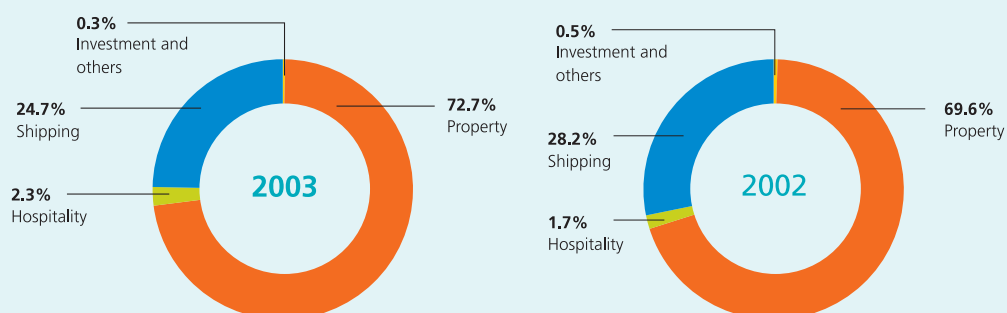


# Group Financial Review

## Turnover Analysis

Turnover by Division



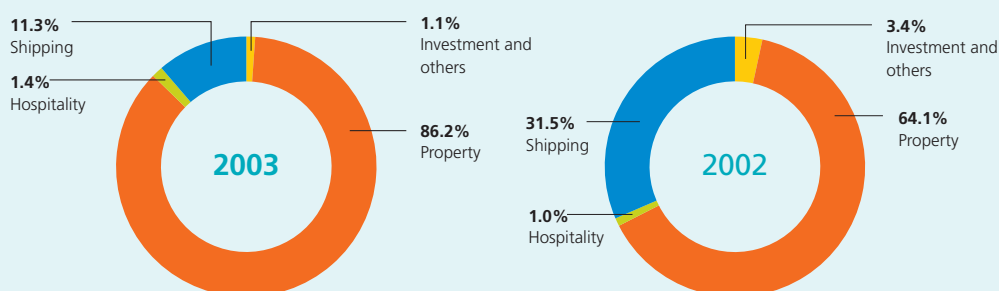
(HK\$ million)	2003	2002	Variance	%	Remarks
Shipping	1,273	1,414	(141)	(10)	The drop is mainly attributable to the decreased ship ticket revenue because of the impact from SARS.
Property	3,742	3,491	251	7	The rise is largely due to the increased revenue from sales recognition of residential units for Liberté offset by the decrease for The Belcher's during the year.
Hospitality	119	84	35	42	The increase is mainly due to the combined result of increase in revenue from travel agency services and management fee received from Macau hotels offset by the reduction in revenue from Greater China Club.
Investment and others	17	26	(9)	(35)	The variance is mainly due to the decrease in dividend received from other investments.
<b>Total</b>	<b>5,151</b>	<b>5,015</b>	<b>136</b>	<b>3</b>	

## Turnover by Geographical Area

(HK\$ million)	2003	2002	Variance	%	Remarks
Hong Kong	4,455	4,268	187	4	The combined result from the sales recognition of residential units for The Belcher's and Liberté showed a positive variance despite the drop in ticket revenue following the impact of SARS.
Macau	609	661	(52)	(8)	The decrease is mainly attributable to the drop in ship ticket revenue because of the impact from SARS.
Others	87	86	1	1	Turnover remained fairly stable because the reduction of ship ticket revenue was compensated by the increase in rental income received from property in Guangzhou.
<b>Total</b>	<b>5,151</b>	<b>5,015</b>	<b>136</b>	<b>3</b>	

## Profit And Loss Analysis

### Operating Profit by Division



(HK\$ million)	2003	2002	Variance	%	Remarks
Shipping	49	192	(143)	(74)	The variance mainly represents the decrease in ticket income because of the impact from SARS.
Property	374	391	(17)	(4)	The decrease is mainly due to the rise in profit recognised from sales of residential units in Liberté offset by the decrease for The Belcher's during the year.
Hospitality	6	6	—	—	The division performed satisfactorily despite the impact of SARS.
Investment and others	5	21	(16)	(76)	Dividend received from STDM remained stable but that contribution from this division was reduced by loss for other investments.
Unallocated net expenses	(70)	(35)	(35)	(100)	The variance is the combined result of decrease in interest income and increase in bank charges arising from write-off of certain unamortised front-end fees resulting from refinancing activities.
Operating profit	364	575	(211)	(37)	
Finance costs	(40)	(101)	61	60	The decrease is the combined effect of reduced interest rates and outstanding loans.
Net investment (loss)/gain	(38)	72	(110)	(153)	The net loss for the current year mainly represents the combined result of profit on disposal of interest in City Center of Shanghai and impairment loss on goodwill of a jointly controlled entity. The net gain for last year mainly included the profit on disposal of interest in AHK Air Hong Kong and impairment loss on investments.
Share of results of associates	42	21	21	100	The variance is principally due to the improved contribution from Nova Taipa Gardens, Mandarin Oriental Macau, the Westin Resort and Macau Golf and Country Club.
Share of results of jointly controlled entities	(7)	2	(9)	(450)	The decrease is the combined result of the drop in the share of profit from a property joint venture and loss shared for other investments.
Profit before taxation	321	569	(248)	(44)	
Taxation	(22)	(41)	19	46	
Profit after taxation	299	528	(229)	(43)	
Minority interests	28	(150)	178	119	This mainly represents the interests of minority shareholders in The Belcher's and shipping division.
Profit attributable to shareholders	327	378	(51)	(13)	

**Profit and Loss Analysis** *(Continued)*

Operating Profit by Geographical Area

<b>(HK\$ million)</b>	<b>2003</b>	2002	Variance	%	Remarks
Hong Kong	<b>290</b>	432	(142)	(33)	The variance is mainly the combined result of drop in ticket income, reduced contribution from sales of residential units in The Belcher's offset by additional profit from Liberté.
Macau	<b>65</b>	139	(74)	(53)	The variance is mainly attributable to the fall in ticket income and dividend received from other investments.
Others	<b>9</b>	4	5	125	The increase is largely due to improved result from property in Guangzhou offset by loss for other investments.
Total	<b>364</b>	575	(211)	(37)	

**Analysis on Share of Results of Associates**

<b>(HK\$ million)</b>	<b>2003</b>	2002	Variance	%	Remarks
Property	<b>8</b>	5	3	60	The difference is mainly due to the improved result from Nova Taipa Gardens.
Hospitality	<b>32</b>	19	13	68	Mandarin Oriental Macau, the Westin Resort and Macau Golf and Country Club continuously recorded favourable operating results.
Investment and others	<b>2</b>	(3)	5	167	
Total	<b>42</b>	21	21	100	

**Liquidity, Financial Resources and Capital Structure**

At 31 December 2003, the Group's total net assets increased by 2.8% over last year to HK\$6,428 million. Cash flow and liquidity position remains strong and healthy. Cash inflow for the year was HK\$3,755 million comprising mainly the aggregated result of HK\$2,199 million net from operations, HK\$944 million from loans and HK\$442 million from proceeds on disposal of interests in subsidiaries. Cash outflow for the year was HK\$3,075 million mainly attributable to HK\$2,664 million for repayments of loans, HK\$111 million for purchase of fixed assets and HK\$97 million for dividends paid to shareholders.

## Liquidity, Financial Resources and Capital Structure *(Continued)*

### Cash Flow Variance Analysis

(HK\$ million)	2003	2002	Variance
Operating activities	2,199	4,360	(2,161)
Investing activities	361	(1,249)	1,610
Financing activities	(1,880)	(2,801)	921
Net increase in cash and cash equivalents	680	310	370

The bank balances and deposits amounted to HK\$1,614 million at 31 December 2003, representing a substantial increase of HK\$715 million from last year end date.

At 31 December 2003, total loan facilities and other financing available to the Group amounted to HK\$5,573 million, of which HK\$4,043 million remained undrawn. The facilities outstanding at the year end comprised HK\$1,228 million in bank loans, HK\$297 million in convertible guaranteed bonds and HK\$5 million in other loans. It is the Group's 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 31 December 2003 is set out below:

### Maturity Profile

Within 1 year	1-2 years	2-5 years	Total
24%	43%	33%	100%

Based on a net cash surplus of HK\$84 million at the year end, the Group's gearing ratio (expressed as a ratio of net borrowings to shareholders' funds) was nil (2002: 25.6%, as restated). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

## Pledge of Assets

At the year end, certain assets of the Group with an aggregate carrying value of HK\$567 million (2002: HK\$622 million) were pledged with banks for loan facilities.

## Contingent Liabilities

There was no material contingent liabilities under the Group at the year end.

## Financial Risk

The Group adopts a conservative policy in financial risk management with little exposure to foreign exchange and interest rate risks. It is the Group's policy not to engage in any speculative trading activity. The funds raised by the Group are on a floating rate basis except for the convertible guaranteed bonds, which accounted for 19% of the Group's total borrowings. About 40% of the Group's outstanding borrowings is denominated in US dollars. The Group's principal operations are primarily 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 performance. 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.