

MANAGING DIRECTOR & CHIEF EXECUTIVE'S STATEMENT

RESULTS

I report to the shareholders that the audited consolidated loss of the Group attributable to shareholders for the year ended 31 March 2006 amounted to HK\$70,510,642 (2005: profit of HK\$3,490,301, as restated).

The directors do not recommend the payment of any dividend for the year.

REVIEW OF OPERATIONS

The overall turnover of Cheung Chau Warwick Hotel has decreased by 4% compared with last year. During the year under review, the average room rate of the room division has improved. However, the room revenue has decreased due to the Hotel carried out the upgrading works as there were certain rooms temporarily suspended from sale. Following the gradual recovery of Hong Kong economy, more restaurant operators have re-entered the local catering market of Cheung Chau recently. In view of the keen competition, the turnover of the food and beverage division has decreased compared with last year.

During the year under review, various road works were carried out at the entrance of Beijing Warwick International Apartments that affected our customers. However, the overall turnover of Beijing Warwick International Apartments has increased by 23% compared with last year.

The Company has re-assessed its investment in the People's Republic of China and Australia, and has decided to write off the special reserve of HK\$37,225,662 that is related to Beijing Warwick International Apartments and also make an impairment provision of asset value by US\$10 million (of which the Group shared HK\$24,570,000) in the interest in land situated in Sydney, Australia which is owned by an associate respectively.

PROSPECTS

The upgrading works of Cheung Chau Warwick Hotel are still in progress. The next phase of the renovation is tentatively scheduled to be completed in the middle of 2007. After renovation, more functional activities can be provided at the open area of swimming pool and barbecue site. The management believes that both the average occupancy rate and the average room rate will further improve. For the food and beverage division, the management is continuously working out new catering strategies to attract more customers.

With the opening of the new entrance and the improvement road works at the surrounding area of Beijing Warwick International Apartment together with the 2008 Olympic Games event, the management believes that the turnover of Beijing Warwick International Apartments will further increase.

EMPLOYEES

The Group has approximately 100 employees. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus would be granted to reward and motivate those well-performed employees.

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FINANCE ACTIVITIES

At 31 March 2006, the Group had bank credit facilities amounting to approximately HK\$57,169,000 (2005: HK\$31,734,000), of which approximately HK\$45,051,000 (2005: HK\$29,545,000) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits.

At 31 March 2006, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 31 March 2006 amounted to approximately HK\$435 million (2005: approximately HK\$466 million). Accordingly, the Group's gearing ratio (total bank credit facilities utilized to shareholders' funds) at 31 March 2006 is 10% (2005: 6%).

On behalf of the Board of Directors, I would like to extend my sincere thanks to all our shareholders for their continued support, and to our staff for their dedication, loyalty and service.

Derek Chiu

Managing Director & Chief Executive

18 July 2006