

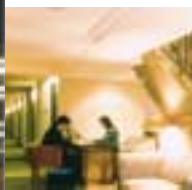
Infrastructure



Operations Review



Hospitality



Construction and Engineering



Property



INFRASTRUCTURE

The Group has participated in the investment of five toll road projects with a total length of 360km, all of which are located in the Pearl River Delta Region of Guangdong Province. Four toll road projects are in operation while the Guangzhou-Zhuhai Superhighway is in the planning stage. All of them are co-operative joint ventures between the Group and PRC partners.

The performance of the economic development of Guangdong Province is satisfactory, with increasing business and trade activities as well as a well-developed transportation infrastructure. The Group recorded strong growth in infrastructure business during the year under review. The average daily combined traffic flow of the Group's toll roads reached 337,000 vehicles, an increase of 13% as compared to the previous year. Profit from infrastructure business, mainly includes interest income and share of results from the joint ventures, accounted for 73% of the Group's earnings before interest and tax.



Ya Ji Sha Bridge, the main bridge of the ESW Ring Road



Huanggang toll station of the GS Superhighway



Shunde Interchange of the Shunde Roads



The Tongle Inspection Station at the GS Superhighway

Traffic control station



Combined Results for PRC Joint Ventures in Operation

	2001 RMB 'm
Toll Revenue	2,388
Earnings before interest and tax	1,762
Interest expenses	(1,426)
Tax	–
Net Profit	336

Note: (1) The combined joint venture results were not consolidated in the Group's financial statement according to HKSSAPs.

(2) Included in the Group's consolidated income statement are the interest income from the joint ventures and share of profits reported on equity basis, totalling HK\$765 million. Toll revenue of the joint ventures was not consolidated in the Group's turnover.

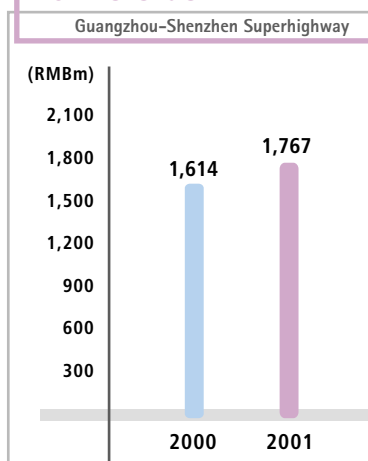
Guangzhou-Shenzhen Superhighway (GS Superhighway)

Project Summary	
LOCATION	Guangzhou to Shenzhen, Guangdong, PRC
LENGTH	122.8km
LANE	Dual three-lane
CLASS	Superhighway
JV CONTRACTUAL OPERATION PERIOD	Jul 1997 – Jun 2027
PROFIT SHARING RATIO	Year 1-10: 50% Year 11-20: 48% Year 21-30: 45%

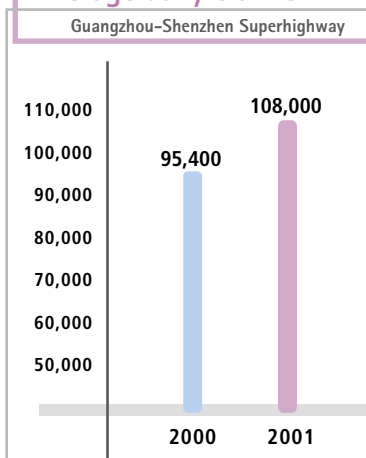
The Guangzhou-Shenzhen Superhighway is the principal transport route linking Hong Kong, Shenzhen, Dongguan and Guangzhou. In the year under review, the average daily traffic flow grew by 13% to 108,000 vehicles and the toll revenue increased by 10% to reach RMB1,767 million.

Guangzhou-Shenzhen Superhighway (GS Superhighway) (Continued)

Toll revenue



Average daily traffic



Following the completion of the new connecting roads, such as Second Northern Ring Road in Guangzhou, Ke Ji Da Dao in Dongguan and Baoan Interchange and related linking roads in Shenzhen in 2001, the connections between the GS Superhighway and other local road systems in the region will be further improved and the traffic volume of the GS Superhighway is expected to increase accordingly.

To cope with the increasing traffic volume and to enhance operational efficiency, a series of improvements was implemented by the joint venture company. These included the expansion of the toll plazas at busy interchanges and the installation of additional closed circuit television cameras to improve traffic surveillance. Two additional new filling stations have been set up along the Superhighway to enhance the auxiliary facilities. In addition, the joint venture company has commenced an upgrading of the existing magnetic card-based toll collection system to permit the use of integrated circuit cards (IC card) to strengthen the reliability of the toll collection system. To further improve management quality, the joint venture company is planning to adopt ISO 9000 international management standards.

In January 2001, the Group repaid the non-recourse Guangzhou-Shenzhen Superhighway syndicated bank loan, which was replaced by a 10-year loan of US\$300 million arranged between the joint venture company and a PRC bank. The repayment released the Group from the syndicated bank loan liability, thus greatly improving the Group's cash flow and debt ratio.



*Signing ceremony of the
GS Superhighway project loan*

Shunde Roads

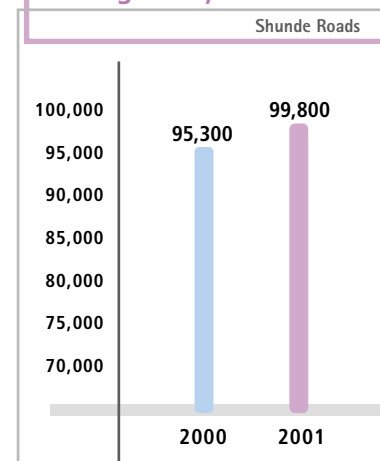
Project Summary	
LOCATION	Shunde, Guangdong, PRC
LENGTH	102.4km
LANE	Dual three-lane
CLASS	Class 1 Highway
JV CONTRACTUAL OPERATION PERIOD	Aug 1996 - Aug 2026
PROFIT SHARING RATIO	25%

The Shunde Roads, a system of four interconnecting highways and eight main bridges, form the core road network in Shunde Municipality and provide vital access to the neighbouring municipalities.

During the year, the average daily traffic flow of Shunde Roads reached 99,800 vehicles, a 5% increase as compared to the previous fiscal year, and the toll revenue increased by 2%. When the Guangzhou-Zhuhai Superhighway is constructed and connected to the Bigui section of the Shunde Roads, traffic is expected to increase substantially.

To rationalize the investment in Shunde Municipality, the Group sold 25% interest in the Shunde joint venture company to its PRC partner with the transaction completed in December 2000. The Group received total proceeds of HK\$662 million in fiscal years 2000 and 2001 resulting in recouping of operating loss of HK\$382 million. Although the interest of the Group in this project decreased from 50% to 25%, its management control in the joint venture company remains unchanged.

Average daily traffic



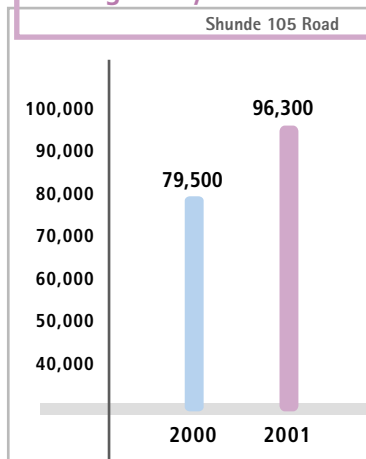
*Shunde Interchange
of the Shunde Roads*

Shunde 105 Road

Project Summary

LOCATION	Shunde, Guangdong, PRC
LENGTH	40km
LANE	Dual three-lane
CLASS	Class 1 Highway
JV CONTRACTUAL OPERATION PERIOD	Jan 2001 - Dec 2026
PROFIT SHARING RATIO	30%

Average daily traffic



The Shunde 105 Road project involves widening and upgrading a section of the existing National Highway 105 in Shunde. Phase I and Phase II of the project, including the upgrading of 32km of the main alignment and the widening of the two main bridges, Sanhonqi Bridge and Rongqi Bridge, have been completed.

The Shunde 105 Road is equipped with computerized toll collection and traffic surveillance systems. Since the main alignment became fully operational in October 2000, the Shunde 105 Road recorded substantial growth in both traffic volume and revenue with the average daily traffic flow growing by 21% to 96,300 vehicles and toll revenue increasing by 18%.



Shunde 105 Road

Guangzhou East-South-West Ring Road (ESW Ring Road)

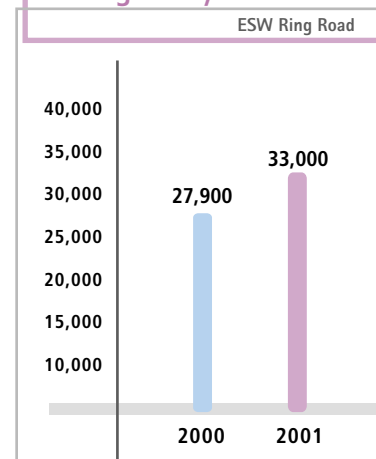
Project Summary	
LOCATION	Guangzhou, Guangdong, PRC
LENGTH	38km
LANE	Dual three-lane
CLASS	Superhighway
JV CONTRACTUAL	Jan 2002 – Dec 2031
OPERATION PERIOD	
PROFIT SHARING RATIO	Year 1-10: 45.0% Year 11-20: 37.5% Year 21-30: 32.5%

The ESW Ring Road constitutes the main segment of the completed ring of the expressway surrounding the downtown of Guangzhou. It became fully operational with the completion of the Ya Ji Sha Bridge in June 2000, a year ahead of schedule.

The ESW Ring Road had its first year of full operation in fiscal 2001 with the average daily traffic of 33,000 vehicles. More access roads in Guangzhou are being constructed which will connect to the ESW Ring Road in stages. Two new main superhighways connecting to the ESW Ring Road, the Guangzhou-Zhuhai Superhighway connecting to the Hainan Interchange, and the Guangzhou-Zhuhai East Expressway connecting to the Xinzhou Interchange, will be progressively constructed and completed in the coming years. A comprehensive traffic network will be established when these connecting roads are constructed, and the traffic volume of the ESW Ring Road will experience significant growth.

The ESW Ring Road is equipped with computerized toll collection and traffic surveillance systems that ensure operational quality and efficiency.

Average daily traffic



Ya Ji Sha Bridge

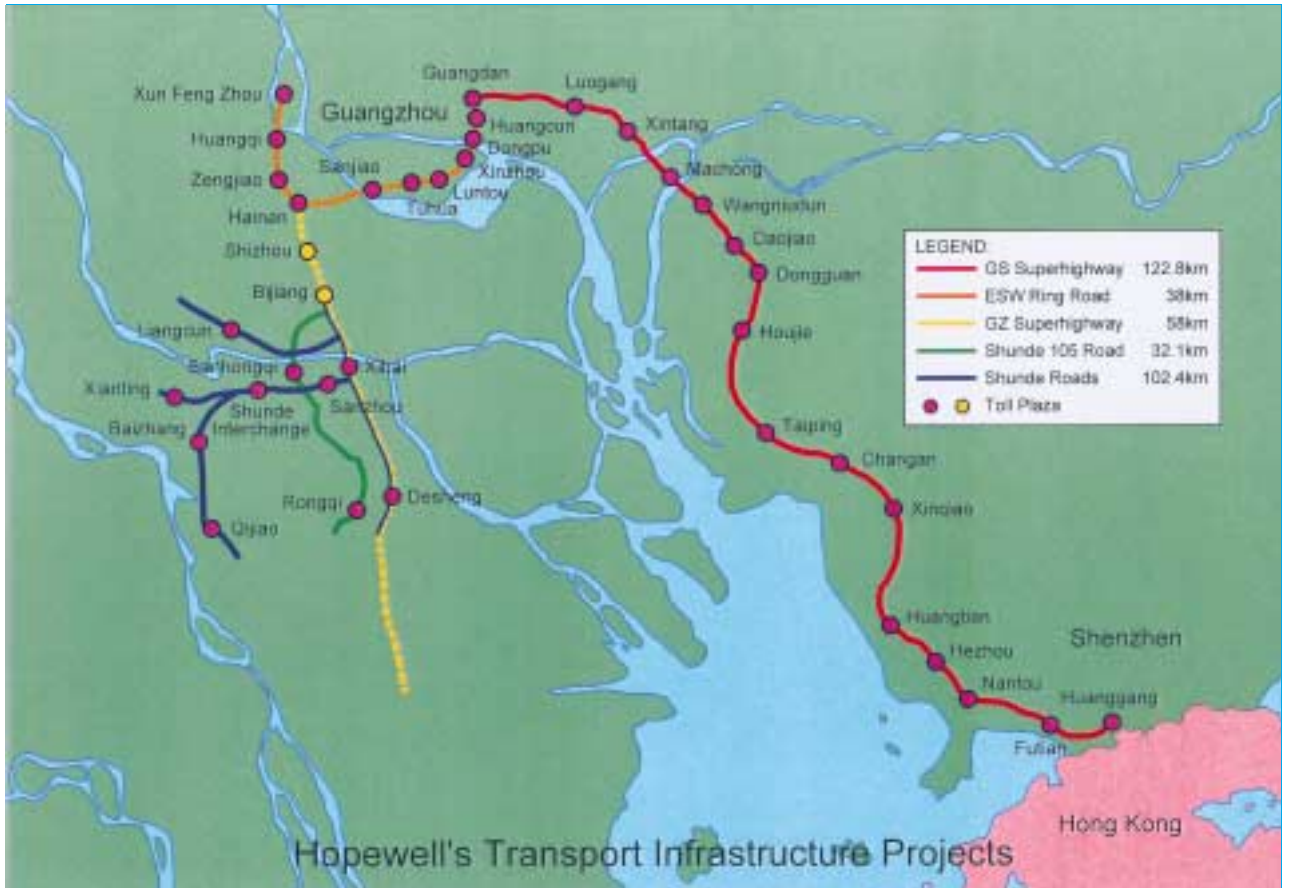
Guangzhou-Zhuhai Superhighway

Guangzhou-Zhuhai Superhighway starts from the Hainan Interchange of the ESW Ring Road, passing through Guangzhou, Nanhai, Shunde and Zhongshan, then meets National Highway 105 at Shalong of Zhongshan to reach Zhuhai. It connects the ESW Ring Road, the Shunde Roads and the Shunde 105 Road to form a major transport route in the western part of the Pearl River Delta Region.

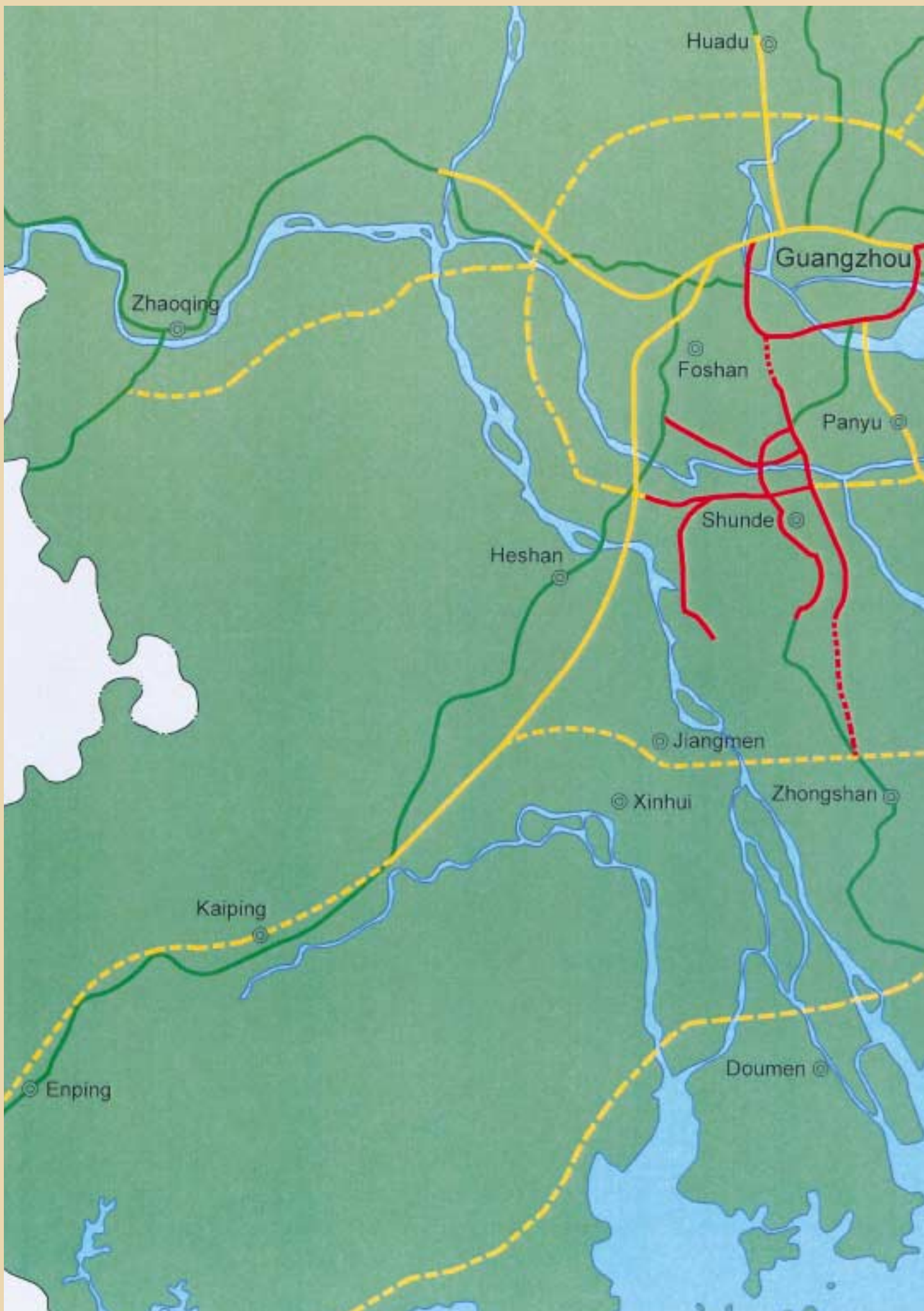
The project will be constructed in three phases. Phase I is a 15km highway running from Hainan Interchange to the Bigui section of the Shunde Roads. Approval on the construction of Phase I of the project has been obtained from the relevant government authorities. The estimated project cost for Phase I is RMB 1.68 billion, which will be largely funded by RMB project financing and the remainder by shareholder equity. The Group owns 50% of share interest in the project and plans to inject less than RMB 200 million capital into the project within the next two years. Currently, land acquisition, project design and pre-tendering work are being undertaken.

Luo Xi Second Bridge, Guangzhou

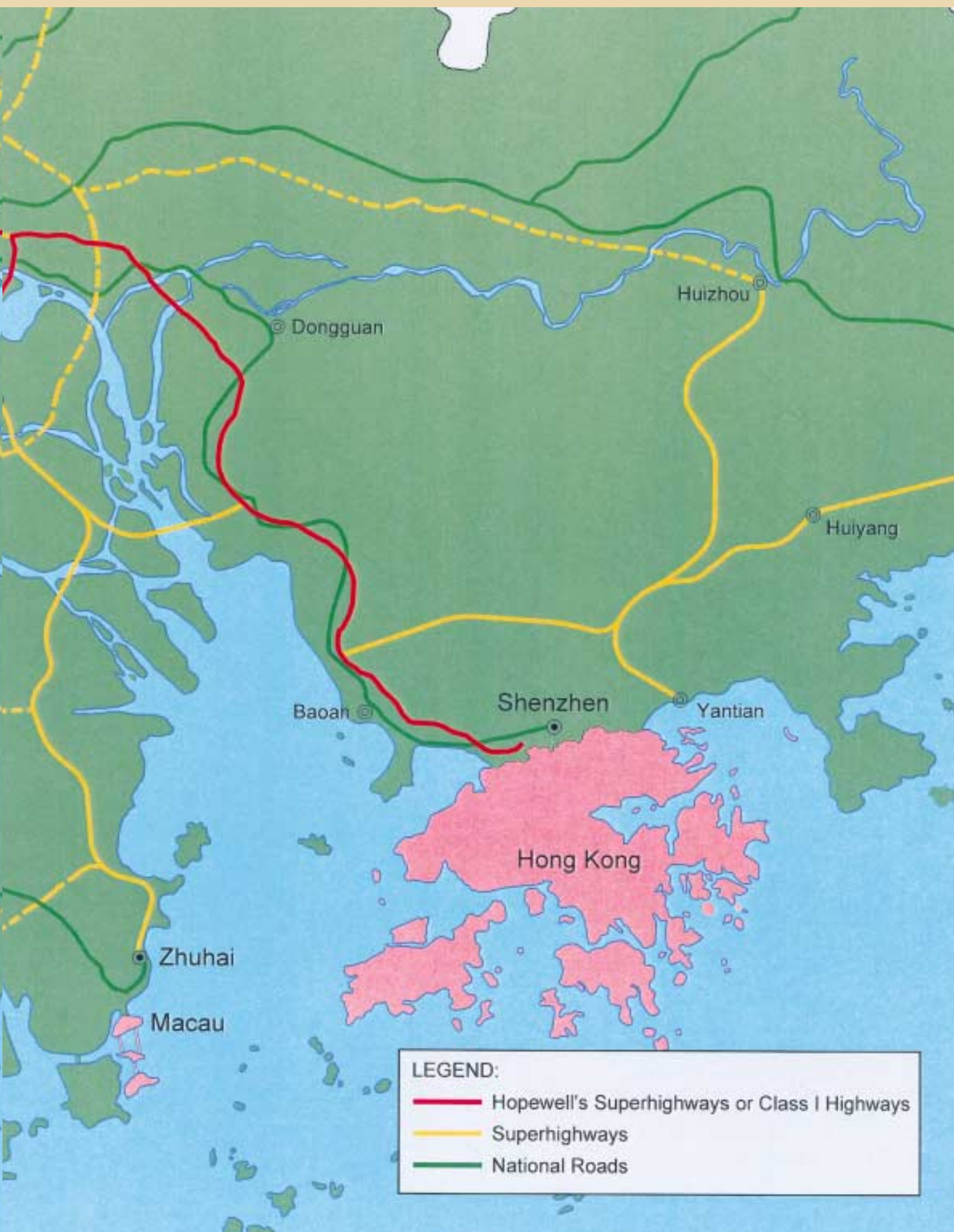
The Group cancelled its investment plan in Luo Xi Second Bridge project as the relevant government authority of Guangdong Province decided to change the project to a non-commercial project, that is, toll collection to be discontinued once the investment cost and interest of the project have been repaid. The Group had made no capital investment in this project.



Major Highways in the PRC



Transport Infrastructure Network of Hopewell



in Guangdong Province, PRC



Entrance of Hopewell Centre

PROPERTY

The Group's property portfolio is mainly composed of commercial and residential premises in Hong Kong. These consist of more than 3.14 million square feet of gross floor area and another 80,000 square feet site area of land reserve. Property business contributed 24% of the Group's earnings before interest and tax, representing a stable source of cash income.

Hopewell Centre

Affected by the weakening local economy, the rental market for office space generally remained lackluster during the year. Overall office completions declined significantly to about one-fifth of that in 1999, thus reducing market supply which helped to boost the overall occupancy rate. Demand for commercial space in the core districts on Hong Kong Island was particularly strong. The average occupancy rate of Hopewell Centre was 94% and retail shops were fully let, although the weak business climate led to a decline in rental rates and rental revenue of the building decreased by 1% in the year. Major tenants of Hopewell Centre include construction companies, electronic trading companies, information technology firms, government departments and a supermarket.



Nightview of Hopewell Centre



Main lobby of Hopewell Centre

Hongkong International Trade and Exhibition Centre (HITEC)

Located in Kowloon Bay, the Hongkong International Trade and Exhibition Centre recorded an average occupancy rate of 63%, an increase of 6% over the comparable period the year earlier. Equipped with advanced convention facilities, HITEC is an ideal venue for trade exhibitions.

To diversify the development of HITEC, the Group decided to incorporate commercial uses into the Centre. Initial approval for the conversion application was obtained from the Town Planning Board in June 2001.

Nova Taipa Gardens

Nova Taipa Gardens is a residential property project on Macau's Taipa Island. The property market in Macau has remained stagnant since the Asian economic crisis in 1997 and overall investment sentiment remained gloomy which led to a decline in property price. However, more than 100,000 square feet of residential units of Phase 1C were sold, matching the previous year's sales performance. More effective marketing strategies are under planning to boost sales performance. The more stable social climate in Macau following the handover to China has had a positive effect on investment mood.

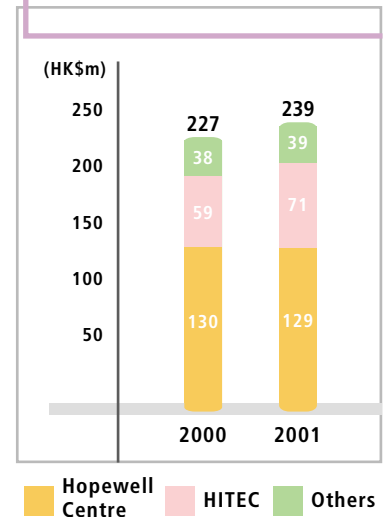
Huanggang Service Area

The Group reached a consensus with the PRC partner to end the joint venture relationship involving the development of the Huanggang Service Area. A preliminary agreement has been signed and the termination will be effective following the approval of the relevant government authorities.

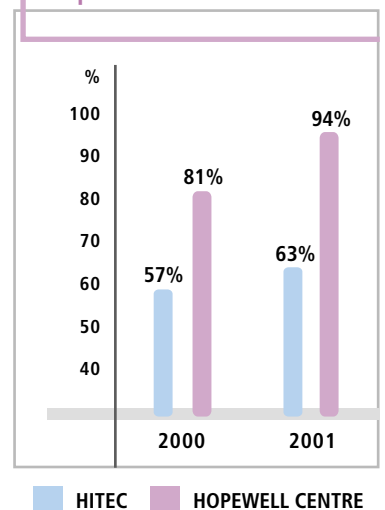


A grand hall of HITEC

Hong Kong rental property Earnings before interest and tax



Average occupancy rate of Hopewell Centre and HITEC



HOSPITALITY

The Hong Kong tourism industry performed well with a total of 13.06 million visitors arriving in 2000, beating the record set in 1996. The local hotel industry benefited from this development as the Group's hotel operation and management activities experienced a business turnaround and accounted for 3% of the overall earnings before interest and tax.

Panda Hotel

During the year under review, the operation of Panda Hotel experienced a business turnaround and realized a profit as the average occupancy rate rose 6% to reach 73% and average room rate increased by 8%.

Mainland visitors made up the majority of hotel guests. In addition to tourists, corporate and long-staying guests also contributed to the steady flow of guest arrivals.

During the year, Panda Hotel strengthened its promotion schemes involving attractive rental packages and special offerings. More effort will be spent on targeting travellers from overseas markets. To improve competitiveness, the Hotel is maintaining a programme of on-going refurbishment and room renovation in line with the operating situation.



Presidential suite at Panda Hotel



A view of the room floor in Panda Hotel

China Hotel

In Guangzhou, China Hotel recorded satisfactory performance with the average room occupancy reaching 67% and room rates comparable to the previous year. Most of the guests were from mainland China and other Asian countries. Located in the commercial district, China Hotel is a popular choice to business travellers.

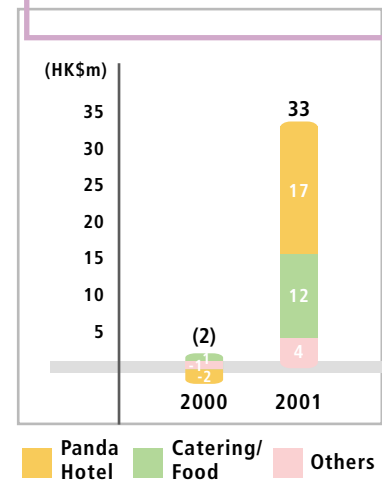
Grand Hotel Excelsior

Structural work of the Grand Hotel Excelsior in Malta entered the final stage. Having reassessed this investment, the Group decided to revise the original plan and had an intention to dispose the investment. Accordingly, provision of HK\$290 million has been made in the fiscal year.

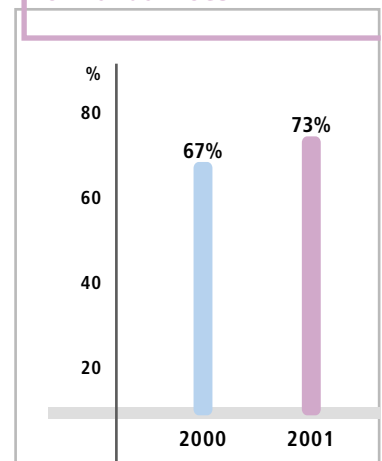
Food and Beverage

The Group has been adopting stringent cost control strategy for its food and beverage business. While the operating environment was very difficult due to weak local demand, the Group's food and beverage business still managed to break even. Also during the year, the Group's Hopewell City Restaurant ceased operation in September 2000.

Hospitality Earnings before interest and tax



Average occupancy of Panda Hotel



CONSTRUCTION AND ENGINEERING

The two government schools in Siu Sai Wan and Fanling were completed in August and October 2000, respectively, whereas the St. Teresa Hospital Extension was completed in August 2001. The Group continued to be awarded several new construction contracts totalling HK\$382 million during the year for government schools located in Lai Chi Kok, Shamshuipo, Kwai Chung and Tai Po. Construction began by the end of 2000 and is scheduled to be completed by July 2002.



St. Teresa Hospital Extension



Construction of a residential project in the mid-levels

The Group has been actively pursuing a new environmental-friendly concept in its construction projects. Following the successful use of the 'slip-climbform' building method in a Shatin Government office block, the Group was awarded another sub-contract for a 28-storey luxury residential apartment in Hong Kong's mid-levels, and work began in April 2001. The 'slip-climbform' method ensures good construction quality and complies with the Government's encouragement of adopting environmental-friendly construction technique. The method is widely applicable in various types of building structures and configurations.

In order to focus on its core businesses, the Group disposed of its loss-making Hungarian management consultancy firm during the year.



A site view of the 'slip-climbform' construction method

Other Developments

Bangkok Elevated Road and Train System, Thailand

The Group continued discussions with the Thai Government over the Bangkok Elevated Road and Train System in an effort to reach an amicable resolution.

Tanjung Jati B Power Station, Indonesia

Negotiations continued with the Indonesian state-owned electricity company, PT. PLN (Persero), on the compensation for the Tanjung Jati B Power Station with both sides hoping to reach consensus in the reasonably near future.