

Chairman's Statement



2001 was a year of consolidating the Group's core businesses – shipping, hospitality and property – and fortifying its strengths to capitalize upon the revival of the tourism industry in Macau. As a result of our commitment to improving efficiency and profitability, notwithstanding adverse economic conditions worldwide, the Group is pleased to report satisfactory improvements in both turnover and attributable profit for the year.

The Group's profit attributable to shareholders for the year ended 31 December 2001 was HK\$276.3 million, representing an increase of 11.8% compared with HK\$247.1 million in 2000. Turnover amounted to HK\$5,338.7 million, an increase of 64.9% compared with HK\$3,238.2 million from the previous year. Earnings per share were HK17.8 cents (2000: HK16.0 cents).

Subject to approval by the shareholders at the Annual General Meeting on 31 May 2002, the Board of Directors recommend a final dividend of HK3 cents per share for the year (2000: HK3 cents). In addition to the interim dividend of HK2 cents per share already paid (2000: HK2 cents), the total dividend for the year amounts to HK5 cents per share (2000: HK5 cents).

With its continuing efforts to improve operating efficiency and profitability, the Group's 71%-owned Shun Tak-China Travel Shipping Investments Ltd. ("ST-CTS"), a joint venture with China Travel International Investment Hong Kong Limited, recorded another year of encouraging earnings growth in 2001. During the year, ST-CTS benefited from increasing passenger arrivals in Macau and lower fuel costs.


The Group's market leadership on the Hong Kong-Macau route remained unrivalled in 2001. In January 2001, ST-CTS recorded the highest single-day passenger number for the year of approximately 55,000, representing increases of 15.2% and 3.4% as compared with those of 1999 and 2000, respectively. In addition, passenger traffic on its Shenzhen and Guangzhou routes continued to improve with growth of approximately 13% as compared with the previous year. In order to capitalize on the increasing passenger traffic in the Pearl River

Delta region, ST-CTS is actively exploring route expansion in anticipation of expanding economic activities in the region. On 16 April 2002, ST-CTS officially launched a new high-speed passenger ferry service between Shenzhen and Macau to diversify the existing service between Shenzhen and Hong Kong.

The revival of the Macau tourism industry underpinned the improved performance of the Group's hotels in Macau. During the year, Mandarin Oriental Macau and The Westin Resort Macau both reported satisfactory growth in their net profits and average room rates.

The Group's property division achieved encouraging responses from the sales of The Belcher's in 2001 and commenced the pre-sale of the Liberté in April 2002, which has been well-received by the market. During the year, The Belcher's Phase I development was completed on schedule and The Westwood, the largest shopping landmark in the Western Mid-Levels, was successfully launched.

With the addition of The Belcher's and The Westwood in Hong Kong, and the Macau Tower Convention and Entertainment Centre ("MTCEC") in Macau during the year, the Group's property management portfolio has significantly expanded to more than 8 million square feet of floor area in 2001. The portfolio will be further



enhanced upon completion of the Liberté with the Group's latest appointment as property manager of the development.

With supportive government housing policies and improvements in economic growth in Hong Kong along with gradual recovery of the US economy, the Group expects sales from its property development projects to further generate substantial cash inflow and earnings in the coming years. On 21 March 2002, the Group proposed to raise approximately HK\$388.5 million by way of a rights issue for reducing the Group's debt and further strengthening the Group's financial position. The Board anticipates that the improved gearing and financial performance will place the Group in a sound financial position to pursue new business opportunities, particularly in hospitality-related investments in Macau.

Reflecting its confidence in the prospects of Macau, the Group is committed to participating in the promising new business environment in Macau. The Group currently has a 5% stake in Sociedade de Turismo e Diversões de Macau, S.A.R.L. ("STDM"). STDM owns an 80% equity interest in Sociedade de Jogos de Macau, S.A. which signed a new gaming licence with the Macau SAR Government in March 2002. In December 2001, the Group was awarded the operational and property management agreement for the

MTCEC, which is owned by STDM, for a 20-year period. Being a prominent tourism, convention and entertainment landmark, the MTCEC will broaden the Group's hospitality network in Macau.

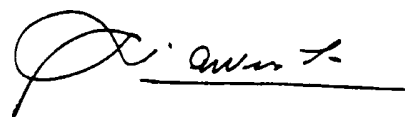
It is anticipated that the opening up of the gaming industry will generate new investments in entertainment, tourism and cultural projects in Macau. With its track record and investment experience in Macau, the Group is well-poised to participate in, and benefit from, Macau's dynamic new era of development. The Group will continue to seek premium opportunities to strengthen its interests in Macau and complement its existing core businesses. In accordance with this strategy, the Group recently acquired the development rights of a 99,000 square metre hotel and commercial site in Taipa-Macau for a consideration of HK\$500 million.

The Group will continue to review and restructure its existing operations and focus on the business development of its shipping and hospitality divisions. In February 2002, the Group strategically disposed of its 20% equity interest in an air-cargo business, AHK Air Hong Kong Limited, for HK\$194 million at a gain of HK\$177.8 million.

Looking forward, the Group remains confident of the future development and long-term prospects of its core

businesses, in anticipation of the revival of Macau tourism and economic growth in the Pearl River Delta region. The management will continue to seek appropriate investment opportunities, particularly in this region, in a prudent manner with a view to improving profitability and enhancing long-term shareholder's value.

I would like to take this opportunity to extend our sincere thanks and appreciation to the employees and management team for their dedicated efforts, commitment and contribution to the Group. I am also grateful to valued shareholders for their continuous support and confidence in our management team throughout the years.



Stanley Ho

Group Executive Chairman

23 April 2002