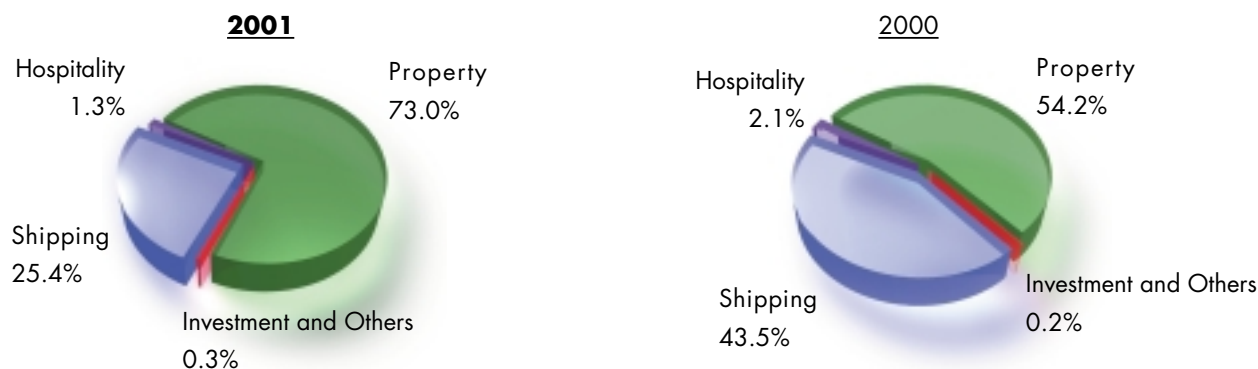


# Group Financial Review

## Turnover Analysis

### Turnover by Division



	<b>2001</b> (HK\$ million)	(Restated) 2000 (HK\$ million)	Variance	%	Remarks
Shipping	<b>1,358</b>	1,409	(51)	(4)	The slight decrease is mainly attributable to the reduced ticket revenue from the Hong Kong – Macau route.
Property	<b>3,896</b>	1,754	2,142	122	The rise is largely due to the increased revenue from sales of residential units in phases I and II of The Belcher's during the year.
Hospitality	<b>70</b>	67	3	4	The slight increase is mainly due to the combined result of increase in the revenue from travel agency services and management fee received from Macau hotels offset by the reduction in revenue of HK\$9 million in Greater China Club.
Investment and others	<b>15</b>	8	7	88	The variance is mainly due to the increase in dividend received from STD.M.
<b>Total</b>	<b>5,339</b>	3,238	2,101	65	

### Turnover by Geographical Areas

	<b>2001</b> (HK\$ million)	(Restated) 2000 (HK\$ million)	Variance	%	Remarks
Hong Kong	<b>4,625</b>	2,494	2,131	85	The rise is largely due to the increased revenue from sales of residential units in phases I and II of The Belcher's during the year.
Macau	<b>655</b>	693	(38)	(5)	The decrease is mainly due to the combined result of decrease in ticket revenue and increase of dividend received from STD.M.
Others	<b>59</b>	51	8	16	The variance mainly represents the rise of ticket income for the Hong Kong – Shenzhen route.
<b>Total</b>	<b>5,339</b>	3,238	2,101	65	

## Profit and Loss Analysis

### Operating Profit by Division



	<b>2001</b> <b>(HK\$ million)</b>	(Restated) 2000 (HK\$ million)	Variance	%	Remarks
Shipping	<b>165</b>	118	47	40	The favourable variance mainly represents the substantial decrease in fuel cost attributable to the reduced oil price and improved cost control.
Property	<b>483</b>	336	147	44	The increase is mainly due to the rise in profit recognised from sales of residential units in phases I and II of The Belcher's during the year.
Hospitality	<b>5</b>	1	4	400	The difference is mainly attributable to the increase in management fee received from Macau hotels.
Investment and others	<b>12</b>	7	5	71	The improvement is mainly due to increase of dividend received from STDM.
Unallocated net expenses	<b>(11)</b>	(8)	(3)	(38)	
Operating profit	<b>654</b>	454	200	44	
Finance costs	<b>(123)</b>	(42)	(81)	(193)	Interest expenses related to phase I of The Belcher's is charged to the profit and loss account upon issuance of occupation permit in March 2001.
Share of results of associates	<b>13</b>	70	(57)	(81)	The drop is principally due to the reduction of profit from AHK Air Hong Kong.
Share of results of jointly controlled entities	<b>(18)</b>	(4)	(14)	(350)	The variance mainly represents share of losses for newly set up joint venture businesses.
Profit before taxation	<b>526</b>	478	48	10	
Taxation	<b>(75)</b>	(65)	(10)	(15)	
Profit after taxation	<b>451</b>	413	38	9	
Minority interests	<b>(175)</b>	(166)	(9)	(5)	This mainly represents the interests of minority shareholders in The Belcher's.
Profit attributable to shareholders	<b>276</b>	247	29	12	

# Group Financial Review

## Profit and Loss Analysis (Continued)

### Operating Profit by Geographical Areas

	<b>2001</b> (HK\$ million)	(Restated) 2000 (HK\$ million)	Variance	%	Remarks
Hong Kong	<b>500</b>	331	169	51	The variance is mainly attributable to the increase in profit from shipping operations and contribution from sales of residential units in phases I and II of The Belcher's.
Macau	<b>150</b>	120	30	25	The favourable result is mainly attributable to the increase in profit from shipping operations.
Others	<b>4</b>	3	1	33	
<b>Total</b>	<b>654</b>	454	200	44	

### Analysis on Share of Results of Associates

	<b>2001</b> (HK\$ million)	2000 (HK\$ million)	Variance	%	Remarks
Property	<b>(14)</b>	(8)	(6)	(75)	The loss is mainly due to the Nova Taipa project.
Hospitality	<b>16</b>	7	9	129	Mandarin Oriental Macau and The Westin Resort Macau recorded improvements in operating results due to the increased average room rates.
Investment and others	<b>11</b>	71	(60)	(85)	AHK Air Hong Kong recorded a substantial drop in terms of both volume and profit this year despite the decrease in fuel price.
<b>Total</b>	<b>13</b>	70	(57)	(81)	

### Liquidity, Capital Resources and Funding

Cash inflow for 2001 was HK\$4,716 million comprising the aggregated result of HK\$3,093 million from operating activities, HK\$1,442 million from loans, HK\$74 million from proceeds on disposal of fixed assets, HK\$36 million from interest received, HK\$32 million from associates, HK\$24 million from dividends of associates and HK\$15 million from dividends of investments.

Cash outflow for 2001 was HK\$5,001 million mainly attributable to HK\$3,594 million for repayment of loans, HK\$622 million for mortgage loans receivable, HK\$375 million for purchase of fixed assets, HK\$269 million for interest paid, HK\$78 million for dividends paid to shareholders, HK\$34 million for joint ventures, HK\$20 million for investments, HK\$7 million for taxation and HK\$2 million for dividends paid to minority shareholders.

## Liquidity, Capital Resources and Funding (Continued)

Cash Flow Variance Analysis	2001 (HK\$ million)	(restated) 2000 (HK\$ million)	Variance
Operating activities	<b>3,093</b>	506	2,587
Returns on investments and servicing of finance	<b>(274)</b>	(358)	84
Taxation	<b>(7)</b>	(65)	58
Investing activities	<b>(945)</b>	(326)	(619)
Financing	<b>(2,152)</b>	503	(2,655)
(Decrease)/increase in cash and cash equivalents	<b>(285)</b>	260	(545)

The cash and cash equivalents decreased by HK\$285 million to HK\$587 million at the end of the year 2001. The net cash inflow from operating activities substantially increased primarily due to proceeds from the sales of residential units in The Belcher's. The increase of net cash outflow in investing activities was mainly due to the mortgage loans offered to purchasers of The Belcher's. On the other hand, the net repayment of bank loans of about HK\$2,486 million resulted in net cash outflow in financing.

During the year, the Group secured HK\$850 million and US\$63 million loan facilities at improved terms to re-finance the then banking facilities. At 31 December 2001, total loan facilities and other financing available to the Group amounted to HK\$6,530 million, of which HK\$2,463 million remained undrawn. The facilities outstanding at the year end comprised HK\$3,252 million bank loans, HK\$543 million convertible guaranteed bonds and HK\$272 million other loans. 44% 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 flow required for working capital and investing activities. The maturity profile of the Group's borrowings as at 31 December 2001 is set out below:

### Maturity Profile

Within 1 year	1-2years	2-5 years	Over 5 years	Total
12%	25%	63%	–	100%

The funds raised by the Group are on a floating rate basis except for the convertible guaranteed bonds which accounted for 15.2% of our Group's long term borrowings. Based on net borrowings of HK\$3,479 million at the year end, the Group's gearing ratio was 31.8% (2000: 56.2%).

### Foreign Exchange Exposure

Only 22% 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

The Group, including subsidiaries but excluding associates and jointly controlled entities, employed approximately 2,100 employees 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 businesses.