

Group Financial Review

Liquidity, Capital Resources and Funding

Cash inflow for 2000 was HK\$3,130 million comprising the aggregated result of HK\$2,390 million from loans, HK\$500 million from operating activities, HK\$114 million from joint ventures, HK\$73 million from

dividends of associates, HK\$39 million from interest received and HK\$14 million from dividends of investments.

Cash outflow for 2000 was HK\$2,870 million mainly attributable to HK\$1,885 million for repayment

of loans, HK\$375 million for interest paid, HK\$358 million for purchase of fixed assets, HK\$90 million for dividends paid to shareholders, HK\$66 million for taxation and HK\$53 million for investments.

Cash Flow Variance Analysis

(HK\$ million)	2000	1999	Variance
Operating activities	500	(499)	999
Returns on investments and servicing of finance	(351)	(301)	(50)
Taxation	(66)	(12)	(54)
Investing activities	(326)	69	(395)
Financing	503	1,077	(574)
Increase in cash and cash equivalents	260	334	(74)

The cash and cash equivalents increased by HK\$260 million to HK\$873 million at the end of the year 2000. The net cash flow from operating activities was positive primarily due to the fact that the land premium for Cheung Sha Wan Shipyards Redevelopment Project had been paid in 1999 while the project payment for The Belcher's can be financed through the presale proceeds held under the stakeholders' account. Shipping division also contributed towards positive cash flows with improved revenue.

During the year, the Group signed a HK\$2,270 million syndicated loan facility agreement with banks to finance its Cheung Sha Wan Shipyards Redevelopment Project. During the same period, the Group also secured a HK\$2,380 million syndicated loan facility at improved terms, including a lower interest margin, with banks to re-finance a similar facility concluded in 1999.

At 31st December, 2000, total loan facilities and other financing available to the Group amounted to HK\$10,167

million, of which HK\$ 3,630 million remained undrawn. The facilities outstanding at the year end comprised HK\$5,738 million in bank loans, HK\$543 million in convertible guaranteed bonds and HK\$256 million in other loans. 70% of the outstanding bank loan was secured by charges on assets of the Group. It is the Group policy to secure adequate funding to match with cash flows required for working capital and investing activities. The maturity profile of the Group's borrowings as at 31st December, 2000 is set out below:

Maturity Profile

Within 1 year	1–2 years	2–5 years	Over 5 years	Total
4%	51%	44%	1%	100%

The funds raised by the Group are on a floating rate basis except for the convertible guaranteed bonds which accounted for 8.7% of the Group's

long term borrowings. The Group is expected to incur lower costs of fund in 2001 due to declining interest rates. Based on a net borrowings of

HK\$5,664 million at the year end, the Group's gearing ratio was 57.5% (1999: 59.6%).

Foreign Exchange Exposure

Only 15% of the Group's outstanding borrowings is denominated in US dollars. In addition, the Group's principal operations are conducted and recorded in Hong Kong dollars so that the

exposure to foreign exchange fluctuations is minimal.

Human Resources

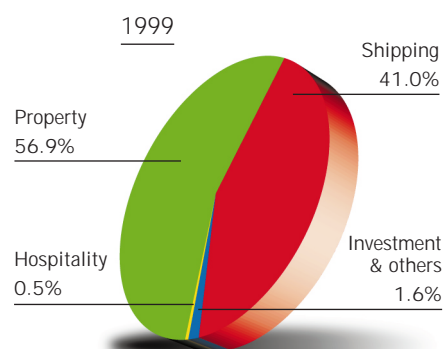
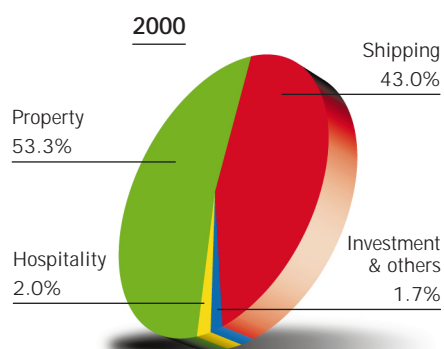
With a headcount of 2,044 at the year end, the Group adopts a competitive remuneration package for its

employees. Promotion and salary increments are assessed based on a performance related basis. Social activities are organised to foster team spirit amongst staff. Staff are encouraged to attend training classes that are related to the Group's business.

Turnover Analysis

Turnover by Division

(HK\$ million)	2000	1999	Variance	%	Remarks
Shipping	1,417	1,181	236	20	The rise is mainly attributable to the increased ticket revenue from the formation of the TurboJET operation by the shipping division of the Group with that of China Travel International Investment Hong Kong Ltd. since June 1999.
Property	1,758	1,640	118	7	The rise is largely due to the increased revenue from presale of Phase I and II of The Belcher's during the year.
Hospitality	64	15	49	327	The change mainly results from the revenue of the IGYC's operations.
Investment and others	57	47	10	21	The variance is mainly due to the increase in both interest income and dividend received from STDM.
Total	3,296	2,883	413	14	



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Turnover by Geographical Areas

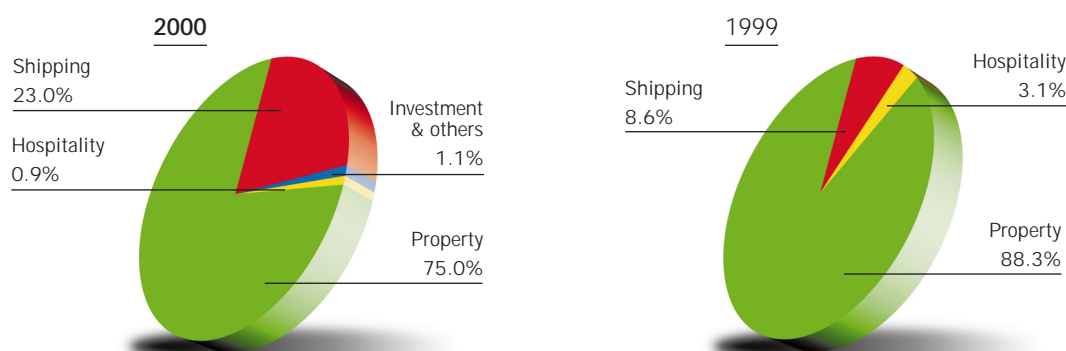
(HK\$ million)	2000	1999	Variance	%	Remarks
Hong Kong	2,528	2,257	271	12	The difference is mainly the combined effect of HK\$132 million increase in ticket income, HK\$20 million drop in income of fuel sales, HK\$45 million increase in revenue from the IGYC's operations as well as HK\$113 million increase in revenue from presale of flats in The Belcher's.
Macau	708	595	113	19	The rise is mainly due to the HK\$102 million increase in ticket income during the year.
Others	60	31	29	94	This mainly represents the increase of HK\$24 million in ticket income during the year.
Total	3,296	2,883	413	14	

Profit and Loss Analysis

Profit Review

(HK\$ million)	2000	1999	Variance	%	Remarks
Shipping	102	41	61	149	The favourable variance is principally the desirable passenger growth and load factor despite the substantial increase in fuel price. The last year's result included professional fee for merger of HK\$11 million as well as the provision for severance payment of HK\$23 million.
Property	333	421	(88)	(21)	The decrease is mainly due to the drop in the proportion of profits recognised from Phase I of The Belcher's during the year.
Hospitality	4	15	(11)	(73)	The drop is mainly attributable to the IGYC's operations.
Investment and others	5	(5)	10	200	–
Total operating profits	444	472	(28)	(6)	
Share of results of associates	70	57	13	23	The rise is principally due to the increase in profit from AHK Air Hong Kong.
Share of results of jointly controlled entities	(4)	(3)	(1)	(33)	This mainly represents the share of loss for a joint venture in Guangzhou.
Profit before taxation	510	526	(16)	(3)	
Taxation	(65)	(84)	19	23	Effective tax rate decreased from 16% to 13%.
Profit after taxation	445	442	3	1	
Minority interests	(167)	(186)	19	10	This mainly represents the interests of minority shareholders in The Belcher's.
Profit attributable to shareholders	278	256	22	9	

Operating Profit by Division



Operating Profit by Geographical Areas

(HK\$ million)	2000	1999	Variance	%	Remarks
Hong Kong	324	371	(47)	(13)	The variance is mainly attributable to the slight drop in contribution from presale of flats in The Belcher's.
Macau	117	240	(123)	(51)	1999 result included profit on disposal of a subsidiary which held a shopping centre in Macau.
Others	3	(139)	142	102	1999 result included loss on disposal of subsidiaries which held certain China projects.
Total	444	472	(28)	(6)	

Analysis on Share of Results of Associates

(HK\$ million)	2000	1999	Variance	%	Remarks
Shipping	-	(2)	2	-	1999 result represents our share of the loss in CTS-Parkview Group before the merger of shipping division.
Property	(8)	(3)	(5)	(167)	The loss and adverse variance are mainly due to the loss for Nova Taipa project.
Hospitality	7	(1)	8	800	Besides the reduced loss in Shanghai Restaurant, Mandarin Oriental and Westin Resort in Macau also recorded improvement in operating results due to the increased occupancy rate.
Investment and others	71	63	8	13	AHK Air Hong Kong showed remarkable performance in terms of both volume and profit this year despite the substantial increase in fuel price.
Total	70	57	13	23	