# Chairman's Statement

Year 2000 was one of progress and growth for the Group. During the year, the Group achieved satisfactory improvements in both earnings and profits. As a result of our concerted efforts in corporate restructuring in recent years, the Group is well-poised to capitalise on the region's gradual economic recovery and upturn in tourism to both Hong Kong and Macau.

The Group's 71% owned shipping joint venture with China Travel International Investment Hong Kong Limited, Shun Tak – China Travel Shipping Investments Ltd. (ST-CTS), delivered an improved performance in its first full post-merger year despite the significant increase in fuel cost. The Group's other businesses continued to benefit from cost-control initiatives that resulted in improved performance and invigorated potential.

The Group's profit attributable to shareholders for the year ended 31st December, 2000 was HK$278.3 million, an increase of 8.6% over 1999 profits of HK$256.3 million. Turnover was HK$3,296.0 million, an increase of 14.3% compared to the previous year (1999: HK$2,883.2 million). Earnings per share were HK18.0 cents (1999: HK16.7 cents).

Subject to approval by our shareholders at the Annual General Meeting on 13th June, 2001, the Directors recommend a final dividend of HK3 cents per share for the year (1999: HK5 cents per share). In addition to the interim dividend of HK2 cents per share previously paid (1999: HK1 cent), total dividend for the year amounted to HK5 cents per share (1999: HK6 cents).

During the year, ST-CTS maintained its leading market share on the well-travelled route between Hong Kong and Macau. Passenger traffic on this popular route increased significantly in 2000, as travellers demonstrated renewed interest and confidence in Macau, following its reversion to Chinese sovereignty.

Although ST-CTS's shipping operation faced tremendous pressure from rising fuel prices in 2000, the new management was able to identify and implement effective marketing campaigns together with cost saving measures, so as to achieve better operating efficiency and profitability.

Following the successful presale of Phase I of The Belcher's in 1999, presale of selected units in Tower Six of Phase II was launched in October 2000 with satisfactory response. In light of the demand for quality residential units, the Group proposed, with its joint venture partner Sun Hung Kai Properties Limited, to revise the development plan for the Cheung Sha Wan Shipyards Redevelopment Project. The revised plan, which will change two hotel blocks into two residential blocks, was approved by the Town Planning Board in March 2000.

The Group's property division is committed to enhancing its traditional property management service portfolio to include personal and value-added services. The division is confident that its dedicated approach to 24-hour quality property management services will distinguish it as a market leader. In addition, its management plans to extend services beyond Group-owned properties to meet the increasing demand from other Hong Kong properties for quality property management services. The Group anticipates that, with the addition to its portfolio of sizeable projects such as The Belcher's and the Cheung Sha Wan Shipyards Redevelopment Project, the property division will realise increased future earnings.

It is expected that on-going economic growth, coupled with supportive government land and housing policies, will bring promising prospects for the Hong Kong residential property market in the long term. In view of the improving sentiment in the property market, together with progressive cuts in local interest rates in Hong Kong, the Group's property developments and property management services are well-positioned to capture renewed market interest.

Reflecting the upturn in Macau tourism, the Group's hotels in Macau, Mandarin Oriental and Westin Resort, recorded impressive improvements in both occupancy rate and turnover in 2000. The Group is optimistic that this upward trend signifies the beginning of a period of long-term growth for Macau.

After assuming the management and operations of the International Golf & Yacht Club in Kowloon Bay in December 1999, the management began restructuring the club's operations. With its expertise in hospitality, the Group intends to significantly improve the club's operating efficiency and create synergy with its other businesses.

During the year, the Group invested strategically in two Internet travel-related businesses, a joint venture with Asia Travel Network Sdn. Bhd. and Entmaster.com. The Group believes that its Internet-related investments and joint ventures in the travel sector will facilitate synergy with its hospitality division, by taking advantage of today's most dynamic communications medium.

In July 2000, the Group signed a HK$2,270 million term loan agreement with a syndicate of ten local and international banks to finance its Cheung Sha Wan Shipyards Redevelopment Project. In December 2000, the Group also signed a HK$2,380 million revolving credit and term loan facility with 27 local and International financial institutions to re-finance a similar facility obtained in 1999 and to meet its general corporate funding requirements. With these new facilities and the significant cash inflow expected from operations in the near future, the Group is in a very sound position to finance its future investments.

Reflecting its confidence in Macau's future prospects, the Group is committed to participating in Macau's development through its interest in Sociedade de Turismo e Diversões de Macau, S.A.R.L. The Board believes that Macau will play an increasing role in the coming years as a leisure and business destination. With the recent upturn in tourism and improving social order in Macau, the Board anticipates sustained growth in passenger traffic between Hong Kong and Macau. The Group's core businesses, particularly its shipping and hospitality operations, will benefit as a result.

Looking forward, the Group will concentrate on the quality, efficiency and profitability of its existing shipping, property and hospitality portfolio. At the same time, the Board will remain open to evaluating complementary business opportunities, particularly in the hospitality sector, that will increase profitability and enhance long-term shareholder value. The Board is gratified to see the positive results of the prudent management policies that have sustained the Group in recent difficult years. With the roles and objectives of all divisions clearly defined, the Group is well-poised to progress on a sturdy foundation.

May I take this opportunity to extend our thanks to all who contributed to the Group's strong performance this year.

**Stanley Ho**
*Group Executive Chairman*
11th April, 2001