

## Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2003.

### RESULTS

The consolidated Group net profit for the year 2003 amounted to HK\$32,860,000, an increase of 16% as compared to HK\$28,315,000 in the previous year. Earnings per share for the year 2003 amounted to HK\$ 9.7cents as compared to HK\$ 8.3cents in 2002.

### DIVIDENDS

The Board is recommending that a final dividend of HK\$ 1cent per share be paid for the year ended 31 December 2003. An interim dividend of HK\$ 1cent per share has already been paid. Total dividends for the year will be HK\$ 2cents per share.

### REVIEW OF OPERATIONS

Turnover for your Group increased significantly by 51% to HK\$339.5 million for the year 2003, as compared to the previous year's figure of HK\$224.5 million.

A summary of the operations by geographical location is as following.

#### Macau

During 2003, Macau's property market strengthened considerably as a result of increased buying interest from local residents as well as overseas buyers to capitalize on the anticipated rebound of the market after SARS. Your Group's subsidiaries in Macau reported an increase of 50% in total revenues. Profits also increased significantly by 141%. This improvement is due to the successful launch of two newly completed apartment blocks.

#### Vietnam

**Sberaton Saigon Hotel & Towers and Executive Residences** in Ho Chi Minh City, in which your Group holds 63%, was also completed during 2003. The complex comprises a 382-room hotel tower and a 92-unit serviced apartment, including some office spaces in this five-star twin tower property. The serviced apartments have commenced operation in February 2002, with the hotel also fully operational by the second half of 2003. Occupancy rates and room rates for the serviced apartments remained strong throughout the year. Hotel operations were less than robust due to the SARS epidemic. Presently, the hotel is recognized as the leading hotel in the city due to its superb location, the high quality of its finishing, and its successful branding.

**Caravelle Hotel** which is also located in Ho Chi Minh City, in which your Group holds a 25% interest, was also negatively impacted by SARS. It reported lower revenue and lower profits for 2003 as compared to the previous year.

## **Chairman's Statement** (Continued)

### **The People's Republic of China**

**Holiday Inn Riverside Wuban** was not immune to the impact brought about by SARS. The ban on inter-province tour-group travels in China, as imposed by the Central Government in its bid to contain SARS, was felt strongly and was reflected in the significant reduction in occupancy rates reported for the year as compared to 2002. On a brighter note, however, the hotel has made a conscious and successful shift from focusing primarily on the lower-yield tour group segment to the higher-yield corporate segment of the hotel market. Competition amongst hotels in Wuhan, however, continues to be intense, with Wuhan reporting one of the lowest achievable room rates amongst China's secondary cities.

**Beijing Riviera Development** comprising total number of 635 units of luxurious villas and apartments, 440 units have been sold as at the end of 2003. Of the remaining 195 units, 144 units were leased out for rental income as at year-end.

### **Canada**

Canada's hotel industry, particularly in the Toronto, Ottawa and Quebec markets where your Group has hotel interests, suffered greatly from SARS. Turnover at your Group associates' hotels reduced by 50% in 2003, as compared to the previous year. For the first time in many years, your Group's Canadian operations reported a loss for the year.

### **PROSPECTS**

The hotel sectors in China, Vietnam and Canada where your Group operates and invests in will continue to be under varying degrees of pressure in 2004, both as a result of intense competition inherent in these markets as well as macro-economic factors and geopolitical considerations. Profit contribution to your Group's bottom line from the significant amounts it has invested in China and Vietnam remains an achievable long-term goal. In the short term, however, the sizeable amounts of depreciation and amortization will continue to have a dampening effect on accounting profits.

Macau continues to shine. The Macau SAR Government has provided leadership and foresight in its decision years ago to open Macau's gaming industry to overseas investors and operators. Your Group's Macau property portfolio will be a direct beneficiary of this development.

### **ACKNOWLEDGEMENT**

On behalf of the Board, I wish to express our appreciation to the management and staff of our Group for their invaluable contribution and dedicated efforts in riding us through the difficult times during the SARS period.

**Ho Kian Guan**

*Executive Chairman*

Hong Kong, 26 April 2004