

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

The Group's unaudited consolidated turnover for the six months ended 31st December, 2005 was HK\$88.6 million, an increase of 8.8% compared with the corresponding period last year. Net profit for the interim period was HK\$33.5 million, an increase of 52.6% compared with the corresponding period last year. Earnings per share for the period was 4.02 cents. The increase in earnings was mainly attributable to the robust growth in business activities in Hong Kong and healthy development in tourism industry within the region. Both room revenue and food and beverage business recorded favourable growth during the interim period under review.

The results for the interim period ended 31st December, 2005 reflect the adoption of all Hong Kong Financial Reporting Standards applicable to the Group that are effective for accounting periods beginning on or after 1st January, 2005.

The Directors have declared an interim dividend of 2.2 cents per share payable on 18th May, 2006 to shareholders whose names appear on the Register of Members of the Company on 21st April, 2006.

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 26th April, 2006. It is expected that the interim dividend warrants and share certificates will be despatched to shareholders on or about 18th May, 2006.

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

REVIEW OF OPERATIONS

Visitor arrivals to Hong Kong in 2005 reached 23.4 million, an increase of 7.1% on the 2004 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, 2005 were 88.5%, 83.2% and 82.2% respectively compared with 91.7%, 88.1% and 90.0% respectively for the corresponding period in 2004. At the same time, average room rates in general showed a 20.6% 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\$81.8 million, HK\$116.5 million and HK\$302.3 million respectively compared with HK\$75 million, HK\$108 million and HK\$271 million for the corresponding period in 2004.

The Group aims to provide and maintain the highest standards of customer service. During the period under review, the Group received a number of awards from renowned organisations in recognition of its quality of service, hotel management capability and quality of the food and beverage of its restaurant outlets. The management will continue its policy of improving the quality of its products and services so as to ensure customer satisfaction and enhance branding.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Finance

As at 31st December, 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 33.2%. Of the total borrowings, 11% 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\$234.9 million, comprising cash on hand of approximately HK\$125 million together with committed undrawn facilities of approximately HK\$109.9 million.

There was no material change in foreign currency borrowings and the capital structure of the Group for the interim period ended 31st December, 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 31st December, 2005, the Group did not record any material changes in contingent liabilities since the previous financial year ended 30th June, 2005.

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, 2005.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

The Group recognises that long-term shareholders' value can best be optimised by operating and performing in a socially responsible manner. Corporate integrity, ethics, governance and citizenship are important in the Group's daily operations and management. As a committed and responsible corporate citizen, the Group has been working closely with different charitable organizations to hold various community services for the needy, and with environmental conservation groups to promote better environment and healthy living.

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.

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 to grow strongly with HKSAR Government's strong support and determination to promote Hong Kong as Asia's premier international city. Visitor arrivals achieved a new record high in the calendar year of 2005. It is expected that visitor arrival will further increase by approximately 16% to 27.1 million in the full calendar year of 2006 with growth of visitors not only from the Mainland China which recorded an increase of 2.4% to over 12.5 million in the previous year but also from other international markets, which achieved a combined increase of 13.1% to 10.8 million. Total tourism expenditure exceeded HK\$100 billion in 2005 and is estimated to be reaching a new milestone of over HK\$110 billion by 2006.

The Closer Economic Partnership Arrangement, now entering the third phase of trade liberalisation between Mainland and Hong Kong, further facilitates business and the movement of people. Increasing business travel to Hong Kong and China is expected thus benefiting the hotel industry.

The HKSAR Government's multifaceted approach to promote Hong Kong as a preferred tourist destination in Asia is now bearing fruit. Tourist attractions and facilities are increasing. The opening of Hong Kong Disneyland in September 2005 set a new milestone in tourism development, adding new attraction to the territory. Two major projects namely Ngong Ping 360 and Hong Kong Wetland Park will also come on stream in 2006. The concept of multi-destination tourism based on the Pan-Pearl River Delta co-operation is fast developing. In March 2006, PRC Government extended the Individual Visit Scheme to 5 more Mainland cities. The total number of Mainland cities allowing residents to travel to Hong Kong through the Scheme will now be increased to 43, further boosting visitor arrivals.

Equal importance has also been placed by the HKSAR Government on the quality of service to uphold the image of Hong Kong. This integrated approach to increase the competitiveness of the tourism industry will assist to endorse Hong Kong to maintain its status as a premier international destination.

The Group is ever mindful of upholding a competitive position in the market. The Group has put in hand renovation programmes to upgrade the facilities of the three of its hotels, which has been rolled out gradually and by phases. The renovation will enhance guest satisfaction, strengthen revenue base and improve operational efficiency. Significant resources were placed in renovating guest rooms, restaurants and surrounding environment. A total of 52 guest rooms in City Garden, 96 guest rooms in Conrad Hong Kong and 56 guest rooms in Royal Pacific & Towers were renovated during the interim period. In addition, the Group has also upgraded its computer system to cater for the changing needs of the customers. City Garden Hotel and Royal Pacific Hotel & Towers finished the upgrading works for its computerized CCTV system, which ensure the comfort and safety of guests. More renovation will take place throughout the year so as to ensure that the Group remains competitive.

Looking forward, the sustained robust performance of tourism industry is expected to continue and the global economic outlook is positive. The Directors are confident in the medium to long term prospects of the Group.

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 Siang
Chairman

Hong Kong, 16th March, 2006