

# Financial Review

## Group Results

For the year ended 30th June, 2001, Group turnover by activities and their respective earnings before interest and tax are reported as follows:-

	Turnover		Earnings before interest and tax	
	2001 HK\$m	2000 HK\$m	2001 HK\$m	2000 HK\$m
Property rental, agency and management	370	361	239	227
Infrastructure projects	531	444	736	617
Hotel and food operations	276	293	33	(2)
Construction and project management	518	406	9	(19)
Treasury operations and others	55	68	44	83
	1,750	1,572	1,061	906
Administrative expenses			(50)	(55)
Earnings before interest and tax (recurring)			1,011	851

**Note:** Earnings before interest & tax (recurring) is the sum of profit from operations before impairment loss (HK\$786 million) and share of results of jointly controlled entities & associates (HK\$225 million).

Group turnover for the financial year was HK\$1,750 million, an increase of 11%. Property, construction, and infrastructure businesses reported increases in revenue while closure of Hopewell City Restaurant in September 2000 reduced the revenue of the overall hotel and food operations. Treasury revenue decreased mainly due to lower interest income received. During the year, turnover of infrastructure business mainly included financial income received or receivable from the joint ventures.

Group earnings before interest and tax from recurring operating activities increased by 19% to HK\$1,011 million from HK\$851 million of the last financial year, mainly attributable to the growth of infrastructure and improved operating results from hotel and construction businesses.

The Group reported a net profit of HK\$306 million, up 80% as compared with HK\$169 million in the last financial year. Infrastructure business contributed the majority of the increase in profit with its financial income, share of net profits from joint ventures in China, and profit on disposal of 25% interest in Shunde Roads joint venture.

## Liquidity and Financial Resources

The Group continued to adopt prudent treasury policies in managing its cash resources as well as bank borrowings. With solid recurring cash flow from operations, and existing cash and bank facilities, the Group has adequate financial resources to fund its investment projects.

Maturity profile of the Group's gross borrowings at the end of the financial year is shown as follows:-



During the financial year, the Group repaid the non-recourse Guangzhou-Shenzhen Superhighway syndicated bank loan of US\$300 million, which was taken up by the joint venture itself with a 10-year bank loan. A syndicated bank loan of HK\$1,380 million was refinanced at a lower interest rate and its maturity date extended to 2007. The Group will continue to ensure all activities are financed at the most advantageous terms.

The majority of the Group's borrowings has been used to make loans to co-operative joint ventures. Against the total net debt of HK\$7,845 million (30th June, 2000: HK\$10,197 million), the Group advanced HK\$8,087 million (30th June, 2000: HK\$10,233 million) as loans to the joint ventures, which more than offset the Group's borrowings. Interest expenses on the borrowings were substantially covered by interest income from joint ventures.

The Group's capitalization structure (comprising shareholders' equity and borrowings) is set out as follows:

	As at 30th June	
	2001 HK\$m	2000 HK\$m
Equity	13,878	13,643
Total net debt	7,845	10,197
Total capitalization	22,306	24,289
Total net debt vs total capitalization	35%	42%
Total net debt vs equity	57%	75%

The US Dollar denominated unsecured notes of HK\$4,630 million (before deducting the notes repurchased by the Group during the year), consisting of US\$200 million notes maturing in 2004 and US\$393.6 million notes maturing in 2007, bear the fixed interest rate of 9<sup>7</sup>/<sub>8</sub>% per annum and 10<sup>1</sup>/<sub>4</sub>% per annum respectively. The Group's remaining borrowings carry interests at floating rates and their majority are denominated either in US Dollars or Hong Kong Dollars.