

## CHAIRMAN'S STATEMENT

I am pleased to present the 2001/2002 Annual Report to shareholders.

### FINANCIAL RESULTS

The Group's audited consolidated turnover for the financial year ended 30th June, 2002 was HK\$126.2 million, representing a decrease of 17.8% as compared with turnover of HK\$153.6 million for the previous year. The consolidated net profit attributable to shareholders for the year was HK\$49.8 million, representing a decrease of 3.6% from HK\$51.7 million for the financial year ended 30th June, 2001.

Earnings per share for the year was 6.28 cents, a decrease of 5.3% when compared with 6.63 cents for the corresponding year in 2001.

### DIVIDENDS

The Directors recommend a final dividend in respect of the year ended 30th June, 2002 of 1 cent per share to shareholders whose names appear on the Register of Members of the Company on 13th November, 2002, as compared to 1 cent for the prior year. Together with the interim dividend of 1 cent per share, the total dividend for the full year is 2 cents per share.

The Directors propose that shareholders be given the option of electing to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 13th November, 2002; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for the scrip dividend on or about 14th November, 2002. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 17th December, 2002.

### REVIEW OF OPERATIONS FOR THE YEAR

Visitor arrivals to Hong Kong reached 13.7 million in 2001, an increase of 5.1% over the previous year. A further growth of 12.8% in visitor arrivals was recorded in the first six months of 2002. This was mainly attributed to the increase in Mainland and Taiwan visitors after cessation of the quota system and relaxation of entry and visa procedures.

In general, tourism industry in Hong Kong remained promising and demand for accommodation should be sustainable in the medium to long term. Although general economic slowdown and the September 11 events had affected travellers from North America, Europe and Japan, such impact would be short term and had been mitigated by the growth in visitor arrivals in other geographical segments.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS FOR THE YEAR

*(Continued)*

In a fiercely competitive and fast growing market, the Group had been concentrating on tight cost control and developing short to medium haul source markets to achieve high occupancy rate as a solid base to maintain average room rate and yield.

#### **City Garden Hotel (100% owned)**

The average room occupancy rate of City Garden stood at 90.8%, a decrease from 91.9% in the financial year 2000/01 which was mainly due to a major renovation programme conducted during the financial year while the average room rate decreasing by 11.8%. Room sales for the year were HK\$79.3 million, representing a decrease of 14.3% from HK\$92.5 million during the last financial year. Food and beverage sales for the year were HK\$24.1 million, reflecting a decrease of HK\$0.9 million.

#### **Conrad Hong Kong (50% owned)**

The average room occupancy of Conrad Hong Kong recorded for the financial year was 73.8% as compared to 78.6% in the previous year. The average room rate for the year decreased by 14.7%. Room sales for the year were HK\$189 million which was 19.9% lower than that of last year whilst income from food and beverage sales for the year was HK\$207.6 million.

#### **Royal Pacific Hotel & Towers (25% owned)**

The average occupancy rate of Royal Pacific Hotel & Towers for the year decreased from 89.8% in the last financial year to 89.5% in the financial year while its average room rate showed a decrease of 13.8%. Room sales for the year totalled HK\$126.6 million, a decrease of 14% from HK\$147.2 million in the last financial year. Revenue from food and beverage sales was HK\$55 million, 2.3% higher than that of last year.

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.

## CHAIRMAN'S STATEMENT *(Continued)*

### INDUSTRY OUTLOOK AND PROSPECTS

Tourism in Hong Kong has been one of the major driving forces supporting the economy. In spite of a general economic slowdown, tourism has remained vibrant. There is strong confidence that visitor arrivals will continue to rise. The parallel growth of business and leisure markets, high yield and budget volume businesses as well as the long and short haul markets will provide the main impetus to future tourism growth.

The SAR Government is determined to develop tourism industry whose potential is a long way from being tapped. It is rapidly developing the infrastructure and network that will enable Hong Kong to realize its potential. Together with industry partners, the SAR Government have set clear objectives of achieving further increase in visitor arrivals, average length of stay and visitor receipts. Targeted focuses are being given to meet the needs of visitors particularly from the Mainland market, the single largest source market to Hong Kong. While the industry continues to build on established strengths of the long haul market, it is also aggressively exploring new markets and developing short and medium haul markets. The diversification of Hong Kong from a business destination to an increasingly resort and family destination will enhance its attraction and appeal to different market segments and age groups. Tourism development in Macau and the Pearl River Delta Region will provide a multi-destination attraction and thereby further incentives to tourists visiting Hong Kong.

The Group will continue to strengthen its competitiveness by improving customer satisfaction through product and service standard enhancement programmes. We will strive for better financial performance through effective cost containment and increasing operation efficiency. During the financial year, City Garden Hotel underwent a renovation in four floors of executive guest rooms, the lobby and an additional alfresco outlet extending to the lobby and banquet rooms. Guest comments on the renovation have been favourable. Renovation for the executive floors and executive lounges including new food and beverage outlets are planned for both Royal Pacific Hotel & Towers and Conrad Hong Kong.

### EMPLOYEE PROGRAMMES

The Group strongly believes in staff training and continuous education as human resources development is an integral part of building professionalism and upholding service excellence. While specially designed programmes were conducted throughout the year to assist in enhancing productivity and language ability, an intensive programme with the objective of furthering customer service standards to a higher level was launched at Royal Pacific Hotel & Towers in April, 2002. 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 of outstanding performance for further development into future leaders and role models for fellow colleagues.

## **CHAIRMAN'S STATEMENT** *(Continued)*

### **STAFF AND MANAGEMENT**

Ms. Doreen Fong Lai Min, who served on the Board as an Executive Director for more than 7 years has resigned with effect from 1st June, 2002. I would like to express my appreciation for her contributions during her directorship with the Company.

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, 24th September, 2002