

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

The Group's unaudited consolidated turnover for the six months ended 31st December, 2000 increased by 15.7% to HK\$82,958,878 against the comparative period in 1999 of HK\$71,683,979, mainly attributable to steady improvement in market conditions.

The unaudited consolidated net profit attributable to shareholders for the six months ended 31st December, 2000 was HK\$33.2 million, representing an encouraging gain of 222.3% compared with HK\$10.3 million for the corresponding six months ended 31st December, 1999.

Earnings per share for the period was 4.28 cents, an increase of 224.2% when compared with 1.32 cents for the corresponding period in 1999.

The Directors have declared an interim dividend of 1 cent per share in respect of the six months ended 31st December, 2000, which will be payable on 22nd May, 2001 to shareholders whose names appear on the Register of Members of the Company on 17th April, 2001.

The interim dividend will be payable in cash but shareholders will be given the option to elect to receive the interim dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to the listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

A circular containing details of the scrip dividend scheme will be despatched to shareholders together with the form of election for scrip dividend on or about 18th April, 2001. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 22nd May, 2001.

The unaudited interim results have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu.

BUSINESS REVIEW

Visitor arrivals in Hong Kong continued to improve and achieved double-digit growth over the last year reaching a record high of 13 million, particularly from China, Taiwan, South East Asia, Japan, Korea and the United States of America. Occupancy rates of the City Garden Hotel, Royal Pacific Hotel & Towers and Conrad International Hong Kong during the half year ended 31st December, 2000 were 93.1%, 90.7% and 83.5% as compared with 90.2%, 88.1% and 77.7% for the corresponding period in 1999.

The average room rates for the six months ended 31st December, 2000 also recorded a healthy increase over the corresponding period in 1999. Therefore, all the hotels in our Group managed to achieve a much improved yield factor when compared with that of the corresponding period in 1999.

Total turnover of City Garden Hotel, Royal Pacific Hotel & Towers and Conrad International Hong Kong during the half year ended 31st December, 2000 were HK\$66 million, HK\$110 million and HK\$258 million as compared with HK\$55 million, HK\$101 million and HK\$223 million for the corresponding period in 1999.

Other than the above mentioned, there were no material changes from the information published in the report and accounts for the year ended 30th June, 2000.

EMPLOYEE PROGRAMMES

As at 31st December, 2000, the Company and its subsidiaries had about 280 employees. A series of staff benefits such as employee reward programmes and in-house training has been offered to the staff to maintain their quality standards, strengthen their professional knowledge and enhance productivity. The Group has also implemented a programme to identify employees of outstanding performance with an aim to encourage staff who have made significant contributions to the Group and to identify future leaders to become the role models for their fellow colleagues.

PROSPECTS

Demand for hotel accommodation in Hong Kong is envisaged to remain strong in 2001 as evidenced by the visitor arrivals statistics published by the Hong Kong Tourist Association. The additional supply of approximately 1,400 rooms in 2001 will be taken up by the likely growth in demand. Business travel is encouraged by China's imminent accession to the World Trade Organization while the leisure market is stimulated by steady economic recovery within the region.

Outlook for tourism growth in Hong Kong is encouraging. The SAR Government and the tourism industry are making dedicated efforts to diversify Hong Kong from a business to a family destination. Disneyland, Fisherman's Wharf, Wetland Park, International Sports & Performance Complex and other resort developments will increase Hong Kong's attraction as a family resort destination appealing to wider and different market segments.

Anticipating the healthy growth in future visitor arrivals, we have embarked on product enhancement and staff training programmes in all our hotels to improve product quality and service standards. The City Garden Hotel has been active in the marketing of newly converted executive rooms to generate high yield corporate business. The completion of the lobby renovation at The Royal Pacific Hotel & Towers has enhanced guest service efficiency and is well received by patrons. The Conrad International Hong Kong also strives to enhance guest experience through the executive club lounge and meeting rooms expansion programmes and health club facilities improvement plan. It is anticipated that occupancy levels for all our hotels will remain high providing impetus to average rates increase and improvement on overall performance.

STAFF AND MANAGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation and thanks to all my fellow Directors and staff of the Group for their commitment and contribution.

Robert Ng Chee Siong
Chairman

Hong Kong, 20th March, 2001