

CHAIRMAN'S STATEMENT

I am pleased to present the 2006/2007 Annual Report to shareholders.

FINAL RESULTS

The Group's audited consolidated net profit attributable to shareholders for the financial year ended 30th June, 2007 was HK\$85.6 million, representing an increase of 36.3% compared with HK\$62.8 million for the previous financial year. The turnover of the Group was HK\$206.7 million, representing an increase of 14.9% compared with the turnover of HK\$179.8 million for the previous financial year.

Earnings per share for the year were 10.15 cents, an increase of 35.2% compared with 7.51 cents for the previous financial year.

The increase in earnings was mainly attributable to the continued improvement in business environment and visitor arrivals both in short-haul and long-haul markets. Both room revenue and food and beverage business recorded good growth during the financial year 2006/2007.

DIVIDENDS

The Directors recommend a final dividend in respect of the year ended 30th June, 2007 of 2.8 cents per share to shareholders whose names appear on the Register of Members of the Company on 15th November, 2007. Together with the interim dividend of 2.4 cents per share, the total dividend for the full year is 5.2 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 15th November, 2007; 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 19th November, 2007. It is expected that the final dividend warrants and share certificates will be despatched to shareholders on or about 14th December, 2007.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS

Visitor arrivals to Hong Kong for the period from July 2006 to June 2007 reached another record high of 26 million, mainly due to a broad-based growth in both long-haul and short-haul markets. Visitor arrivals from major countries as well as Chinese travelling through the Individual Visit Scheme showed a double-digit increase based on year-on-year comparison. The financial year 2006/2007 also witnessed an increase in the percentage of Chinese travelling via the Individual Visit Scheme to the total travellers from Mainland China from 46% to 52%. With business activities continuing to grow, increasing tourist attractions in Hong Kong as a result of HKSAR Government's efforts in promoting the tourism industry and timely asset enhancement initiatives carried out by our hotels, the Group recorded favourable results for the financial year ended 30th June, 2007.

Business Activities

City Garden Hotel (100% owned)

The average room occupancy rate of City Garden Hotel was 89.5% with an average room rate increased by 9.7%. Room sales for the financial year 2006/2007 were HK\$143.2 million, representing an increase of 12.3% from HK\$127.5 million during the last financial year. Food and beverage sales for the year were HK\$38.8 million, reflecting an increase of 31.2% over last year.

Conrad Hong Kong (50% owned)

The average room occupancy of Conrad Hong Kong recorded for the financial year 2006/2007 was 75.7%. The average room rate for the year increased by 17.4%. Room sales for the year were HK\$340.6 million which was 10.3% higher than that of last year whilst income from food and beverage sales for the year was HK\$283.3 million.

Royal Pacific Hotel & Towers (25% owned)

The average occupancy rate of Royal Pacific Hotel & Towers was 84.3% in the financial year 2006/2007 while its average room rate showed an increase of 11.5%. Room sales for the year totalled HK\$203.6 million, an increase of 14.7% from HK\$177.5 million the previous financial year. Revenue from food and beverage sales was HK\$60.1 million.

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, 2006.

CHAIRMAN'S STATEMENT *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Finance

As at 30th June, 2007, 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 13.5%. Of the total borrowings, 13.0% 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\$276.1 million, comprising cash on hand of approximately HK\$146.1 million together with committed undrawn facilities of approximately HK\$130 million. Our cash on hand is deposit in reputable banks of high credit ratings.

There was no material change in foreign currency borrowings and the capital structure of the Group for the year ended 30th June, 2007. 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, 2007, the Group did not record any material changes in contingent liabilities since the previous financial year ended 30th June, 2006.

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, 2006.

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 organisations to hold various community services for the needy, and with environmental conservation groups to promote a better environment and healthy living.

CHAIRMAN'S STATEMENT *(Continued)*

EMPLOYEE PROGRAMMES

Our employees are one of the most important assets of our Group. We continue to place significant importance on staff training and development, 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 2008, "We are Customer Focused" is cascading to every level of the hotel. Smile whenever possible, we always remember that guests are the reason why we are here – we are to anticipate and satisfy the needs of our guests to the highest standards of service.

To cope with our new marketing strategy of diversifying market segments amongst different countries, language courses will be our main focus. Employees are provided with opportunities to gain new knowledge through in-house training or by attending external classes. This helps to ensure that all our employees can communicate proficiently with our customers.

During the financial year 2006/2007, the Group carried out two customer satisfaction surveys namely Sino Excellence Programme and Employee Satisfaction Survey. The purpose of the surveys was to ensure that management understand customers' needs. In addition, the Group continues to implement two award schemes for all general staff and supervisory staff, namely 'Employee of the Year' and 'Manager of the Year' respectively to promote efficiency and high quality of service. We encourage outstanding employees to further undergo structured training programmes to equip them to be future leaders.

The Group will seek to integrate into the local community with positive involvement in local affairs through key institutions. All aspects of business will be managed in a way to ensure the safety and protection of the customers, employees and the surrounding environment.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS

The world tourism industry grew favourably in 2006 and the first half of 2007 with Asia and the Pacific region recording strong growth in the number of arrivals mainly due to world prosperity. The world tourism industry is expected to grow healthily.

The growth of China's economy has contributed significantly to the economic growth of Hong Kong. The number of affluent-class families and individuals in Mainland China is increasing. Wealth there is rising due to promising economic prospects. Trade activities between Mainland China and Hong Kong are also rising. The number of Mainland cities that have implemented the Individual Visit Scheme has increased to 49 and this Scheme will continue to have an important positive effect on Hong Kong's tourism and hospitality industries as well as the retail sector.

HKSAR Government's initiatives to make Hong Kong more visitor-friendly by developing and exploring more tourist attractions and make improvements in various areas are conducive to the development of the tourism industry of Hong Kong in the long run. The various travel themes of travel that HKSAR Government has promoted are useful for enlarging the visitor base. Hong Kong Tourism Board's three-pronged approach of (i) facilitating Honest & Quality Hong Kong Tour programme and multi-destination itineraries, (ii) promoting MICE (meeting, incentive, conventions and exhibitions) and family travels, and (iii) highlighting Hong Kong's differentiating values and its unique living culture, will also be instrumental for achieving a balanced portfolio of visitors. Infrastructure developments such as the cruise terminals that are proposed to be established at the old Kai Tak airport site, the Stanley Waterfront Improvement project to make improvements in the streetscape and extension of waterfront promenade and the ongoing visitor signage improvement programme will help develop Hong Kong into a world-class tourist destination.

In addition to the above, the 2008 Olympic Games to be held in Beijing, the 2008 Olympic Equestrian Events take place in Hong Kong and the 2009 East Asian Games, one of Asia's showpiece athletic gatherings featuring top-class athletes from around the region, will also be positive to the development of the Hong Kong tourism and hospitality industries.

The Group also places significant emphasises on market positioning and brand enhancement for its hotels. Efforts have been made by management to strengthen the competitiveness of the Group's hotels. During the financial year 2006/2007, the Group continued its asset enhancement programme to renovate the guest rooms and facilities of all of its hotels. The renovation will not only make our hotels more appealing to our discerning guests and enhance guest satisfaction but also improve operational efficiency and optimise earnings.

CHAIRMAN'S STATEMENT *(Continued)*

INDUSTRY OUTLOOK AND PROSPECTS *(Continued)*

A plan is in place to renovate the last phase of the guest rooms in City Garden Hotel over the next two years. All the guest rooms in the Conrad Hong Kong have been renovated with a new design. The Italian restaurant Nicholini's is currently under renovation and is expected to re-open in October this year. The Royal Pacific Hotel & Towers completed renovation for its Tower Wing Executive Club Lounge and the lower ground floor hotel entrance. A new outlet, Satay Inn, will open this fall, providing another choice of fine cuisine for our customers and hotel guests. Continuing plans to renovate its guest rooms in the Hotel Wing and the Pierside lounge (now known as Safari Bar) are also underway.

Looking forward, world economic prosperity and in particular the economic growth in Mainland China are the key drivers for a robust performance of tourism and hospitality industries in Hong Kong. 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 Siong
Chairman

Hong Kong, 18th September, 2007