

# Chairman's Statement



“The Group is well positioned to capitalise on the benefits of the thriving hotel industry.”

I have the pleasure to present the Group's Annual Report for the year ended 31st March, 2006. The Group recorded a 30% increase in the Gross Operating Profit despite a HK\$20.8 million loss attributable to shareholders mainly due to non cash accounting charges as a result of the Group's first time adoption of the new Hong Kong Financial Reporting Standard (HKFRS) in the financial statement.

Average room rates and occupancy of our Hong Kong hotels increased by 16% and 3% respectively over last year. Our Vancouver hotel also showed a steady increase of 14% in turnover. The travel agency and franchised restaurant business in Hong Kong & Shanghai remain steady with slight improvement over last year.

Total borrowings were reduced during and after the reporting period by HK\$688 million which is close to 55% of total borrowings. The reduction in gearing will reduce the Group's financial expenses and improve the Group's financial strength.

With Empire Hong Kong completing all room renovation in August 2006, the Group's continuing efforts in expanding its high yield business, and the low gearing, we are confident that the Group will achieve a better result in the coming year.

2006 is designated by the Hong Kong government as the tourism year; Asia World Expo and tourist attractions such as Wetland Park and Ngong Ping 360 (Tung Chung Skyrail), Macau's casino and Fishermen's Wharf are opening in 2006; Hong Kong is officially included in China's 11th 5 years plan for its strategic importance in the financial, trading and logistic development of the country. We believe Hong Kong will continue to thrive as a vibrant city in the region and are optimistic that our Group is well-positioned to capitalise on the benefits of the thriving hotel industry.

By Order of the Board

**Poon Jing**

*Chairman*

Hong Kong, 13th July 2006