

I am pleased to present the annual report of the Group for the year ended 31st March 2003 to the shareholders.

RESULTS

The Group's turnover was HK\$448.2 million for the year ended 31st March 2003 which has increased by HK\$23.3 million as compared to last year. This is primarily due to the new Empire Hotel Kowloon and the franchised TGI Friday's restaurants being in their full year of operation, which contributed to an increase in revenue of HK\$48.9 million while fall in air-ticketing sales coupled with the sale of the property management services companies during August 2002 resulted in a reduction in revenue of HK\$25.6 million as compared with last year.

Operating profit improved by HK\$24.5 million to HK\$62.2 million for the year to 31st March 2003 as compared with last year due mainly to Empire Hotel Kowloon's contribution. Profit attributable to shareholders however, fell by HK\$6.0 million to HK\$11.9 million, largely as a result of net unrealised loss in investments of HK\$7.3 million and additional finance expenses of HK\$23.4 million which can no longer be capitalised as development cost following the full opening of Empire Hotel Kowloon and hence had to be expensed during the year.

BUSINESS REVIEW

For the calendar year 2002 the Hong Kong Tourism Board recorded total visitors arrivals of 16.6 million, an increase of 21.2% over 13.7 million visitors in 2001. The improvement in arrival statistics is very much the result of significant growth of Mainland visitors arrivals which reached 6.82 million in 2002, a remarkable 53.4% increase on 2001 figure.

For the full year 2002, occupancy of hotels in Hong Kong averaged 84% as compared with only 79% in 2001. However, with the outbreak of atypical pneumonia in March 2003, tourists arrivals and hotel occupancy have steeply declined in recent months.

The Empire Hotel, Hong Kong

Empire Hotel Hong Kong maintained its overall occupancy for the year ended 31st March 2003 at 84.8% similar to last year occupancy of 84.4% while average room rate increased by 3.2%. The improvement in average room rate coupled with 15 additional guest rooms commissioned during October 2002, bringing our total room inventory to 360 rooms, led to an increase of room revenue of HK\$2.6 million, a 5.9% increase over last year. Food and beverage and other hotel operations businesses on the other



Lobby Lounge

hand have been sluggish showing a decrease in revenue of HK\$5.4 million over the same period in last year.



Guest Room

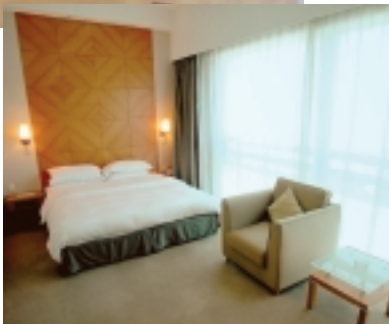


33 on Hennessy Restaurant

Despite the decrease in revenue, Empire Hotel Hong Kong was able to increase its net operating profit by 9.3% helped by continuous cost saving measures implemented during the year.



Lobby



Guest Room

The Empire Hotel, Kowloon

With Empire Hotel Kowloon in its first full year of operation, its occupancy reached a satisfactory 84.2%. Given its convenience of location for tourist shopping, dining and sightseeing, this brand new hotel establishes itself to be a popular choice for tourists and business travelers alike.

Empire Hotel Kowloon has made a significant contribution towards the Group's total revenue and operating profit for the year ended 31st March 2003 and with growing awareness by our overseas visiting hotel guests and local patrons, this hotel will continue to make positive contributions to the profitability of the Group.



The Empire Landmark Hotel, Vancouver

In Vancouver overall tourism activity declined due to the after-effects of September 11th event and the consolidation in the airline industry.

Empire Landmark Hotel's occupancy for year to 31st March 2003 was 53.3% (2002: 58.4%) and average room rate dropped by 10% from that of last year.

Food and beverage business decreased by HK\$4.3 million or 19% over the financial year of 2002 due partly to poor consumer spending sentiments locally and partly because of renting out of 15,500 square feet of conference/banquet space in November 2001 which contributed additional rental of HK\$1.3 million for the year to 31st March 2003.



Lobby

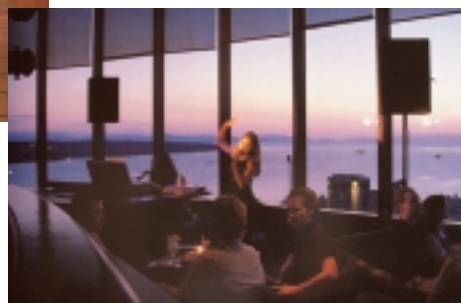
Travel Agency

The Group's travel agency revenue was HK\$237.6 million for the year ended 31st March 2003 as compared with HK\$255.6 million in 2002. This 7% fall in revenue is because of intensive competition arising from other travel agencies, direct sale of air-tickets by airline companies and sale of air-tickets through the internet. Furthermore the effects of the Iraq war and the outbreak of SARS towards the end of the financial year further dampen air-travelers' confidence both in Hong Kong and abroad.

As Mainland China's business and leisure travelers traveling to Hong Kong and abroad continue to increase, both our travel agency business will surely benefit from the potential business opportunities in China.



The Empire Landmark Hotel, Vancouver



Revolving Restaurant

Catering Business

The Group's franchised TGI Friday's restaurants in Hong Kong and Shanghai generated total revenue of HK\$19.6 million in its first full year's operation since it was acquired by the Group in March 2002. The Hong Kong restaurant business remains low as local consumer spending sentiments remain subdued coupled with the access difficulty arising from the East Rail construction road works along Nathan Road. The Shanghai restaurant's business continues to improve as local consumer spending power remains strong.

Other Business

The Group's building management services companies were disposed of in August 2002 as a result of strategic restructuring of the Group's business activities.

HUMAN RESOURCES

The total head-count of the Company and its subsidiaries was reduced to approximately 360 at the end of year (2002: 562) due to disposal of the building management services companies in August 2002. In addition to salary payment, other benefits include insurance, medical scheme and retirement benefits. During the year no share options were granted.

FINANCIAL REVIEW

Shareholders' funds as at 31st March 2003 stood at HK\$1,896.3 million (2002: HK\$2,107.8 million). Total assets amounted to HK\$3,239.1 million as compared with HK\$3,535.0 million last year. Total borrowings were HK\$1,300.2 million against last year's HK\$1,336.1 million. The Group's gearing ratio (net debt to equity) increases from 58% as at 31st March 2002 to 67% as at 31st March 2003.

As at 31st March 2003, HK\$62.1 million which represents over 4.8% of total borrowings are repayable within one year. The rest are repayable by various instalments over a long period extending to over 10 years. The borrowings are mainly denominated in Hong Kong dollar except for the Vancouver hotel's mortgage loan amounted to HK\$142.7 million (2002: HK\$145.7 million) which was borrowed in Canadian dollar to avoid exchange rate exposure risks.

The apparent sharp increase in finance costs from HK\$23.4 million for the year ended 31st March 2002 to HK\$46.8 million for this year is because the finance costs relating to the Empire Hotel Kowloon had to be expensed to the profit and loss account during the year as it can no longer be capitalised to hotel development cost since the full opening of Empire Hotel Kowloon near the end of last financial year March 2002. In fact, interest expense before capitalisation dropped from last year's HK\$64.7 million to HK\$45.3 million for the current year.

The aggregate net book value of fixed assets pledged as securities for loans of the Group amounts to HK\$3.0 billion (2002: HK\$ 3.2 billion).

FUTURE PROSPECTS

With the SARS virus having become a global health concern since its outbreak in mid-March, affecting sentiments to travel worldwide, tourists arrivals and hotel occupancy fell significantly from April to June 2003. All hotels in Hong Kong encountered unprecedented low occupancy and average room rates. However, following the uplift of the World Health Organisation's travel warning on Hong Kong and Mainland China, there are already signs of gradual recovery.

Furthermore with the support of Hong Kong Government to stimulate tourism in Hong Kong such as the HK\$1 billion additional funding to revitalise travel, exhibitions and commerce, the launch of various campaigns by airlines, trade organisations and retail sector, tourism and hotel occupancy will surely recover to the pre-SARS levels. Further relaxation of the visa requirements for Mainlanders coming to Hong Kong and the recently announced CEPA will likely generate more individual and business travelers as well. Both Empire Hotel Hong Kong and Kowloon are well-prepared to capture these additional business as soon as they return.

Downtown Vancouver, where our Empire Landmark Hotel is situated, is the hub for all tourism and conference activity in Greater Vancouver as well as the main business base for the province. Much of the province's economic growth takes place in the Vancouver area as evidenced by such major developments as the expansion of Vancouver International Airport, continued expansion of Robson Street retail corridor, and the addition of a third cruise ship berth at Canada Place which will all surely benefit our Vancouver hotel.

By Order of the Board

Poon Jing

Chairman

Hong Kong, 22nd July 2003