

## **CHAIRMAN'S STATEMENT**

### **INTERIM RESULTS AND DIVIDEND**

The Group's unaudited consolidated turnover for the six months ended 31st December, 2004 was HK\$81.4 million, an increase of 28.2% compared with the corresponding period last year. Net profit for the interim period was HK\$48.2 million, an increase of 30.5% when compared with the corresponding period last year. Earnings per share for the period was 5.86 cents.

The Directors have declared an interim dividend of 2 cents per share payable on 19th May, 2005 to shareholders whose names appear on the Register of Members of the Company on 19th April, 2005.

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, 2005. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 19th May, 2005.

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

### **REVIEW OF OPERATIONS**

#### **Business Activities**

Visitor arrivals to Hong Kong in 2004 reached 21.8 million, an increase of 40.4% on the 2003 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, 2004 were 91.7%, 88.1% and 90.0% respectively compared with 87.5%, 84.4% and 84.2% respectively for the corresponding period in 2003. At the same time, average room rates in general showed a 18.4% 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\$75 million, HK\$108 million and HK\$271 million respectively compared with HK\$59 million, HK\$92 million and HK\$242 million for the corresponding period in 2003.

## **CHAIRMAN'S STATEMENT** *(Continued)*

### **REVIEW OF OPERATIONS** *(Continued)*

#### **Business Activities** *(Continued)*

The Group aims to provide and maintain the highest standards of customer service. During the interim period, in recognition of the quality of its service Conrad Hong Kong received a number of awards which were The World's Best Hotels by Institutional Investor (USA) 2004, 2004 Readers' Choice Awards of Top 100 Best Hotels in the World by Conde Nast Traveler (USA) and 2004 Best Business Hotels in Asia Awards, Best Business Hotel in Hong Kong by Business Asia (Australia). Nicholini's, the Conrad's world class Italian restaurant proudly received the award of 2004 Ambassador of Italian Cuisine in the World.

During the period under review, the Group has organised a series of events for charitable purpose and activities for promoting environmental protection. In September, 2004, the Group's staff participated in the 'Hong Chi Climbathon' to raise fund for Hong Chi Association. Later in December 2004, our staff again participated in the Rickshaw Race of the ACCA Charity Fun Day 2004. In the same month, the Group supported the Woodland Conservation Day organised by Friends of the Earth. Through Hong Kong Hotels Association, the Group also donated cloths for the victims of "Tsunami".

#### **Finance**

As at 31st December, 2004, 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 29.7%. Of the total borrowings, 40% was repayable within one year and the remaining balance was repayable after one year. The Group, including the attributable shares of its associates, held cash resources of approximately HK\$195 million, comprising cash on hand of approximately HK\$87 million together with committed undrawn facilities of approximately HK\$108 million.

There was no material change in foreign currency borrowings and the capital structure of the Group for the interim period ended 31st December, 2004. 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, 2004, the Group did not record any material changes in contingent liabilities since the previous financial year ended 30th June, 2004.

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, 2004.

## **CHAIRMAN'S STATEMENT** *(Continued)*

### **EMPLOYEE PROGRAMMES**

The Group continues to place a great deal of importance on staff training and education, as human resources development is vital in building professionalism and maintaining service excellence. We believe that training can improve enthusiasm, commitment, and a sense of belonging.

Our theme for 2005 is "Best Consistent Service" to be cascaded to staff at all levels so as to deliver to our customers the highest standards of product and service.

With a sharp increase in visitors from Mainland China and Taiwan, Putonghua lessons have been one of the most important items on the training agenda this year. This is to ensure that all staff can communicate proficiently towards our customers.

The Group having established two award schemes for all staff and supervisory level, namely 'Employee of the Year' and 'Manager of the Year' has been well received by our employees. Both programs identify employees of outstanding performance to further undergo training, enabling them to become future leaders and serve as role models.

Furthermore, the Group places significant emphasis on team-work and open communication at all levels of the organisation.

### **INDUSTRY OUTLOOK AND PROSPECTS**

Tourism is a pillar for Hong Kong's economic growth and serves to maintain Hong Kong as Asia's World City. Two landmark tourist attractions, namely Hong Kong Disneyland and The Hong Kong Wetland Park (Hong Kong's first major ecotourism facility) are expected to come on stream in the fourth quarter of 2005. New initiatives such as the District Tourism Enhancement Programme provide a facelift to existing tourist spots while the Tourism Commission continues to promote new attractions. The Peak Improvement Project and the Stanley Waterfront Improvement Project will upgrade street paving, lighting and street furniture thereby enhancing the ambience of these tourist spots. Regular thematic events and activities organised jointly with various organizations on special occasions and holidays enrich the visitor's experience, and justify Hong Kong's claim to be a city full of entertainment, excitement and enjoyment.

The improvements in cross-border infrastructure and transportation network such as the Lok Ma Chau Spur Line, Hong Kong-Shenzhen Western Corridor, Deep Bay Link and the new bridge at the Sha Tau Kok crossing, will further strengthen the link between Hong Kong and the Southern part of the PRC ensuring that travelling between the two territories is seamless. With the Individual Visit Scheme introduced in July 2003, the HK Government has ensured that Hong Kong remains easy to visit.

## **CHAIRMAN'S STATEMENT** *(Continued)*

### **INDUSTRY OUTLOOK AND PROSPECTS** *(Continued)*

The concepts of promoting heritage, family and green tourism by the Tourism Commission and The Hong Kong Tourism Board will serve to further stimulate the industry to achieve further growth. The efforts made by the Hong Kong Tourism Board to promote and develop multi-destination tourism with strategic partners are sure to have a positive impact on Hong Kong's tourism industry and ensure that Hong Kong is one of Asia's preferred tourist destinations.

To leverage 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 effectively upgrade its hardware through continuing renovation works. During the interim period, both City Garden Hotel and Conrad Hong Kong have undergone several renovations. Certain guest floors in City Garden Hotel have been renovated and Conrad Hong Kong completed the renovation of the Lobby and its Lobby Lounge. The Group will continue to roll out renovation programmes, where necessary, to further improve the quality of our products.

### **STAFF AND MANAGEMENT**

I would like to welcome Mr. Peter Wong Man Kong who joined the Board as an Independent Non-executive Director with effect from 30th September, 2004.

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, 2005