

Chairman's Statement

I am pleased to present the annual report of the Group for the year ended 31st March 2002 to the shareholders.

RESULTS

Group turnover increased sharply to HK\$425 million for the year ended 31st March 2002 (2001: HK\$160 million) due to addition of travel agency business in the year. On the other hand, the pre-operating expenses and

start up losses of Empire Hotel Kowloon rendered the Group's profit attributable to shareholders reduced to HK\$18.0 million (2001: HK\$29.2 million).



33 on Hennessy Restaurant

BUSINESS REVIEW

The Empire Hotel, Hong Kong

Hong Kong tourism industry rebounded positively from the September 11th incident in the United States with total visitors arrival for the year to December 2001 reaching a new record of 13.7 million. This was helped by increased visitors arrivals from China,

South and Southeast Asia. While some of Hong Kong's key source markets continued to show negative growth in December, notably America (down 10.3% compared with December 2000) and North Asia (down 7.5%), these decreases were significantly less marked than those of October and November 2001.

Overall hotel industry occupancy in Hong Kong showed a slippage of 4% from 83% in the year to December 2000 to 79% in 2001. In spite of this, Empire Hotel Hong Kong achieved occupancy for the year to March 2002 of 84.4% as compared with 86.8% in 2001, which is higher than the industry average afore mentioned.

The decrease in food and beverage sales of HK\$2.7 million was largely due to the leasing out of space where the original Empire Brew was situated, which added rental income and reduced the operating cost and manpower.

Throughout the period, management has been proactive in improving the operation efficiency and implemented various cost saving measures. As a result, profitability was maintained amidst a lower business volume.

33 on Hennessy Restaurant



Guest Room



Recreational Floor

The Empire Hotel, Kowloon

The Empire Hotel Kowloon launched its soft opening in September 2001, with partial opening of 100 rooms until the beginning of first quarter of 2002 when all 315 rooms were fully opened. Consequently, this hotel has no

material contribution to the Group's operating profit in this reporting period. However, the hotel has passed the initial business build up period and would bring in substantial contribution in the coming year.



Lobby



Zino Coffee Bar and Lounge

The Empire Landmark Hotel, Vancouver

The events of September 11th 2001 coupled with the downturn in the British Columbia economy have adversely affected room rates and occupancy in the B.C. hotel markets.

Landmark Hotel occupancy level fell from 60.3% in 2001 to 57.1% in 2002, while average rate fell by 3%.

Other Operations

During the year, the Group acquired a renowned travel agency, JBC Travel

Company Limited, to complement the hotel business. This agency is one of the major wholesale distributors of air tickets in Hong Kong. It brought in sizeable volume of revenue to the Group although the profit contribution is relatively small compared to the hotel operation.

The Group recently also acquired the franchised TGI Fridays restaurants stores in Hong Kong and Shanghai, which have positive synergy with the Group's other business in terms of more efficient utilisation of resources and cross-promotion and marketing.

Revolving Restaurant



Lobby



FINANCIAL REVIEW

Shareholders' funds at 31st March 2002 stood at HK\$2.1 billion (2001: HK\$2.0 billion). Total assets amounted to HK\$3.5 billion (2001: HK\$3.2 billion). Net debt (total borrowings less bank balances) was HK\$1.2 billion (2001: HK\$1.0 billion), the increase in borrowings was due mainly to the construction of the Empire Hotel Kowloon as well as the acquisition of the travel agency and restaurant businesses. Despite of the increase in net debt, finance cost dropped sharply from HK\$111.2 million in 2001 to HK\$67.2 million in 2002 due largely to financing efforts resulting in lower borrowing interest rates coupled with interest rate cuts both in Hong Kong and abroad. The gearing ratio (net debt to net assets) increased from 52% in 2001 to 58% in 2002.

All the Group's borrowings are in Hong Kong dollar except for the mortgage loan of the Vancouver hotel which is denominated in Canadian dollar. Accordingly, there is no exchange rate risk exposure. Over 96% of these borrowings were repayable after one year, with repayment schedule spreading over a long period of time to about 10 years.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3.2 billion (2001: HK\$3.0 billion).

EMPLOYEE AND REMUNERATION POLICIES

The Company and its subsidiaries had a total of approximately 562 employees at the end of the year (2001: 450 employees). Their remuneration package, which commensurate with their job nature and experience level, include basic salary, annual bonus, share option, retirement and other benefits.

FUTURE PROSPECTS

The outlook for the future stays cautiously optimistic as Hong Kong remains a major regional transport hub and gateway to Mainland China placed it in a strong position to build on the growth of 2001. China's accession to the WTO and the relaxation of visa restriction on Mainland visitors to Hong Kong will boost tourism industry and hotels in particular in the coming years.

In view of the above, the Empire Hotel Hong Kong which is located near the Hong Kong Convention Center and the heart of the financial and banking system in Central is well-positioned to capture the full benefits of economic changes mentioned above.

Empire Hotel Kowloon under full operation for the year to March 2003 should bring in significant contribution to the profitability of the Hotel Group.

Vancouver tourism industry will certainly benefit from a number of major local developments such as expansion of the Vancouver International Airport; proposed expansion of Vancouver Trade & Exhibition Centre and continued expansion and prominence of the Robson Street retail corridor where our Landmark Hotel is situated.

Poon Jing

Chairman

Hong Kong, 18th July 2002