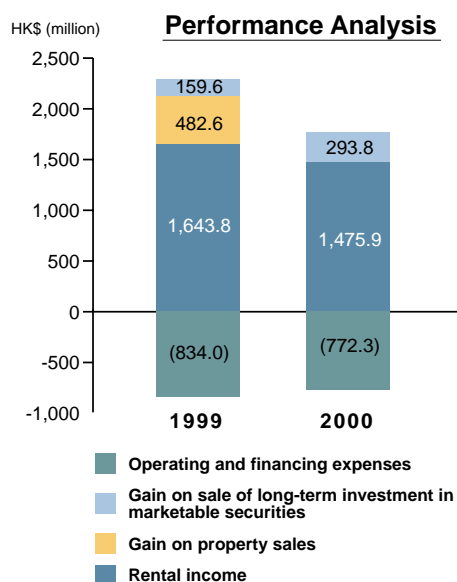


# Financial Review

## RESULTS

The Group's turnover in 2000 was HK\$1,480 million. This represented a decrease of HK\$816 million (35.5%) from the previous year and was mainly caused by the non-recurring income from property sales of HK\$647 million in 1999 versus minimal property sales in 2000, and rental income from the Group's investment properties dropping by 10.2% because of continuing negative rental reversions. These negative effects, however, were reduced by gains on disposal of long-term investment in marketable securities and lower operating and financing expenses. The Group's profit after tax in 2000 was HK\$850 million, a decrease of HK\$354 million or 29.4% from the previous year, and earnings per share correspondingly decreased from HK\$1.16 to HK\$0.82.

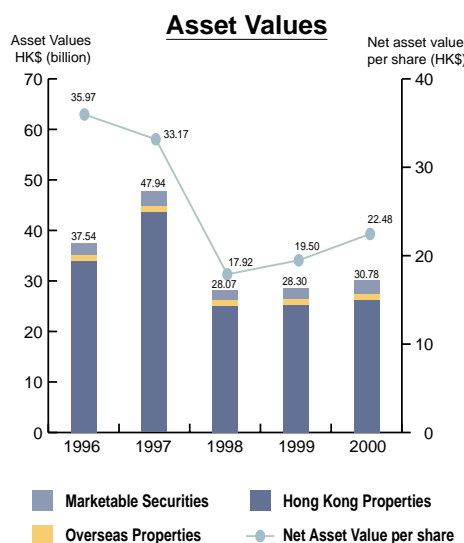


## ASSET VALUES

The Group's investment properties were valued independently by professional valuers at year end. Due to the resurgent commercial property

market in Hong Kong, a revaluation surplus of HK\$3,253 million was accordingly taken to reserves.

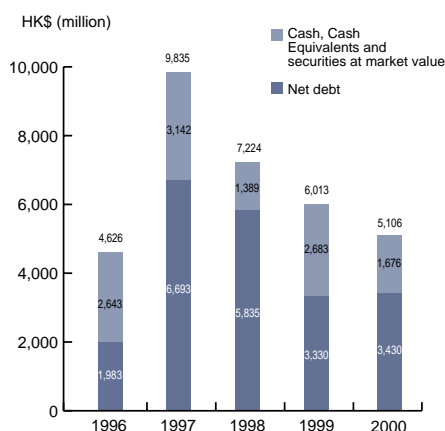
With the Group's focus on Hong Kong commercial properties and the positive revaluation, the Group's shareholders fund rose 14.6% year-on-year from HK\$20,217 million to HK\$23,159 million and net asset value per share increased from HK\$19.50 to HK\$22.48.



## DEBT AND MATURITY PROFILE

Total debt outstanding as at 31 December 2000 was HK\$5,106 million (excluding amount due to minority shareholders and advances from investees), which represented a reduction of HK\$907 million from the previous year end. The decrease was attributed to cash flow from rental income and proceeds from sale of marketable securities. Net debt (gross borrowings less cash, cash equivalent and marketable securities at year-end market value aggregating HK\$1,676 million) amounted to HK\$3,430 million.

### Gross and net debt



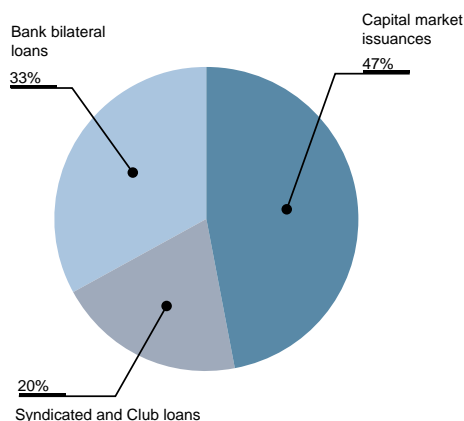
All of the Group's outstanding debt are denominated in Hong Kong dollars, unsecured and on a committed basis.

The maturity profile of the Group's gross debt at 31 December 2000 was as follows:

|                           | 2000<br>HK\$ (Million) | 1999<br>HK\$ (Million) |
|---------------------------|------------------------|------------------------|
| Repayable within a period |                        |                        |
| - Not exceeding 1 year    | 816                    | 1,953                  |
| - Between 1 to 2 years    | 2,150                  | 1,510                  |
| - Between 2 to 5 years    | 2,140                  | 2,550                  |
|                           | <b>5,106</b>           | <b>6,013</b>           |

The Group sourced its debt facilities from diversified sources to maintain a balance between cost and risk.

### Sources of debt facilities



The Group also has strong recurring cash flow and sufficient stand-by financing facilities to meet maturing borrowings and to facilitate a swift response to potentially attractive investment opportunities.

### INTEREST COVER AND GEARING

Principally as a result of debt reduction in 1998-2000 and improved investment property value, the Group's net debt as a percentage of shareholder equity on 31 December 2000 improved from 16.5% to 14.8% year-on-year. Net interest expenses coverage was a healthy 3.6 times (1999: 4.2 times).

### FINANCIAL RISK AND MANAGEMENT

The Group's financial risk management strategies include accessing diversified funding sources, extending the tenor of facilities, spreading out the maturity dates, as well as using interest rate swaps and other instruments to manage interest rate risks and to reduce exposure to volatility in interest rates. As of 31 December 2000, 46% of the Group's borrowings were at fixed interest rates.

The Group's foreign exchange exposure is minimal. All debt outstanding are Hong Kong dollars denominated, and investment in overseas projects total the equivalent of HK\$687 million or 3.0% of the Group's shareholder equity.

## CREDIT RATING

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During 2000, the Group maintained its credit rating of BBB+ from Standard & Poor's Rating Agency. The agency recently changed the Group's outlook from negative to stable because of the improved Hong Kong property market and the Group's strong financial position.

## CAPITAL EXPENDITURES

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The Group incurred capital expenditures totaling HK\$75 million in 2000, of which HK\$46 million was for developing The Grand Gateway project, HK\$27 million for completing construction payments for The Lee Gardens, and HK\$2 million for one of the Singapore residential property development projects.

## CONTINGENT LIABILITIES

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The Group has provided guarantees for banking facilities granted to associated companies and investee companies. For 2000, the guarantees and counter guarantees were to cover the Group's obligations in respect of the three Singapore development projects. As of 31 December 2000, the Group's share of guarantees and counter guarantees amounted to approximately HK\$153 million (1999: HK\$159 million) and HK\$84 million (1999: HK\$191 million) respectively.