

PROSPECTS

With the SARS crisis behind us and with the support from Kunming city Government, which intends to invest RMB200 billions over the next 18 years to improve the city's image, Kunming city will become an ideal destination for both leisure and business travelers. Recently, more international flights to Kunming have been introduced. As encouraged by the relevant hotel association, all the hotels in Kunming shall adopt "Minimum Room Rate" policy from year 2004. In view of the above, the Directors are confident that the performance of the Hotel Company will generate stable earnings to the Group in the coming years.

Due to the continuous upsurge of the PRC's economy, the demand for electronic consumer products, including mobile phones, has remained steady. The Group shall closely monitor the changes in external market conditions and continue its effort to control cost and improve efficiency to maintain a steady growth.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2003 (2002: Nil).

REVIEW BY AUDIT COMMITTEE

The interim results for the six months ended 30 September 2003 have not been audited by the Company's auditors, but have been reviewed by the Audit Committee.

EMPLOYEES

The Group is an equal opportunity employer. Selection and promotion of individuals are based on suitability for the positions offered. The salary and benefit levels of the Group's employees are kept at a competitive level and the employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group does not have any share option scheme.

As of 30 September 2003, the Group employed about 558 employees, of which 438 are the employees of the Hotel Company under the management of Harbour Plaza Hotel Management Limited. The employees of the Hotel Company are rewarded on a performance related basis within the general framework of the hotel's salary and bonus system which is reviewed annually.

The remuneration policy and package including basic salaries, medical coverage, insurance plan and discretionary bonus are subject to periodical reviewed of the respective management. In addition, training and development programmes are provided on an ongoing basis to employees of the Group to raise productivity and to maintain a high standard of service for the Hotel.