

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

The Group's unaudited consolidated turnover and net profit attributable to shareholders for the six months ended 31st December, 2001 was HK\$65 million and HK\$25 million respectively. Earnings per share for the period was 3.23 cents.

The Directors have declared an interim dividend of 1 cent per share payable on 22nd May, 2002 to shareholders whose names appear on the Register of Members of the Company on 17th April, 2002.

The interim dividend will be payable in cash but shareholders will be given the option of electing 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 their 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 the scrip dividend on or about 18th April, 2002. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 22nd May, 2002.

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

REVIEW OF OPERATIONS

Visitor arrivals increased by 5.1% in 2001 with total number reaching a new record of 13.7 million, despite the impact of September 11 events in the United States. Contributing to the growth are mainly visitors from Mainland China and Taiwan. Our strategy is to focus on short to medium haul source markets to build up occupancy to support our revenue base.

The occupancy rates for City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong for the six months ended 31st December, 2001 were 91.6%, 89.1% and 71% respectively as compared with 93.1%, 90.7% and 83.5% respectively for the corresponding period in 2000 while the average room rates showed a 15% decrease over the same period of comparison.

The turnover of City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong during the interim period was HK\$55 million, HK\$96 million and HK\$213 million respectively as compared with HK\$66 million, HK\$110 million and HK\$258 million for the corresponding period in 2000.

Other than the above mentioned, there was no material change from the information published in the report and accounts for the year ended 30th June, 2001.

EMPLOYEE PROGRAMMES

The Group continues to emphasise strongly on staff training and continuing education. Human resources development is an integral part in building professionalism and integrity and upholding excellence in service quality. Special staff training programmes designed to enhance productivity, service standards and language ability are conducted on a regular basis. In addition, the Group runs two programmes, namely 'Employee of the Year' for all staff and 'Manager of the Year' for supervisory level staff. Both programmes assist to identify employees with outstanding performance for further development into future leaders and role models for fellow colleagues.

INDUSTRY OUTLOOK AND PROSPECTS

Tourism industry continues to grow with the Government's strong support and determination to promote Hong Kong as Asia's premier international city, a world-class destination for leisure and business visitors. The tourism campaign—"City of Life: Hong Kong is it!" took off successfully and are followed by a series of spectacular programmes and international events throughout the year enhancing Hong Kong's attraction as event capital of Asia.

The multi-destination tourism approach leveraging on neighbouring destinations in the Pearl River Delta Region and the further opening of China and Taiwan markets through relaxation in entry visa and quota requirements and introduction of electronic visa i-permit will strongly facilitate tourist activities in Hong Kong. These initiatives and favourable external factors such as China's accession to WTO and Macau Casino concessions successfully attracting renowned international investors will provide fresh impetus for future growth in our industry.

Outlook for further growth in visitor arrivals is encouraging. To maintain our competitiveness in the improving market environment, our hotels continue to pursue various product and service enhancement programmes to improve quality and service standards and guest satisfaction. City Garden Hotel has completed its lobby and executive floor guestroom renovation which is favourably received by patrons. Both Conrad Hong Kong and Royal Pacific Hotel & Towers are planning renovation on executive floors and executive lounges as well as upgrading various food and beverage outlets to enhance guest satisfaction, strengthen revenue base and improve operation efficiency.

STAFF AND MANAGEMENT

On behalf of the Board, I would like to take this opportunity to express my appreciation and thanks to all staff for their dedicated efforts and contributions. I would also like to express my gratitude to my fellow directors for their support.

Robert NG Chee Siong
Chairman

Hong Kong, 19th March, 2002