

## COMMENTARY ON FINANCIAL RESULTS

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of Hong Kong Ferry (Holdings) Company Limited and the related notes on the accounts.

### RESULTS OF OPERATIONS

Total turnover of the Group for the year amounted to HK\$776.5 million, showing a decrease of 13% as compared to that recorded in the previous year. The decrease in total turnover was attributed to the discontinuance of the passenger ferry and wholesale businesses.

Profit after taxation, which increased by 4.5% to HK\$126.6 million compared to that recorded in the previous year, mainly consisted of the profit realised out of the second instalment of HK\$397.5 million received in respect of the disposal of 50% of the sales proceeds of the domestic portion of the 201 Tai Kok Tsui Road Redevelopment (the "Disposal").

The operating profit of the Ferry Operations improved significantly as a result of the discontinuance of the loss-making passenger ferry services. The Shipyard Operations turned around after restructuring the work force. The operating profit of the Travel Operations increased by about 120% while the Silvermine Beach Hotel nearly broke even for the year.

### LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2000, shareholders' funds of the Group showed a decrease of 4.3% from that recorded in 1999 and amounted to HK\$3,732 million. Such decrease was mainly attributed to the write-down in revaluation reserve on properties under development of the Group.

Funding for the Group's activities in the year under review was mainly generated from proceeds received from the Disposal. Bank borrowings included under current liabilities as at 31 December 2000 were HK\$600 million.

Current assets of the Group were recorded at HK\$284 million as compared to the Group's current liabilities of HK\$806 million as of 31 December 2000. Current ratio of the Group depleted from 0.5 as of 31 December 1999 to 0.35 as of 31 December 2000. The bank loans of HK\$600 million included in current liabilities will be met by the third and final instalment from the Disposal of HK\$900 million to be received in the year 2001.