

Operations Review

The Group's activities are concentrated in five core businesses – ports and related services; telecommunications and e-commerce; property and hotels; retail and manufacturing; and energy, infrastructure, finance and investments.

The Group's turnover and earnings before interest expense and tax ("EBIT") for 2000, including the Group's share of associated companies' and jointly controlled entities' turnover and EBIT, are shown by business segment on pages 4 and 5 of this Annual Report. Turnover for the year was HK\$84,825 million, a 17% increase compared to 1999, principally due to the ports, telecommunications, retail and manufacturing, energy, infrastructure, finance and investments operations which benefited respectively from increased throughput, a gradual recovery of the Asian economies, increased oil and gas prices and increased interest income on a larger pool of cash reserves. All the Group's core businesses continued to report positive EBIT during the year despite strong competition, particularly in the telecommunications, property and retail and manufacturing divisions. Total EBIT for the year was HK\$19,567 million, 19% ahead of the previous year's EBIT of HK\$16,465 million. The Group's interest expense for the year, including its share of associated companies' and

jointly controlled entities' interest expense, increased by 32% to HK\$7,914 million, mainly due to an increased average loan balance and higher average interest rates than in 1999. The increased average loan balance reflects the Australian dollar loan facilities used to fund Cheung Kong Infrastructure's and Hongkong Electric Holdings' acquisitions in Australia of ETSA Utilities in January and of Powercor in September, and the issuance of a US\$3,000 million note, bearing interest of 2.875%, which is exchangeable into Vodafone Group shares. The details of the profit on disposal of investments less provisions of HK\$25,742 million (1999 – HK\$109,532 million) are shown in Note 3 to the Accounts. The Group's tax charge increased by HK\$727 million, or 58%, almost entirely due to the increased deferred taxation expense of Husky Energy. Minority interests' share of the Group's profit decreased by HK\$91 million, or 7%, reflecting the minority shareholders' share of reduced profits in certain property projects partially offset by the minority shareholders' share of increased profits in certain ports. The profit attributable to shareholders reduced from HK\$117,345 million in 1999 to HK\$34,118 million in 2000 due to the profit on disposal of Group's 49% interest in Orange plc (Note 3 to the Accounts) reported in 1999.