Hotels and Furnished Apartments

Total revenue of the Group's hotels for Year 2000 amounted to HK$1,763.4 million, made up of HK$421.1 million and HK$1,342.3 million from Hong Kong and overseas operations respectively. Total EBITDA amounted to HK$548.7 million, a growth of 11% over 1999.

HONG KONG OPERATIONS

The Hong Kong economy recovered strongly in Year 2000 from a low base in 1999. Visitor arrivals for the year surpassed 13 million, an increase of more than 15% over 1999. There were no significant additions to the inventory of hotel rooms during the year. Our Hong Kong hotel operations have benefited from these positive factors.

Great Eagle Hotel, Hong Kong

This 5-star hotel completed the refurbishment of all guest rooms, the ballroom and public areas during 2000. The average room occupancy in 2000 jumped to 83% from 71% in 1999. The average room rate also increased moderately from HK$767 to HK$798. The resulting improvement in Revenue Per Available Room in turn led to a 56% increase in Net Operating Profit for the hotel in 2000.

Eaton Hotel, Hong Kong

Average room occupancy at this 4-star hotel, which caters to mid-priced business and leisure travellers, successfully improved its market mix during 2000. The achieved average occupancy of 89% for 2000 was a further improvement from the 84% level experienced in 1999. On the back of the very high level of occupancy, the hotel was able to increase the average room rate to HK$436 from HK$373. Though the Net Operating Profit jumped 107% in 2000, the absolute contribution by the hotel remained rather small. We anticipate further improvement in the hotel's performance in 2001 when we should see more increases in room rates.

Eaton House Furnished Apartments, Hong Kong

Our furnished apartments performed strongly in 2000 largely due to the general improvement in the economy, which created demand for accommodation by transient executives. The average occupancy rate rose to 85% in 2000 as compared with 67% in 1999. Total revenue increased 28% to HK$37 million from HK$29 million in 1999.

INTERNATIONAL OPERATIONS

The Langham Hilton, London
The addition of 47 Concierge Club deluxe rooms with a spa/health club and a swimming pool was completed in the second half of 2000, bringing the total number of guest rooms to 429. The additional facilities have been well-received and have considerably enhanced the hotel's market mix and yield. In 2000, the hotel achieved an average room occupancy of 77% and an average room rate of UK£176 as compared with 76% and UK£169 in 1999.

Sheraton Towers Southgate Hotel, Melbourne
This 5-star hotel managed to hold its position in a highly competitive market. Although Australia's economy continued to grow in 2000, there had been little growth in visitor arrivals for Melbourne. The much anticipated Olympics traffic spin-off never materialised. In the meantime, there had been a significant new supply of luxury hotel rooms. As a result, average room occupancy of 74% and average room rate of A$238 for 2000 were almost unchanged from 1999 levels.

Sheraton Auckland Hotel and Towers, Auckland
There had been no improvement in the business of the Auckland hotel during 2000 in the midst of an oversupplied market. Its average room occupancy was 64% as compared with 65% in 1999. The average room rate also declined to NZ$159 from NZ$165.

Hotel Le Meridien, Boston
Underpinned by the strength of the US economy, the Boston lodging market continued to perform well. In 2000, the 5-star Hotel Le Meridien achieved average room occupancy of 77%, up from 74% in 1999. The average room rate also edged up to US$261 from US$253.

Delta Chelsea Hotel, Toronto
Due to fewer convention events being staged in Toronto in 2000, coupled with increased supply of hotel rooms, the average occupancy rate at the 4-star Delta Chelsea Hotel declined slightly to 75% from 76% in 1999. It was, however, able to improve its average room rate to C$138 for 2000 as compared with C$134 the previous year.

Properties Under Development

MONGKOK PROJECT

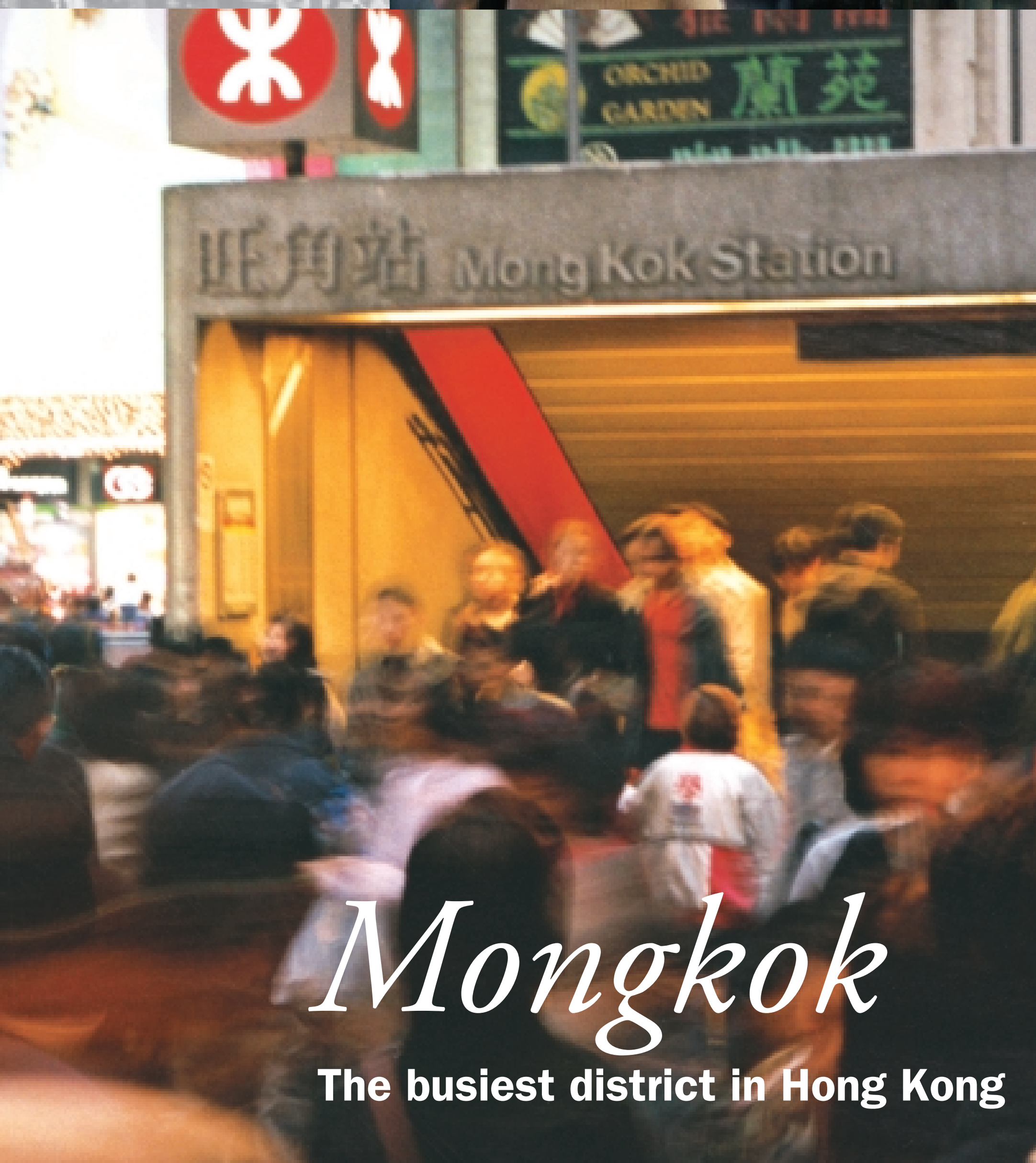
The Land Grant for the new development was executed in February 2000, and the balance of the land premium was also paid in full. Construction of the foundations has been progressing in earnest. Some delay has been experienced due to difficult underground conditions, but alternative designs have been successfully adopted. As a result, completion of the foundation works is expected in the latter part of 2001. Efforts will be made to make up part of the slippage during the sub-structure and superstructure construction stages. Occupancy of the entire project is currently targeted for the last quarter of 2003.

An initial agreement has been reached with the Mass Transit Railway Corporation to construct an underground tunnel directly linking the MTR Mongkok Station to the Second Basement of our development. Statutory procedures are underway.

Planning approval was obtained in November 2000 to roof-over the open space between the office tower and the retail tower to create a 170 feet tall grand atrium, with a footprint of 20,000 square feet. Approval was also obtained in February 2001 from the Building Authority for the construction of this unprecedented indoor green environment, which will enhance the ambience of the multi-level shopping centre and permit a major improvement in the vertical circulation within the structure. Rentable value of the shop spaces will be significantly enhanced as a result.

The total expenditure incurred in relation to the project, including property acquisition, tenants' compensation, site construction works, professional fees and interest capitalised, amounted to HK$6,012 million as of 31st December 2000.

In August 2000, a HK$5,100 million, 6-year term construction facility was obtained from a syndicate of banks at favourable terms.



Mongkok

The busiest district in Hong Kong

TRADING

Hong Kong's housing market was sluggish during 2000, adversely affecting the performance of Toptech Co. Limited. Revenue from sales of building and architectural products decreased 24% to HK$213.5 million. However as a result of effective cost and overheads control, the net contribution of the business declined only moderately.

FINANCIAL REVIEW

DEBT

Consolidated Net Attributable Debt of the Group as of 31st December 2000 was HK$8,906 million, an increase of HK$413 million over the HK$8,493 million at year end 1999. Construction expenditures and capitalised interest expenses on the Mongkok project accounted for the bulk of the increase. The year-end debt outstanding was temporarily reduced as a result of the sale of Metropolitan Tower in December 2000, before the acquisition of 150 Spear Street was completed in January 2001.

Consolidated Net Asset Value as of 31st December 2000, based on revaluation of the Group's investment properties by independent appraisers and other assets at historical book costs, amounted to HK$17,392 million. The overall gearing ratio was 51% as of 31st December 2000. Similar to the previous year, the gearing was mainly related to mortgage debts on overseas office and hotel properties, where the strong underlying cashflow was more than sufficient to support the related debt-servicing requirement. The borrowings, mostly on non-recourse or limited recourse basis, against the overseas properties are all in their respective local currencies to mitigate exchange rate risks. The gearing of our Hong Kong assets remained at a low level.

As of year end 2000, 66% of the Group's debts were on a floating-rate basis, which will enable us to achieve substantial savings in our borrowing costs in a global environment of declining interest rates.

The current liabilities of the Group as of 31st December 2000 included outstanding convertible bonds equivalent to HK$1.2 billion, with a maturity date of 3rd April 2001. Sufficient long-term funding has been arranged to redeem the bonds in full upon maturity.

In December 2000, we refinanced an existing mortgage loan on Citibank Plaza with a HK$3,600 million syndicated term loan facility on favourable terms. In the process we managed to raise approximately HK$1,200 million in incremental funding for our Group. There was also a significant reduction in the interest spread charged by the banks. This has been possible because of the ample liquidity in the Hong Kong commercial banking market. We will regularly review our credit facilities to take advantage of favourable borrowing conditions.

FINANCE COST

The net finance cost incurred during Financial Year 2000 was HK$426 million, which was HK$33 million higher than for Financial Year 1999. The increase was mainly due to interest charges arising from the acquisition of the 353 Sacramento Street property. The finance cost relating to the Mongkok Project accounted for almost the entire HK$424 million of finance expenses capitalised in 2000, as compared with HK$261 million in 1999. The 2000 figure included a one-time charge of HK$105 million, being the loan arrangement fees paid up-front for the syndicated loan facilities set up to fund the Mongkok Project. As finance expenses charged to the project are capitalised, it was considered unnecessary to amortise the loan fees over time.

CONVERTIBLE BONDS

There was no conversion or redemption of the bonds during the past financial year.