

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, 2003 was HK\$63 million and HK\$37 million respectively. Earnings per share for the period was 4.53 cents.

The Directors have declared an interim dividend of 1.5 cents per share payable on 19th May, 2004 to shareholders whose names appear on the Register of Members of the Company on 19th April, 2004.

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 20th April, 2004. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 19th May, 2004.

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

REVIEW OF OPERATIONS

Business Activities

Visitors arrivals to Hong Kong in the second half of 2003 reached 9.6 million, a 6.6% increase on the 2002 figure over the same period.

Occupancy rates for City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong for the six months ended 31st December, 2003 were 87.5%, 84.4% and 84.2% respectively as compared with 93.6%, 90.8% and 79.3% respectively for the corresponding period in 2002. At the same time, average room rates in general showed a 2.5% increase over the same period.

The turnover of City Garden Hotel, Royal Pacific Hotel & Towers and Conrad Hong Kong during the interim period was HK\$59 million, HK\$92 million and HK\$242 million respectively as compared with HK\$63 million, HK\$101 million and HK\$226 million for the corresponding period in 2002.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Finance

As at 31st December, 2003, the Group's gearing ratio, expressed as a percentage of bank and other borrowings net of cash and bank balances over shareholders' equity, was at approximately 33.9%. Of the total borrowings, 21% was repayable within one year, 50% repayable between one and two years and 29% repayable between two and five years. The Group, including the attributable shares of its associates, held cash resources of approximately HK\$296 million, comprising cash on hand of approximately HK\$83.5 million together with committed undrawn facilities of approximately HK\$212.5 million.

There was no material change in foreign currency borrowings and the capital structure of the Group for the interim period ended 31st December, 2003. Foreign exchange exposure is kept at a minimal level. The majority of the Group's borrowings are subject to floating interest rates.

As at 31st December, 2003, the Group did not record any material changes in contingent liabilities since the previous financial year ended 30th June, 2003.

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, 2003.

EMPLOYEE PROGRAMMES

The Group continues to accord staff training and continuous education a high priority, as human resources development is vital in building professionalism and maintaining service excellence. Hygiene, health and safety programmes were especially highlighted throughout the year to promote the need for constant disease surveillance and preventive measures. With a sharp rise in visitors from Mainland China and Taiwan, Putonghua lessons have been one of the most important items on the training agenda to ensure that all staff can communicate proficiently with customers and deliver service of the highest standard. The Group runs 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 training to enable them to become future leaders and to serve as role models for their colleagues. Moreover, the first batch of trainees is going to complete their Corporate Management Trainee programme and take up major managerial positions in mid 2004. The 2-year programme is specially designed for those graduates who have the necessary talent and vision to devote themselves to the hospitality industry.

Furthermore, the Group places significant emphasis on team-work. Strong team-work is an important element for enhancing efficiency and effectiveness of human resources, internal procedures and systems. It directs individual achievement towards the Group's objectives, which result in better quality of products and services.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS

The SARS breakout in early 2003 played havoc with the tourism industry within the region and local hotels recorded the lowest occupancy in history. Due to the combined efforts of the HKSAR Government, the Hong Kong Tourism Board (“HKTB”) and various sectors, the industry quickly made a complete recovery towards the end of the year. The Tourism Commission and the HKTB have launched a series of destination events and promotions to attract tourists and to encourage local consumption.

To facilitate the entry of visitors, various measures have been introduced. The quota of the Hong Kong Tour Group Scheme of Mainland visitors has been abolished and the number of Mainland travel agents authorized to organize such tours has also increased significantly. Beyond this, nationals from some 170 countries can visit Hong Kong visa free for period from seven days to six months. From 28th July, 2003 onwards, residents of four Guangdong cities (Dongguan, Foshan, Jiangmen and Zhongshan) can apply to visit Hong Kong in an individual capacity. The scheme, Individual Visitors Scheme, was extended to cover Guangzhou, Shenzhen, Zhuhai and Huizhou on 20th August, 2003, and to Beijing and Shanghai on 1st September, 2003. It will be extended to the whole of Guangdong no later than May 2004.

The introduction of Closer Economic Partnership Arrangement will increase trade volume between Hong Kong and China. This advances the interaction between the two places and will definitely result in more business travel to Hong Kong and China which in turn will benefit the hotel industry.

We welcome the confirmation that Hong Kong Disneyland is to be opened before Christmas, 2005 and this will bring more jobs to all sector of the travel industry and further boost the local economy. The HKSAR Government has new plans to develop five major tourism clusters in the territory with a view to enhancing the attractiveness of Hong Kong as a premier tourist destination. These include the restoring and converting the former Marine Police Headquarters compound into a tourism themed development; the integrated arts, cultural and entertainment district at West Kowloon Reclamation; the preservation and conservation of the Central Police Station, Victoria Prison and the former Central Magistracy compound into a heritage-themed development; the Ocean Park will form the basis for the development plan of the Aberdeen Harbour tourism node; and a Harbour Lighting Plan to enhance the night vista of Victoria Harbour with the use of modern, energy efficient technology.

The HKSAR Government has also placed a lot of emphasis on quality of service, language capability and regulatory issues in reinforcing service standards to uphold the image of Hong Kong. The introduction of the Tourist Ambassador Scheme which offers a personalized tourist information service was highly appreciated by both tourists and different sector of the industry.

To capitalise on the opportunities afforded by the optimistic forecasts for the economy, the Group will strengthen its competitiveness by continuing to provide high quality customer service through product and service standard enhancement programmes and ensuring operation efficiency by initiating cost containment measures.

STAFF AND MANAGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all staff for their commitment, dedication and continuing support. I would also like to express my gratitude to my fellow Directors for their guidance and wise counsel.

Robert NG Chee Siong

Chairman

Hong Kong, 17th March, 2004