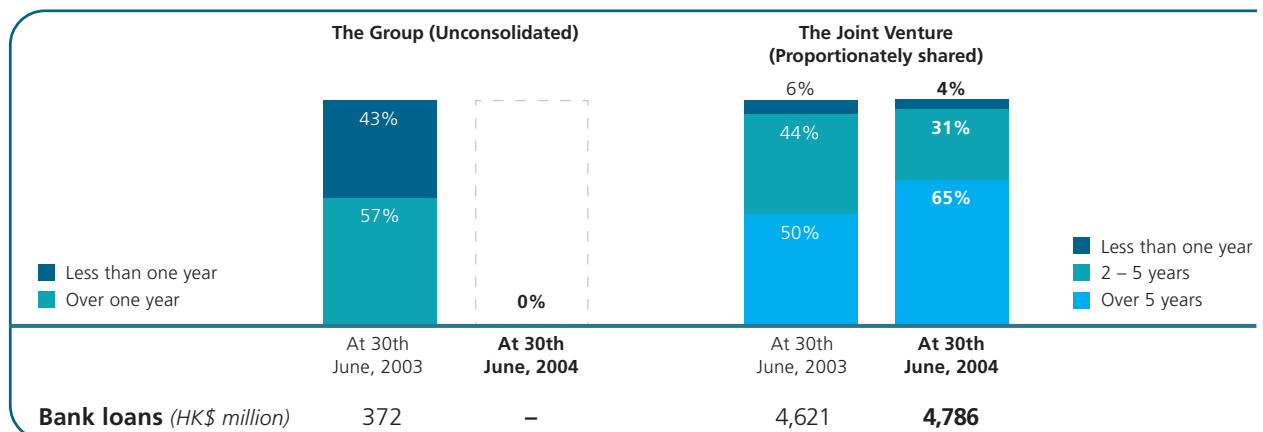
	At 30th June	
	2003 HK\$ million	2004 HK\$ million
Equity	5,846 <sup>(1)</sup>	9,180
Total Debt	6,380 <sup>(1)</sup>	5,719
Total Net Debt <sup>(2)</sup>	6,079	3,255
Total Assets	12,487	15,338
Total Debt / Total Assets	51%	37%
Net Debt / Total Equity	104%	35%

Notes:

(1) Assumes HK\$4,500 million of the amount due to holding company was capitalised as equity on 30th June, 2003;

(2) Net debt is defined as total debt less bank balances and cash, pledged bank deposits and debt securities investments.

The maturity profile of the Group's bank borrowings at 30th June, 2004 as compared with that at 30th June, 2003 is shown as follows:



The Group has no unconsolidated bank borrowings at 30th June, 2004 (30th June, 2003: HK\$372 million). The Joint Venture companies' borrowings are denominated in US dollars and Renminbi and carry floating interest rates.

The Group's average interest rate for proportionately shared bank loans for the financial year 2004 was 2.5% (2003: 2.7%) per annum.

## Charges on Assets

During the year, 65% of the toll fee collection right of West Route JV and certain of its assets were pledged to banks to secure general banking facilities granted to the jointly controlled entity. Details of the charges on assets are set out in note 35 to the financial statements.

## Capital Commitments

Details of capital commitments are set out in note 34 to the financial statements.

## Contingent Liabilities

During the year, there was no material change in contingent liabilities of the Group.