

TYCOON GOLF CLUB



HONG KONG AND MACAU TOUR



The overall business of the Group has improved from last year. This is attributable to the excellent operating results achieved by the three theme parks in Shenzhen, the substantial improvement in passenger traffic and results of the cross-border bus operations, the increase in both the occupancy rate and room rate of the Group's hotels, the noticeable improvement in the operating results of the golf club operation, the maintaining of operating results of the freight forwarding business as last year's, the profit, and cash flow contribution from the Group's investment in the power plant, and significant increase in the number of Mainland visitors received by the Hong Kong & Macau Tour which broke the 200,000 threshold for the first time. The Group has also improved its management quality and enhanced the competitiveness of its business, while maintaining a sound financial position.

TOUR OPERATION AND LEISURE BUSINESS

The three theme parks of the Group in Shenzhen, namely Window of the World, Splendid China and China Folk Culture Villages, attracted more than 4.5 million visitors in 2000, which is an increase of 13.9% as compared with last year. During the year, Window of the World had undergone comprehensive upgrading and restructuring to its facilities. It has introduced new games and attractions such as the Alps Indoor Ski Dome, the Grand Canyon Flume Ride and the Pyramid Fantasy Hall which combined hi-tech and entertaining effects, and resulted in an increase in operating profit by 68%. By bringing out intellectual, entertaining and participatory games and programs such as the Flight by Ropeway, the Drifting River, the Kerqin Grass skiing and the Mysterious Tibet, and strengthening promotional efforts in the overseas markets, Splendid China and China Folk Culture Villages had recorded growth in the visitor number by 14.8% and the operating profit by 47% during the year.

In 2000, the three theme parks were also rated Class I "Quadruple A" theme parks in the People's Republic of China ("PRC") and earned acclaims from local and overseas visitors.

Renowned for its high quality and professional services, China Travel (HK & Macau Tour) Management Hong Kong Limited ("HK & Macau Tour") received more than 200,000 Mainland visitors in 2000, which is an increase of 25.4% as compared with last year, despite operating under fierce market competition. In the latter half of 2000, HK & Macau Tour had responded to the challenge by implementing measures such as strengthening its cooperation with the tour travel agencies in the PRC, especially in the Guangdong province, to promote sales, control costs, and enhance quality of services rendered.

Shenzhen Tycoon Golf Club ("Tycoon Club"), which operates a 27-hole golf course with comprehensive club facilities, is situated near the Shenzhen Huangtian Airport and the Shenzhen Fuyong Terminal. In 2000, the management had focused their efforts to promote the club, improve quality of services rendered, streamline staff, and utilize the available resources effectively. As a result, in 2000, the turnover and number of visitors increased by 41.9% and 29%, respectively.

CHINA FOLK
CULTURE VILLAGES



WINDOW OF THE WORLD



SPLENDID CHINA



HOTEL OPERATION

The Group's three wholly-owned hotels, namely The Metropole Hotel, Hotel New Harbour and Hotel Concourse, had seized the opportunities brought by the economic recovery of Hong Kong and the increasing number of tourist arrival to develop new customer sources, control costs and increase its room rate accordingly. The average occupancy rate of the three hotels was 86% in 2000, which is an increase of 2.0% over 1999. The average room rate had also increased by 14.1% in 2000. Both of these factors contributed to the significant improvement in earnings during the year.

Metropark Hotel of the Group in Causeway Bay, which is currently under construction, is a four-star hotel with seaview and the view of the Victoria Park. Metropark Hotel is expected to commence operation in late 2001.

PASSENGER TRANSPORTATION

China Travel Tours Transportation Services Hong Kong Limited ("CT Tours"), which owns 60 buses, served approximately 578,000 passengers in 2000, which is an increase of 47.9% as compared with last year. The five main routes running between Hong Kong International Airport and various Mainland cities, and between Shenzhen and Zhuhai have achieved good financial results. By improving its market share, safety procedures and continuous replacement program with new buses, CT Tours is seeking to expand in this highly competitive market.

Shun Tak-China Travel Shipping Investments Limited ("Shun Tak-CTS"), an associate of the Group, recorded an increase of 11.6% in passenger traffic on the Hong Kong-Macau route in 2000 and commanded a market share of 92%. Shun Tak-CTS also recorded an increase of 4.9% in passenger traffic on the Shenzhen and Guangzhou routes. Despite the adverse impact of high fuel cost and increasing operating cost, Shun Tak-CTS had managed to increase its profit by approximately 260% when compared with last year.

FREIGHT FORWARDING

Due to the improving expressway networks and deep harbour facilities in the PRC, re-export freight volume, especially through railway, handled by Hong Kong for the PRC has continued to decline. Faced with fierce competition, China Travel Service (Cargo) Hong Kong Limited ("CTS Cargo") has still managed to command more than 50% market share in export freight volume through railway in Hong Kong by strengthening its marketing development and enhancing its quality of service. CTS Cargo has also devoted significant efforts to develop air freight, sea freight and courier services, principally by way of organizing a marketing sales team working through its PRC branches. China Trading Service Co., Ltd., which is a subsidiary of CTS Cargo, has actively developed its modern logistics business in Shanghai and recorded satisfactory results.



HOTEL CONCOURSE



THE METROPOLE HOTEL

Prince Edward
Ho Man Tin



HOTEL NEW HARBOUR

Wanchai
Causeway Bay



METROPARK HOTEL



INFRASTRUCTURE

The total volume and on-grid volume of electricity generated by Shaanxi Weihe Power Plant in 2000, a jointly controlled entity of the Group, were 5.97 billion kWh and 5.61 billion kWh, respectively, which were comparable with last year. Due to the strengthening of management control and the implementation of a performance incentive system, the production cost had decreased significantly, the ratio of normal operation of the generating units had improved, which also reduced the repairs and maintenance work on its generating units during the year. As a result, Weihe Power Plant has become a leading enterprise in the power industry in the northwestern region of the PRC. The net profit of Weihe Power Plant increased by 26.9% in 2000 and provided significant profit contribution and cash flows to the Group.

The Group had disposed of its entire 23% interest in Vision Century Corporation Limited (formerly known as Hing Kong Holdings Limited) in February 2001. In March 2001, the Group also entered into a conditional sale and purchase agreement to dispose of its investment in a joint venture which holds interests in road and bridge projects in the PRC to its controlling shareholder, China Travel Service (Holdings) Hong Kong Limited. The disposal of such non-core businesses has clarified the core travel business of the Group but also increased cash flow. After the disposal, Weihe Power Plant will be the only non-core business left in the Group.

The Company believes that with the continuous development of the PRC economy, the imminent entry of China into the World Trade Organization, the recovery in the economy of Hong Kong, and the business restructuring and reengineering of the Group, especially after the completion of the proposed acquisition of China Travel Service (Hong Kong) Limited (“CTS HK”), the core travel business of the Group will develop rapidly. The travel related businesses such as the theme parks, passenger transportation and hotels will benefit and the competitiveness of the businesses of the Group can be enhanced further. In addition, the tourism industry in the PRC has been developing rapidly with great market potentials, and it has become the leading industry amongst tertiary industries in the PRC. In 2000, the international tourism receipts and domestic tourism expenditure in the PRC reached United States dollars 16.2 billion and Renminbi 317.6 billion respectively. Through acquiring CTS HK and other mergers and acquisitions, the Group will actively explore opportunities to expand its tourism operation and create profit generating channels in the PRC. We are confident in the future prospect of the Group.



FREIGHT FORWARDING

PASSENGER
FERRY OPERATION



PASSENGER
TRANSPORTATION

POWER PLANT



FINANCIAL POSITION

As at 31 December 2000, the Group's total interest-bearing bank loans and other borrowings amounted to HK\$1,101 million, which represented only 36% of the balances in 1999. The substantial decrease in interest-bearing bank loans and other borrowings was mainly due to the repayment of net bank loans of about HK\$520 million during the year, and the reclassification of Weihe Power Plant to a jointly controlled entity in the Consolidated Balance Sheet since 1 December 2000, whereas it was treated as a subsidiary in 1999.

As at 31 December 2000, the total amount of cash and cash equivalents of the Group was HK\$845 million, which gave rise to a net debt of the Group to HK\$256 million. The net debt to equity ratio was then resulted to a very healthy level of 4.1%.

In addition to the strong cash position, the Group has unutilised banking facilities of HK\$220 million as at 31 December 2000.