

CHAIRMAN'S STATEMENT



During 2000, more positive market fundamentals, underpinned by strict adherence to its disciplined strategy, resulted in improved operational performance for the group, which is encouraging.

We remain hostage to the fragile economy in Thailand and face many continuing challenges there. However, upward revaluations of other properties within the group more than compensated for the reductions in the value of the Thai properties, resulting in a significant increase in shareholders' funds of HK\$1.3 billion equivalent to HK\$1.11 per share.

Profit attributable to shareholders, after writing down the Thai properties by HK\$254 million, was HK\$85 million, compared to HK\$569 million in 1999. Your directors recommend payment of a final dividend of 5 cents per share.

We have held firmly to our strategy for growth and are determined to capitalise on this further. Restructuring of The Palace Hotel Beijing joint venture, giving the group control of the operation and its profits until 2033, is in its final stage. A key component of our strategy is timely rationalisation of non-core assets. In addition to the disposal of The Sutton in New York, the contract for the sale of 208 Wireless Road in Bangkok is scheduled for completion by April this year.

On the expansion front, completion in under 22 months of The Peninsula Chicago for a mid-2001 opening will be a significant achievement. The company has also entered into an exclusive, non-binding agreement with a leading Japanese corporation to explore the development of a new Peninsula hotel on a prime site in Tokyo.

The recent, and somewhat sudden, decline in the US economy may have an impact on our very strong US business (with a knock-on effect in Asia) unless the Federal Reserve manages to accomplish a soft landing fairly quickly.

However, we are confident that by remaining focussed, the company has the strength to prosper through bad times as well as good.

A handwritten signature in black ink, appearing to read 'Michael D Kadoorie', written over a horizontal line.

The Hon. Michael D Kadoorie,
1 March 2001