

## Financial Review

### (A) Financial Results

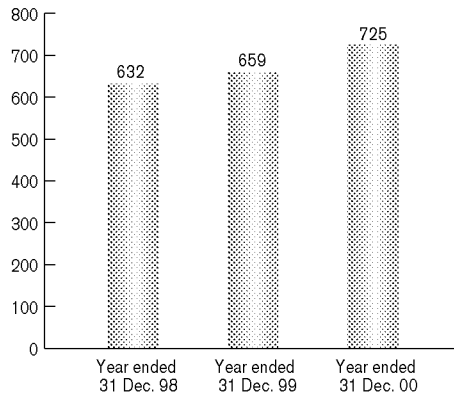
#### Summary of Consolidated Income Statement

HK\$million	Year ended 31 Dec. 00	Year ended 31 Dec. 99	% changes
Turnover: Group and share of infrastructure joint ventures			
Toll revenue	725	659	+ 10%
Minimum income undertakings	222	216	+ 3%
Sales of goods	26	-	N/A
	<b>973</b>	875	+ 11%
Less: Share of infrastructure joint ventures' toll revenue	<b>(697)</b>	(632)	+ 10%
Turnover: Group	<b>276</b>	243	+ 14%
Net income recognised in respect of goodwill and negative goodwill			
	<b>12</b>	-	N/A
Gain on disposal of interest in an infrastructure joint venture	-	212	N/A
Gain recognised on repurchase of secured loans	-	6	N/A
Other income	<b>26</b>	34	- 24%
Cost of inventories sold	<b>(22)</b>	-	N/A
Operating expenses	<b>(115)</b>	(88)	+ 31%
Allowance for doubtful minimum income undertakings	-	(19)	N/A
Share of operating profit of joint ventures	<b>403</b>	371	+ 9%
Operating profit: Group and share of joint ventures	<b>580</b>	759	- 24%
Finance costs	<b>(131)</b>	(134)	-2%
Profit before taxation	<b>449</b>	625	- 28%
Taxation	<b>(21)</b>	(11)	+ 91%
Minority interests	-	(4)	N/A
Profit for the year	<b>428</b>	610	- 30%
Weighted average number of issued shares	<b>510,565,725</b>	533,106,846	- 4%
Basic earnings per share	<b>HK\$0.76</b>	HK\$1.07	- 29%
Dividend per share in respect of current year	<b>HK\$0.26</b>	HK\$0.39	- 33%
<b>HK\$ million</b>			
Dividends in respect of current year			
Interim dividend	<b>96</b>	53	81%
Special dividend	-	37	N/A
Proposed final dividend	<b>35</b>	113	- 69%
Dividend on convertible preference shares	<b>39</b>	39	-

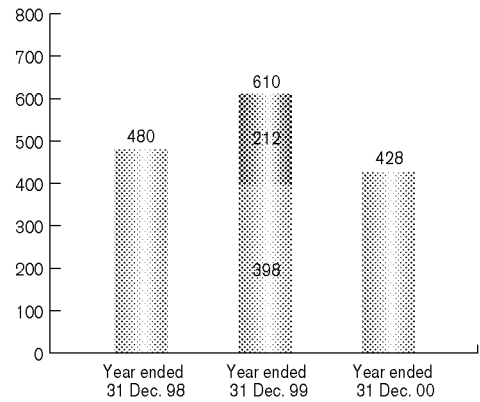
Financial Review

# Financial Review

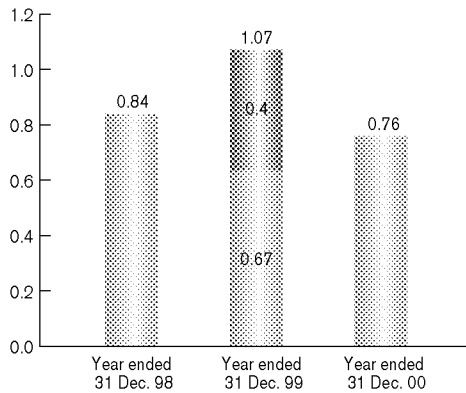
**Toll Revenue for the Year (HK\$million)**



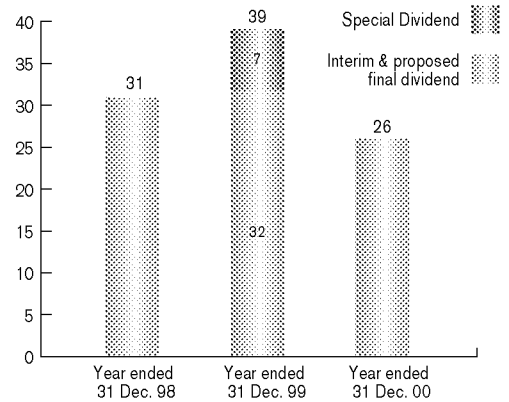
**Profit for the Year (HK\$million)**



**Basic EPS (HK\$)**



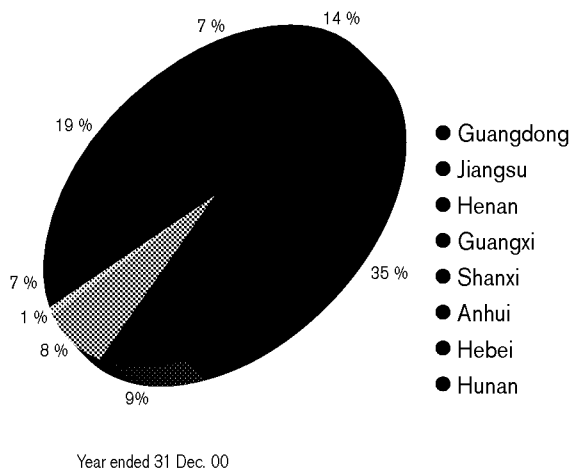
**Dividend Per Share (Cents/share)**



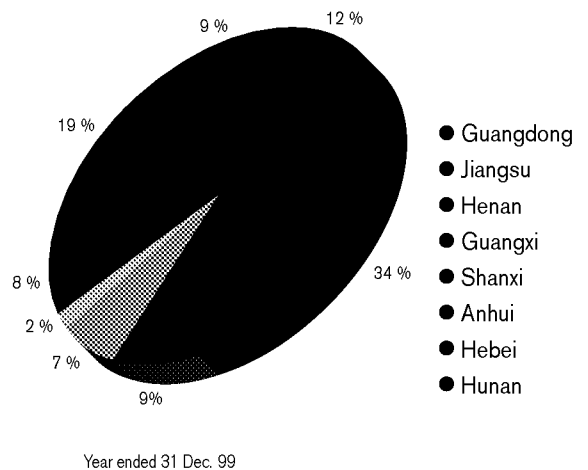
⊠ Related to gain on disposal of interest in an infrastructure joint venture in 1999.

Financial Review

**Profit Contribution by Geographic Region**



**Profit Contribution by Geographic Region**



# Financial Review

## **Toll revenue**

Toll revenue increased by 10% due to the maturing of existing projects and the increase in toll rates in certain projects. During the year, the Group had acquired interests in four infrastructure co-operative joint ventures in Anhui Province. Excluding the effect of the disposed Meiguan Expressway in 1999 and that of the newly acquired projects in Anhui Province in 2000, the increase in toll revenue would be 5%.

## **Sales of goods**

The amount mainly represented sales of goods from new investments including herbal medicine and ginseng businesses.

## **Net income recognised in respect of goodwill and negative goodwill**

The income mainly represented the recognition of negative goodwill arising from the purchase of approximately 62% of the shares of Chai-Na-Ta Corp., which is the world's largest grower of North American ginseng and the company's shares are listed on the Toronto Stock Exchange and trading on NASDAQ OTC Bulletin Board.

## **Other income**

Other income mainly consisted of interest income.

## **Operating expenses**

The increase of operating expenses is due to the inclusion of operating expenses of new businesses, which were acquired by the Group during the year.

## **Share of operating profit of joint ventures**

Share of joint ventures' operating profit increased by 9% due to the maturing of existing projects and the increase in toll rates in certain projects. Excluding the effect of the Meiguan Expressway disposal in 1999 and the addition of new projects in 2000, share of operating results of joint ventures would increase by 4%.

## **Finance costs**

Finance costs represented interest expenses of secured loans, less interest income on repurchased loans.

## **Taxation**

Taxation mainly represented share of PRC Income Tax attributable to the PRC infrastructure joint ventures and a deferred tax provision arising from timing differences between depreciation charges of the highway operation rights adopted by the Group and that adopted by the PRC infrastructure joint ventures.

Financial Review

## Financial Review

### Profit for the year

Profit for the year ended 31 December 2000 was HK\$428 million. Excluding the gain on the disposal of Meiguan Expressway in 1999, net profit would increase by 7%.

### Dividends

#### Ordinary Shares

The Board recommended a final dividend of HK\$0.07 per share. Together with the interim dividend of HK\$0.19 already paid, total dividend per share for the year amounts to HK\$0.26 per share (last year: HK\$0.39 per share).

#### Convertible Preference Shares

A preferred dividend of HK\$38,879,000 in respect of the convertible preference shares was paid out during the year (last year: HK\$38,879,000).

## (B) Cash Flow

### Summary of consolidated cash flow statement

HK\$million	Year ended 31 Dec. 00	Year ended 31 Dec. 99	Changes
Net cash (outflow) inflow from operating activities	(71)	99	-170
Net cash outflow from returns on investment and servicing of finance	(291)	(207)	-84
Net cash inflow from investing activities	140	662	-522
Net cash (outflow) inflow before financing	(222)	554	-776
Net cash outflow from financing	(226)	(151)	-75
(Decrease) increase in cash and bank balances	(448)	403	-851

**Net cash flow from operating activities** was mainly due to HK\$40 million (last year : Nil) of inventories and ginseng crops cost arising from acquisition of new businesses during the year, and increase of debtors, deposits and prepayments by HK\$154 million.

**Net cash outflow from returns on investment and servicing of finance** mainly consisted of dividends received from infrastructure joint ventures of HK\$66 million (last year: HK\$142 million); dividend payment of HK\$248 million (last year: HK\$252 million), interest income of HK\$29 million (last year: HK\$28 million) and interest payment of HK\$138 million (last year: HK\$125 million).

**Net cash inflow from investing activities** mainly comprised repayment of loans from infrastructure joint ventures of HK\$363 million (last year: HK\$305 million), additional investments in infrastructure joint ventures of HK\$201 million (last year : HK\$15 million), and decrease in charged deposits of HK\$39 million (last year: increase of HK\$99 million).

## Financial Review

**Net cash outflow from financing** principally consisted of the repayment of secured loans of HK\$146 million (last year: Nil) and repurchase of shares of HK\$78 million (last year: HK\$69 million)

### Capital Expenditure Commitments

As at the end of 2000, the Group's outstanding capital commitments in respect of investment costs to be injected into infrastructure joint ventures were as follows:

	HK\$ million
Within one year	34
In the second to fifth year inclusive	17
After the fifth year	45
	96

The commitments will be funded by the Group's current cash and bank balances as well as internal cash generation from existing projects in China.

## (C) Financial Position

### Summary of Consolidated Balance Sheet

HK\$ million	As at 31 Dec. 00	As at 31 Dec. 99	Changes
<b>ASSETS</b>			
Property, plant and equipment	69	20	+ 49
Interests in joint ventures	4,463	4,281	+ 182
Other non-current assets	327	313	+ 14
Current assets	869	1,084	- 215
Total assets	5,728	5,698	+ 30
<b>LIABILITIES</b>			
Current liabilities	236	233	+ 3
Long-term liabilities	1,239	1,378	- 139
Minority interests	85	20	+ 65
Total liabilities	1,560	1,631	- 71
<b>CAPITAL</b>			
Shareholders' funds	4,168	4,067	+ 101

Financial Review

**Property, plant and equipment** mainly comprised the fixed assets of subsidiaries including Zhongshan Qijiang Highway Company Limited and Chai-Na-Ta Corp.

**Interests in joint ventures** increased to HK\$4,463 million mainly due to acquisition of interests in four infrastructure joint ventures in Anhui Province during the year.

## Financial Review

**Other non-current assets** mainly comprised toll highway operation right, goodwill, negative goodwill, minimum income receivables due after one year, investments in securities and charged deposits. Decrease in toll highway operation right from HK\$81 million to HK\$75 million was mainly due to amortisation made for the year. Goodwill of HK\$4 million (last year: HK\$3 million) was reclassified from reserves in last year to non-current assets in current year. Balance of negative goodwill of HK\$49 million (last year: Nil) was mainly derived from the acquisition of Chai-Na-Ta Corp. during the year. Minimum income undertaking receivables due in 2002 and 2004 were HK\$72 million (last year: HK\$66 million) and HK\$111 million (last year: HK\$72 million) respectively. Investments in securities held by the Group was HK\$52 million (last year: HK\$52 million). Charged deposits approximated to HK\$62 million (last year: HK\$39 million) which had been deposited in several designated bank accounts maintained in accordance with the terms and conditions of the Group's secured loans.

**Current assets** mainly comprised bank balances and cash, charged deposits, receivables, inventories and ginseng crops. Bank balances, cash and charged deposits aggregated to HK\$391 million (last year: HK\$900 million). Receivables represented by debtors, deposits and prepayments amounted to HK\$309 million (last year: HK\$184 million). Inventories and ginseng crops of HK\$169 million (last year: Nil) were mainly arising from the Group's ginseng business.

**Current liabilities** included HK\$50 million (last year: HK\$65 million) of interest payables, a deferred taxation of HK\$8 million (last year: Nil) and HK\$149 million of the short-term portion of the secured loan (last year: HK\$154 million) which had been reclassified from long-term liabilities to current liabilities.

**Non-current liabilities** mainly comprised the long term portion of the Group's secured loans of HK\$1,239 million (last year: HK\$1,374 million).

The increase in **shareholders' funds** was attributable to the current year retained profit, adjusted for cancellation of shares repurchased during the year.

Financial Review

### Capital Structure

<b>HK\$million</b>	<b>As at 31 Dec. 00</b>	As at 31 Dec. 99
Shareholders' funds	<b>4,168</b>	4,067
Secured loans	<b>1,388</b>	1,528
Total capital employed	<b>5,556</b>	5,595
Gearing ratio	<b>33%</b>	38%

The reduction of the Group's gearing ratio from 38% to 33% was mainly attributable to the repayment of secured loans of HK\$146 million and the increase of shareholders' funds during the year. The Group's net gearing ratio was 22% (last year: 14%).

### Interest Coverage

<b>HK\$million</b>	<b>Year ended 31 Dec. 00</b>	Year ended 31 Dec. 99
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	<b>703</b>	874
Interest expenses	<b>131</b>	134
Interest coverage	<b>5.4 times</b>	6.5 times