

REVIEW OF OPERATIONS**Macau**

Turnover in Macau for the first six months of 2003 was HK\$21.3 million, a reduction of 76% as compared to the corresponding period of 2002. This is due to the fact that revenues from the successful pre-sale of Magnolia Court and Cattleya Court in Ocean Gardens will not be recognised in the Group's profit and loss account until the second half of the year upon the issuance of occupation permits by relevant authorities. At 30 June 2003, 61 out of 108 units of Magnolia Court put on the market have been pre-sold. Sales have been satisfactory despite the negative impact brought about by SARS during the period of April to June 2003. The property market in Macau is exhibiting signs of underlying strength with renewed buying interest from local as well as overseas buyers.

The People's Republic of China

Turnover at Holiday Inn Riverside Wuhan was severely affected by SARS. In its wake, there was a total ban of cross-province group tours in China during the months of April to June 2003, as a result of which the hotel was prohibited from receiving group tour guests during this period. International travelers had also stayed away. Occupancy rate for the first six months of 2003 dropped to 43% as compared to 58% in 2002. Turnover dropped to HK\$12.6 million, a reduction of HK\$4.5 million as compared to the previous year. Stringent cost-control measures limited the hotel's loss after accounting for depreciation and amortization for the first six months of 2003 to HK\$13.1 million, as compared to HK\$10.9 million in the first half of 2002.

Vietnam

At 30 June 2003, all of the 96 serviced apartment units, and 178 out of the total 382 hotel rooms, at the Sheraton Saigon Hotel & Towers and Executive Residences have opened. Revenue was HK\$15 million in the first half of 2003, a 3-time increase as compared to the corresponding period in 2002. Revenue from the serviced apartments was only marginally affected by SARS, with high occupancy rates being achieved throughout the first six months of 2003. Revenue expectations at the hotel were not met due to the drastically reduced number of visitor arrivals. After accounting for depreciation and amortization, the amount of loss reported was HK\$12.5 million.

Revenue and occupancy rates at Caravelle Hotel, an associate of the Group, were also negatively affected by SARS. Its share of contribution to the Group in the first half of 2003 was HK\$2.5 million, a 48% reduction as compared to the corresponding period in 2002.

Canada

The International Plaza Hotel and Conference Centre in Toronto has been re-flagged to a Hilton Doubletree brand, and renamed Doubletree International Plaza Hotel in August 2003. Over the long run, re-branding to Doubletree is expected to generate additional revenue. Lower room rates and occupancy rates, however, were reported both at the Doubletree International Plaza Hotel and the Sheraton Ottawa Hotel in the first half of 2003, as a result of SARS as well as the generally sluggish economy in North America. Canadian operations reported a small loss for the first six months of the year.