

GROUP RESULTS

Turnover

The Group's turnover for the year was HK\$109 million, representing a decrease of 4% when compared with last year. Restaurant sales, which constituted the major part of the Group's turnover, decreased by 8%. The income from investment properties remained stable.

Operating loss before tax

Operating loss before tax reduced significantly by HK\$14 million to HK\$8 million in 2000, attributable mainly to cost savings generated under restaurant operation during the year.

Tax

The Group has no tax credit this year as all deferred tax provided in previous year was written back in 1999.

DIVISIONAL REVIEW

A. Restaurant operations and related activities

Turnover

Turnover for restaurant operation and related activities this year decreased by 5% to HK\$98 million, which comprised mainly catering income amounted to HK\$90 million this year. The average number of customers per day decreased by 7% while average spending per customer reduced slightly by 1% during the year.

Restaurant gross operating margin

Average gross operating margin declined slightly to 66% and gross operating profit for the year amounted to HK\$55 million.

Employees and other operating expenses

Salary and allowances amounted to HK\$55 million which accounted for 63% of total operating expenses. With a total headcount of 340 at the year end, the Group adopts a competitive remuneration package for its employees. Staff training programmes are conducted from time to time to ensure frontline employees have good service standards which best meet customer needs.

Direct operating expenses remained stable at HK\$18 million, of which electricity and fuel expenses represented the major items. Electricity for the year reduced by 16% to HK\$4 million, following the disposal of Jumbo Palace restaurant. Fuel expenses during the year increased by 33% to HK\$2.4 million, as a result of the substantial increase in fuel price.

Operating loss before tax

Operating loss before tax for the year decreased by 53% to HK\$12.8 million. The reduction was mainly attributable to the Group's stringent labour cost control measures plus the significant decrease in depreciation following the disposal of Jumbo Palace restaurant.

B. Property investment and related activities

Carpark income

Carpark income is derived from the 509 carparking spaces at Jumbo Court Public Carpark, which is leased to a carpark operator. The income declined slightly this year.

Art court

Art Court is a 12-unit residential building situated at 5 Tung Shan Terrace. The average occupancy rate of the property increased from 62% in 1999 to 72% this year. As a result, operating profit before tax for the year increased to HK\$1.7 million, representing a 21% increase when compared with 1999.

C. Investment and others

Turnover for investment and others, representing bank interest income for the year, remained stable at HK\$7.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash available to the Group at the end of 2000 amounted to HK\$231 million, representing an increase of HK\$14 million from the previous year. The Group is in a financially sound position for future operation expansion and business development. At the year end, the Group did not have any significant capital commitment.

CAPITAL STRUCTURE

The authorised share capital of Melco International Development Limited is HK\$480,000,000 at HK\$1.00 per share. At 31 December, 2000, there were 121,087,134 ordinary shares issued and fully paid. Share options granted in prior years were lapsed upon the expiry of the exercise period on 21 October, 2000 and thus there was no outstanding share options at end of year. The capital reserve account and share premium account remained unchanged at HK\$117,476,852 and HK\$8,737,833 respectively. Investment property revaluation reserve was increased to HK\$84,480,758.

CASH FLOW VARIANCE ANALYSIS

	2000 HK\$'000	1999 HK\$'000	Variance HK\$'000
Operating activities	(11,949)	(17,775)	5,826
Returns on investments and servicing of finance	13,565	11,346	2,219
Tax	(57)	807	(864)
Investing activities	12,271	24,879	(12,608)
Financing activities	-	-	-
	<u>13,830</u>	<u>19,257</u>	<u>(5,427)</u>

Operating activities

The net operating cash outflow for the year decreased by HK\$5.8 million, mainly due to cost savings under restaurant operation.

Returns on investments and servicing of finance

The improvement was due to the increase in interest received.

Tax

The variance represented profits tax prepaid in previous years which was fully refunded in 1999.

Investing activities

The reduction of cash inflow was due to the renovation costs incurred for Tai Pak Floating restaurant and Art Court in 2000, offset by the balance of sales proceeds received for the disposal of Jumbo Palace restaurant.