

The grim experience of SARS, "Bird Flu", Iraqi wars and terrorist threat has affected the tourist industry but the situation has been recovering. The local government has made long-term action plans such as the "New Kunming" project and ASEAN free trade zone to accelerate the city's economy and further development. New road, railway systems and international direct airlines access are under construction or negotiation to improve the city's infrastructure to support such plans. As more than 50% of the Hotel's geographic mix comes from the local market, the Company is optimistic about the prospect of the Hotel in this sector owing to the increasing spending power of the local people. Harbour Plaza Kunming will continue to lead the top tier with its premium service.

For the Group's investments in Techwayson and Tongling Huarui, the management of the Group is optimistic about the trend in copper clad laminate industry and the industry on automation and control system in general and believes that these investments shall sustain a reasonable return in the long run.

For the Group's investment in the property/development, the Company is confident that it will bring satisfactory return to the Group in view of the active property market in Shanghai and the good location of the building.

The Group will continue to exercise tight cost control and to maintain competitiveness. Barring unforeseen circumstances, the general outlook for the Group's business shall remain steady for the rest of the financial year.

Employees

As of 30 September 2004, the Group employed about 513 employees, of which 442 are the employees of the Harbour Plaza Kunming Co. Ltd. (the "Hotel Company") under the management of Harbour Plaza Hotel Management Limited. The employees of that 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 review of the respective management. In addition, training and development programs 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. The Group does not have any share option scheme.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: Nil).

DIRECTORS INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests and short positions of the Directors in the Shares or underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) to be entered into the register maintained by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name	Number of Shares Corporate Interest	Approximate Shareholding
Mr. LIU Xue Lin	Long position – 200,000,000* Short position – 50,036,000*	18.84% 4.71%

* The above Shares are held through Open Mission Assets Limited, which is beneficially owned by Mr. LIU Xue Lin.