

## CHAIRMAN'S STATEMENT

I am pleased to present the 2004/2005 Annual Report to shareholders.

### FINAL RESULTS

The Group's audited consolidated net profit attributable to shareholders for the financial year ended 30th June, 2005 was HK\$111.5 million, representing an increase of 16.7% compared with that reported in the previous financial year. The turnover of the Group was HK\$163.2 million, representing an increase of 19.6% compared with the turnover of HK\$136.4 million for the previous financial year.

Earnings per share for the year were 13.4 cents, an increase of 15.5% compared with 11.6 cents for the financial year 2003/2004.

The increase in earnings was mainly attributable to the general improvement in business activities and tourist arrivals within the region. Both room revenue and food and beverage business recorded strong growth during the financial year 2004/2005.

### DIVIDENDS

The Directors recommend a final dividend in respect of the year ended 30th June, 2005 of 3.5 cents per share to shareholders whose names appear on the Register of Members of the Company on 17th November, 2005. Together with the interim dividend of 2 cents per share, the total dividend for the full year is 5.5 cents per share.

The Directors propose that shareholders be given the option of electing to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the Annual General Meeting to be held on 17th November, 2005; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to shareholders together with the form of election for the scrip dividend on or about 21st November, 2005. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 16th December, 2005.

## CHAIRMAN'S STATEMENT *(Continued)*

### REVIEW OF OPERATIONS

Visitor arrivals to Hong Kong for the period between July 2004 and June 2005 reached 22.7 million, an increase of 16.2% compared with the corresponding period of the previous year. Average monthly visitor arrivals were 1.8 million for the first half of the calendar year of 2005, an increase of 9.6% compared with 1.6 million for the corresponding period of the previous year. While short-haul markets have recorded a stable upward trend, the long-haul markets experienced stronger growth, arrivals from Americas, Australia and Europe such as France and Germany have performed well. The Group has continued its policy of rolling out an intensive marketing strategy to capture the sectors that are growing and to continue to foster customer loyalty. The growth in the tourism industry and related business activities and our efforts in improving our competitiveness in terms of quality service had a positive effect on the returns of the hotels in our Group.

#### **Business Activities**

##### *City Garden Hotel (100% owned)*

The average room occupancy rate of City Garden stood at 88.5%, an increase from 88.1% in the financial year 2003/2004 while the average room rate increased by 20.7%. Room sales for the financial year 2004/2005 were HK\$113.8 million, representing an increase of 21.0% from HK\$94.0 million during the last financial year. Food and beverage sales for the year were HK\$28.0 million, reflecting an increase of 18.6% over last year.

##### *Conrad Hong Kong (50% owned)*

The average room occupancy of Conrad Hong Kong recorded for the financial year 2004/2005 was 85.6% compared with 83.8% in the previous financial year. The average room rate for the year increased by 20.6%. Room sales for the year were HK\$274.0 million which was 22.1% higher than that of last year whilst income from food and beverage sales for the year was HK\$244.2 million.

##### *Royal Pacific Hotel & Towers (25% owned)*

The average occupancy rate of Royal Pacific Hotel & Towers was 83.2% in the financial year 2004/2005 while its average room rate showed an increase of 19.3%. Room sales for the year totalled HK\$156.9 million, an increase of 17.2% from HK\$133.8 million in the previous financial year. Revenue from food and beverage sales was HK\$44.0 million.

Other than the abovementioned, 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)*

### REVIEW OF OPERATIONS

*(Continued)*

#### Finance

As at 30th June, 2005, 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 28.1%. Of the total borrowings, 10% was repayable within one year and the remaining repayable after one year. The Group, including the attributable shares of its associates, held cash resources of approximately HK\$244.0 million, comprising cash on hand of approximately HK\$114.1 million together with committed undrawn facilities of approximately HK\$129.9 million.

There was no material change in foreign currency borrowings and the capital structure of the Group for the year ended 30th June, 2005. Foreign exchange exposure is kept at a minimal level. The majority of the Group's borrowings are subject to floating interest rates.

As at 30th June, 2005, the Group did not record any material changes in contingent liabilities since the previous financial year ended 30th June, 2004.

Other than the abovementioned, there was no material change from the information published in the report and accounts for the year ended 30th June, 2004.

### EMPLOYEE PROGRAMMES

Our employees are one of the most important assets in our Group. We continue to place a great deal of importance on staff training and education, as human resources development is vital in building professionalism and maintaining service of excellence. We believe that training can improve enthusiasm, commitment, and a sense of belonging.

Our theme for 2005 is "Best Consistent Service" being cascaded to every level of the hotel in order 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 an important part of the training agenda this year. This is to ensure that all our employees can communicate proficiently towards our customers.

The Group established two award schemes for all staff and supervisory level, namely 'Employee of the Year' and 'Manager of the Year'. This has been well received by our employees. Both programmes identify outstanding employees. We encourage these employees to further undergo training, enabling them to become future leaders. We then monitor them so as to serve as role models towards other employees within the Group.

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

## CHAIRMAN'S STATEMENT *(Continued)*

### INDUSTRY OUTLOOK AND PROSPECTS

Tourism industry continues its growing momentum with record high visitor arrivals in the calendar year of 2004, and expected visitor arrivals reaching 23.4 million and 27.1 million in the full calendar years of 2005 and 2006 respectively. Total tourism expenditure is estimated to be reaching a new milestone of over HK\$110 billion by 2006. It is noteworthy that Hong Kong is ranked as one of the top 10 most popular tourist destinations in the world by the World Tourism Organisation recently.

The HKSAR Government has placed considerable resources to foster a sustainable growth in the tourism industry. Efforts have been made in a wide-range of areas. New attractions such as Phase 1 of Hong Kong Disneyland, Ngong Ping 360 and Hong Kong Wetland Park to be rolled out between now and early 2006 will further expand the number of tourist spots in Hong Kong and probably extend the average length of stay of the tourists. The Tourism Districts Enhancement Programme released in October 2004 involving improvement and beautification works to be carried out in the existing tourist spots in each district will enrich tourists' experience in Hong Kong. The extension of the 'Symphony of Lights' to cover over 30 buildings (currently 20 buildings) by end of this year will enhance the night vista of this city, the Pearl of the Orient.

In furtherance of HKSAR Government's proactive efforts in promoting Hong Kong as a premier international city and popular world-class destination in Asia, the HKTB has unveiled the '2006 Discover Hong Kong Year' campaign which will start in the second half of calendar year 2005. It aims at boosting the family and business traveller segments as well as promoting Hong Kong globally as a "must-visit" city. With such initiatives, the industry is set to embrace a promising prospect. The growth of tourism industry will instigate growth in other sectors of Hong Kong economy creating wealth and bringing in a broad-based and yet a sustainable economic growth.

In view of the strong growth and the potential challenges ahead, the Group has embarked on a series of planned renovation programme to upgrade the facilities of the three hotels, which has been carried out gradually and by phases. City Garden has renovated a total of 230 rooms. Renovation of the remaining guest rooms and the coffee shop will also take place. The Café on The Park in Royal Pacific Hotel has just been renovated with a completed contemporary design. Plans for renovation of guest rooms are also under way. Conrad Hong Kong has recently completed the renovation of its lobby and lounge. The new lobby and lounge offer a warm-welcoming feature and elegant look to the existing design. It will also be renovating all guest rooms by phases in order that the impact on the hotel's business can be managed at a minimal level.

Looking forward, the growth momentum of tourism industry shall continue and global economic outlook is positive. The Directors are confident in the medium to long term prospects of the Group.

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

### **STAFF AND MANAGEMENT**

Mr. Paul Cheng Ming Fun, who served the Board for more than 10 years, resigned effective 31st May, 2005. His immense contribution during his directorship with the Company is greatly appreciated.

I would like to extend a warm welcome to Mr. Adrian David Li Man-kiu and Mr. Steven Ong Kay Eng who joined the Board as Independent Non-executive Directors with effect from 28th April, 2005 and 1st July, 2005. Their knowledge, experience and international insight will certainly prove to be of great benefit to the Group. With effect from 1st July, 2005, Mr. Ronald Joseph Arculli was re-designated as Non-executive Director of the Company.

I would also like to take this opportunity to welcome Mr. Daryl Ng Win Kong who joined the Board as Executive Director with effect from 28th April, 2005.

Sino Hotels has made significant strides in its business and was included in the Hang Seng Index Composite Index Series and Hang Seng Freefloat Index Series effective 8th August, 2005. 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, 22nd September, 2005