



# Chairman's Message



## Financial Position

### 2007/2008 Performance

Both the daily traffic throughput and the market share for the year ended 31 July 2008 improved over the same period of last year. With a 4% rise in the daily traffic, the average daily traffic throughput reached 48,928 vehicular trips a day and our market share increased from 20% to 21% during 2007/2008.

## Financial Position (Year Ended 31 July 2008)

The recovery of Hong Kong economy and the fourth actual toll increase have further strengthened the Company's financial position. Toll revenue was HK\$853 million for the year ended 31 July 2008. Compared with last year, toll revenue rose by 10%. Other income reached HK\$35 million during 2007/2008, it included the provision of telecommunications network services, advertising site rental, etc.

Bank finance charges decreased by HK\$16 million to HK\$115 million for the year ended 31 July 2008 due to the reduced bank loan balance and lower HIBOR. The operating cash surplus is expected to sufficiently cover the operating cost, bank finance charges and scheduled loan repayment. As a result, the Company's financial position is healthy. To combat the volatility of interest rates, the Company entered into interest rate swap agreements to convert part of its bank loan from floating interest rate to fixed rate.

An after-tax profit of HK\$352 million was recorded for the year ended 31 July 2008 as compared to HK\$273 million for the year ended 31 July 2007, an increase of 29% mainly caused by improved toll income and lower bank finance charges. Despite very tight cost control taken by the management, there was a substantial increase in operating costs due to an increase in government rates and additional depreciation from higher traffic volume and updated traffic projection up to the end of franchise.

As at 31 July 2008, the bank loan outstanding was HK\$2,488 million and the remaining unused banking facilities were HK\$612 million.

Due to the performance of the Tunnel being below the target set in the WHC Ordinance, the fourth actual toll increase took effect from 6 January 2008. In addition, the seventh toll gazettal took effect on 31 July 2008 but the actual toll charge remained unchanged.

## Traffic Improvement

With the opening of Route 8 (from Shatin to Cheung Sha Wan) in March 2008, the travelling time to and from Hong Kong Island and New Territories had been shortened drastically. The accessibility of the WHC between the New Territories and Hong Kong Island was improved significantly, which in turn contributed a positive increment to the overall throughput of the WHC. Furthermore, a section of solid-cum double white lines between the nearside and middle lanes of Connaught Road Central Flyover eastbound before Man Po Street had been shortened, allowing more weaving distance to enable the WHC traffic to merge into Connaught Road Central flyover eastbound.

The Management maintained close liaison with the Government to improve the accessibility to and from the Tunnel. Certain projects, such as the Central – Wanchai Bypass and West Kowloon Cultural District, would definitely benefit to the Tunnel in the long run and relieve the congestion of cross-harbour tunnels. The Board really appreciates all these efforts which will generate additional traffic for the Tunnel.

### Marketing Highlights

Both the traffic throughput and the revenue recorded significant growth as a result of the robust economy. With the supports of taxi and goods vehicle counterparts, the Midnight Empty Taxi Promotion and the Midnight Goods Vehicle Promotion were extended to 31 January 2009. The Company also launched a number of promotional programs with our business partners to boost traffic volume.

Outdoor advertising and provision of telecommunication services continued to provide a stable income for the Company.

### Charity and Community

Being a responsible corporate citizen, the Company continued to render its support to various community activities mainly in four aspects, namely sports and recreation, education, social care activities and corporate sponsorships. To help nurture talents for the society, the Company not only offered scholarships to qualified students of the University of Hong Kong, but also provided summer intern vacancies to undergraduates. Through billboard sponsorships and leaflet distribution, the Company assisted non-profit making organizations to convey their positive messages to the public.

### Service Commitment

WHTCL commits to be a leading tunnel operator providing safe and quality services to the public. During the year, the Company received encouraging customer feedback and recognition of the professional performance and sincere attitude of our staff. We promise continuously to operate the Tunnel in the most efficient manner.

### Prospects

With excellent operational performance, improved access roads, and further development in the western part of Hong Kong, I am confident of the prospects of the Company in the years ahead.

On behalf of the Board, I give my thanks to the General Manager of WHTCL, Mr. Kenneth Pang, his management team and all our staff for their dedication and efforts throughout the year.

### Vernon Moore

Chairman

