

Financial Review

Group Results

For the year ended 30th June, 2002, the Group's turnover by activities and their respective earnings before interest and tax are reported as follows:

	Turnover		Earnings before interest and tax	
	2001 HK\$'million	2002 HK\$'million	2001 HK\$'million	2002 HK\$'million
Infrastructure project investment	531	223	736	677
Property letting, agency & management	370	354	239	234
Hotel operations, restaurant & catering	276	250	33	27
Construction & project management	518	276	9	(23)
Other activities	55	29	44	96
	<u>1,750</u>	<u>1,132</u>	1,061	1,011
Administrative expenses			(50)	(58)
Earnings before interest and tax (recurring) (Note)			<u>1,011</u>	<u>953</u>

Note: Earnings before interest and tax (recurring) is the sum of profit from operations of HK\$395 million (2001: HK\$786 million before impairment loss) and share of results of jointly controlled entities and associates totalling HK\$558 million (2001: HK\$225 million).

The Group's turnover decreased by 35% to HK\$1,132 million from HK\$1,750 million of the last financial year, mainly due to the decrease in construction revenue and reduced interest income from the joint ventures as a result of low interest rate and substantial repayment of the advances ("shareholders loan") made by the Group to joint venture companies ("PRC Joint Ventures") operating in the PRC.

Since the results of the PRC Joint Ventures are accounted for using the equity accounting method, the Group's attributable share of the revenue of such joint ventures has not been included in the Group's turnover. Total toll revenue of PRC Joint Ventures amounted to RMB2,540 million as compared to RMB2,388 million of the last financial year.

Though interest income from the PRC Joint Ventures was reduced, such reduction was partially offset by increase in share of results from the PRC Joint Ventures. Overall, the Group's earnings before interest and tax (recurring) decreased by 6% to HK\$953 million from HK\$1,011 million of the last financial year, mainly attributable to the decrease in construction revenue and the reduced interest income from the PRC Joint Ventures.

The Group reported a net profit of HK\$340 million, as compared with HK\$306 million of the last financial year. Taking advantage of the low interest rate environment, the Group refinanced its banking facilities and as a result, reduced its interest expenses to HK\$599 million from last year's HK\$726 million. The majority portion (about 76%) of the premium payable on early redemption of the 2007 Notes, in the amount of HK\$113 million, was accrued in the accounts for the financial year. Disposal of the Huanggang Service Area development project to the PRC partner contributed HK\$191 million profit to the Group.

Liquidity and Financial Resources

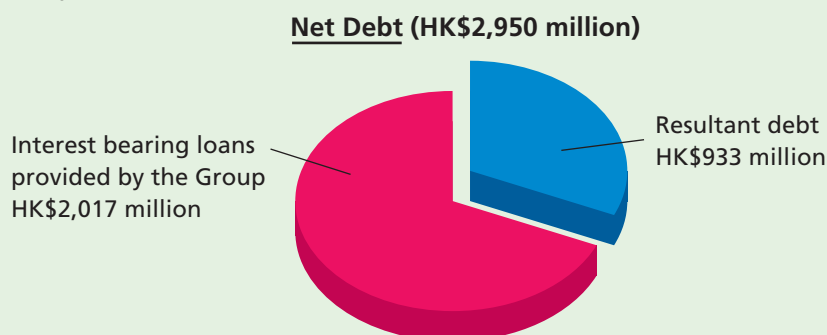
The Group continues to adopt prudent treasury policies in managing its cash resources as well as bank borrowings. Taking into account the recurring cash flow from operations together with cash on hand and bank facilities, the Group has adequate financial resources to fund its operations and present investment projects.

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

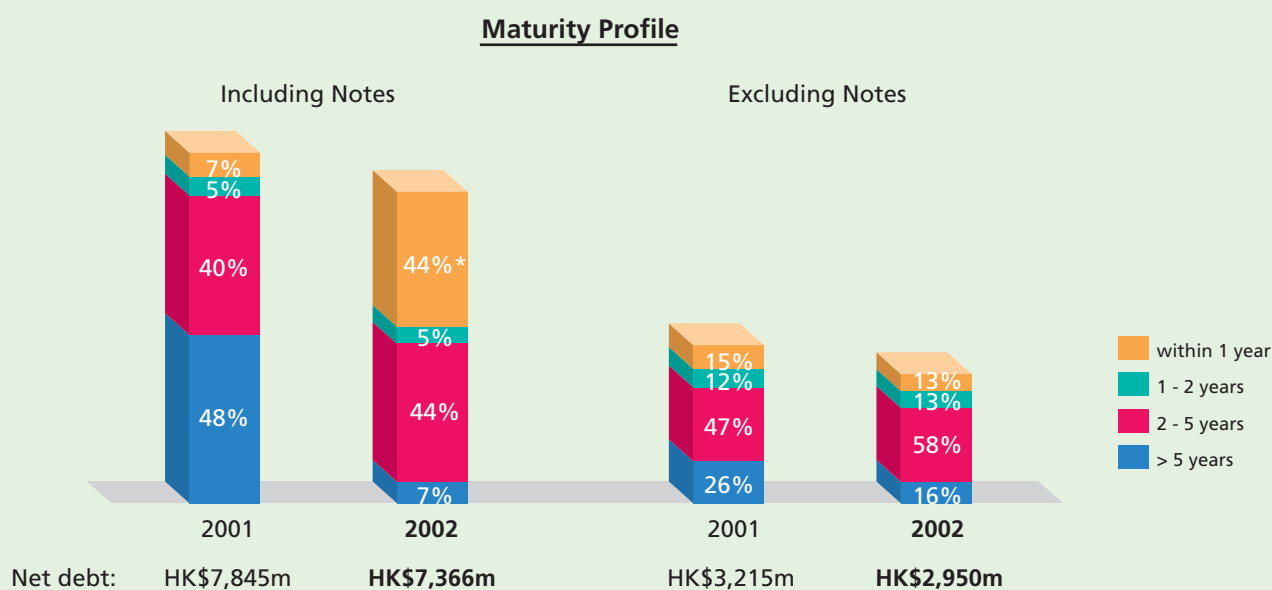
	At 30th June,	
	2001 HK\$'million	2002 HK\$'million
Equity	13,966	13,794
Total net debt (Note)	7,845	2,950
Total capitalization	<u>22,394</u>	<u>21,304</u>
Total net debt vs total capitalization	35%	14%
Total net debt vs equity	56%	21%

Note: The effect of Covenant Defeasance has been reflected in the net debt as of 30th June, 2002.

Resultant debt (net debt after setting off interest bearing loans provided by the Group) is HK\$933 million, i.e. 6.8% of equity.



The maturity profile of the Group's borrowings at 30th June, 2002 as compared with that at 30th June, 2001, is shown as follows:



Maturity of the Group's borrowings (including 2004 and 2007 Notes) in respect of the portion due within one year has increased significantly* mainly due to the early redemption of 2007 Notes.

Major portion of the Group's borrowings (excluding 2004 and 2007 Notes) are distributed on the long term maturity in both financial years.

The major part of the Group's borrowings are the US dollar denominated unsecured Notes of HK\$4,416 million (net of the Notes repurchased and cancelled by the Group), consisting of US\$194 million Notes maturing in 2004 and US\$372 million Notes maturing in 2007, bearing fixed interest rates of 9⁷/₈% per annum and 10¹/₄% per annum respectively.

In February 2002, Guangzhou-Shenzhen-Zhuhai Superhighway Company Ltd., the joint venture company, repaid the principal and interest of the shareholders loan in the amount of US\$684 million advanced by the Group. A sum sufficient for the full repayment of all the outstanding principal together with interest payable under the Notes has been deposited by the Group in a trust account to effect Covenant Defeasance in accordance with the terms governing the Notes.

On 15th August, 2002, the option to early redeem all outstanding 2007 Notes with the total principal amount of US\$372 million was exercised. As a result, the outstanding debt liabilities of the Group have been reduced substantially by the amount of Notes repaid. The early redemption of the Notes will lower interest expense of the Group as from the financial year 2002/03.

Apart from the Notes, the majority of the Group's borrowings carry interest at floating rates and are denominated in Hong Kong Dollars.

The Group will continue to use its best endeavour to ensure its activities are financed at the lowest cost practicable.