

**PROFIT AND LOSS ANALYSIS** (continued)

## Operating Profit by Geographical Area

(HK\$ million)	2002	2001	Variance	%	Remarks
Hong Kong	432	500	(68)	(14)	The variance is mainly the combined result of reduced contribution from sales of residential units in The Belcher's offset by additional profit recognised from pre-sale of the Liberté.
Macau	139	150	(11)	(7)	The variance is mainly attributable to the fall in interest income compensated by increase in dividends received from STDM and other investments.
Others	4	4	–	–	
Total	575	654	(79)	(12)	

**ANALYSIS ON SHARE OF RESULTS OF ASSOCIATES**

(HK\$ million)	2002	2001	Variance	%	Remarks
Property	5	(14)	19	136	The difference is mainly due to the improved result from Nova Taipa Gardens development project.
Hospitality	19	16	3	19	The increase is due to Mandarin Oriental in Macau continuously recorded favourable operating results.
Investment and others	(3)	11	(14)	(127)	The decrease is mainly attributable to the share of loss for AHK Air Hong Kong prior to its disposal.
Total	21	13	8	62	

**LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Cash inflow for 2002 was HK\$7,846 million comprising mainly the aggregated result of HK\$4,425 million from operations, HK\$2,668 million from loans, HK\$388 million from proceeds on issuance of shares under the rights issue, HK\$194 million from proceeds on disposal of interest in an associate, HK\$60 million from interest received, HK\$44 million from associates, HK\$25 million from dividends of associates and HK\$25 million from dividends of investments.

Cash outflow for 2002 was HK\$7,536 million mainly attributable to HK\$5,000 million for repayments of loans, HK\$907 million for mortgage loans receivable, HK\$640 million for purchase of fixed assets, HK\$401 million for interest paid, HK\$271 million for repurchase of convertible guaranteed bonds, HK\$126 million for dividends paid to shareholders, HK\$68 million for taxation, HK\$52 million for dividends paid to minority shareholders, HK\$33 million for investments and HK\$30 million for joint ventures.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

Cash Flow Variance Analysis (HK\$ million)	2002	(Restated) 2001	Variance
Operating activities	4,357	3,087	1,270
Investing activities	(1,246)	(871)	(375)
Financing activities	(2,801)	(2,501)	(300)
Net increase / (decrease) in cash and cash equivalents	310	(285)	595

The cash and cash equivalents were HK\$898 million at 31 December 2002, a substantial increase of HK\$310 million from last year end date.

During the year, the Group enlarged its share capital by way of a rights issue with a subscription of 388,486,782 shares at HK\$1.00 per share. The net proceeds (after deduction of expenses) of approximately HK\$382 million were applied to reduce the Group's debts.

At 31 December 2002, total loan facilities and other financing available to the Group amounted to HK\$5,221 million, of which HK\$2,721 million remained undrawn. The facilities outstanding at the year end comprised HK\$2,187 million in bank loans, HK\$308 million in convertible guaranteed bonds and HK\$5 million in other loans. 15% of the outstanding bank loans was secured by charges on certain assets of the Group. 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 2002 is set out below:

## MATURITY PROFILE

Within 1 year 13%	1-2 years 17%	2-5 years 70%	Total 100%
----------------------	------------------	------------------	---------------

Based on a net borrowings of HK\$1,601 million at the year end, the Group's gearing ratio was 14.6% (2001: 31.9%, as restated). The Group will continue with its financial strategy of maintaining a prudent gearing ratio and consider steps to reduce its finance costs.

## 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 14% of our Group's long-term borrowings. Only 25% 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.