

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, 2002 was HK\$68 million and HK\$43 million respectively. Earnings per share for the period was 5.32 cents.

The Directors have declared an interim dividend of 1.5 cents per share payable on 21st May, 2003 to shareholders whose names appear on the Register of Members of the Company on 16th April, 2003.

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 17th April, 2003. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 21st May, 2003.

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

REVIEW OF OPERATIONS

Visitor arrivals to Hong Kong reached 16.6 million in 2002, an increase of 20.7% from 13.7 million in 2001. This can be attributed mainly to the growth in Mainland Chinese and Taiwanese visitors as a result of relaxed visa requirements and surge in number of authorised Mainland agents. Both of these geographic markets accounted for over 40% of total visitor arrivals and continue to sustain Hong Kong's tourism industry.

The occupancy rates for City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong for the six months ended 31st December, 2002 were 93.6%, 90.8% and 79.3% respectively as compared with 91.6%, 89.1% and 71% respectively for the corresponding period in 2001. At the same time, the average room rates in general showed a 7.3% increase 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\$63 million, HK\$101 million and HK\$226 million respectively as compared with HK\$55 million, HK\$96 million and HK\$213 million for the corresponding period in 2001.

CHAIRMAN'S STATEMENT *(Continued)*

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, 2002.

EMPLOYEE PROGRAMMES

The Group places great importance on staff training and continuous education as human resources development is fundamental in building professionalism and upholding service excellence. Specially designed programmes were conducted throughout the year to enhance productivity and language ability. With Mainland Chinese and Taiwanese visitors on the rise, Putonghua lessons have been one of the most important items on our training agenda. This is to ensure that all staff communicate proficiently with customers to deliver service of the highest standards. In addition, an intensive training programme, which focuses on providing a higher level of customer service standard, has been launched at the Royal Pacific Hotel & Towers and City Garden Hotel. The programme has progressed well. The Group has two award schemes for all staff and supervisory staff namely 'Employee of the Year' and 'Manager of the Year'. Both programmes seek to identify employees of outstanding performance for further development into future leaders and role models for colleagues.

INDUSTRY OUTLOOK AND PROSPECTS

Tourism, one of the major foreign exchange earning industries in Hong Kong, has recorded good growth over the past few years. Hotels and various sectors namely retail, leisure, entertainment and transportation have benefited from improved economic activities and in return have created employment and business opportunities. Whilst there are concerns over the tough global economic climate, Hong Kong's tourism continues to show a promising outlook.

We are delighted to see the SAR Government's Tourism Development Action Programme is rapidly progressing to complete Hong Kong Disneyland in 2005; operation of the Tung Chung Cable Car system in Lantau Island by 2005; construction of Wetland Park, development of West Kowloon Reclamation area into the art and culture belt; sprucing up major tourist spots under the Rapid Enhancement Programme; and a sequence of conservation programmes to maintain the heritage sites and countryside. These tourist infrastructures, facilities and products will establish the attributes that make Hong Kong, "Asia's World City". Along with the 24-hour border-crossing checkpoint at Lok Ma Chau and the promotion of multi-attractions in Pearl River Delta Region, these undoubtedly will contribute to Hong Kong's tourism appeal.

Equal significance has also been placed by the SAR Government on quality of service, language capability and regulatory issues in reinforcing service standards to uphold the image of Hong Kong. A series of programmes which brace these topics has been launched. This integrated approach to increase the competitiveness of the tourism industry will certainly assist to endorse Hong Kong as a premier international destination.

CHAIRMAN'S STATEMENT *(Continued)*

Capitalising on the growth of the industry, the Group will continue to strengthen its competitiveness by improving customer satisfaction and operation efficiency through product and service standard enhancement programmes and cost containment measures respectively.

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, 18th March, 2003