

REVIEW OF OPERATIONS**(i) Overall Results**

The Group put in a strong performance during the first half of 2004. Turnover of the Group for the first six months ended 30 June 2004 was HK\$183.4 million, an increase of 265% over the corresponding period in 2003. Turnover comprised primarily of proceeds from sale of properties, revenue from hotel operations and rental.

(ii) Macau

Strong sales at Magnolia and Cattleya Courts, the two luxurious residential apartment blocks in Ocean Gardens completed in 2003, continued in the first half of 2004. The Macau turnover of HK\$92.7 million represents a 335% increase in turnover in the first six months of 2004 as compared to the corresponding period in 2003.

(iii) Vietnam

The Sheraton Saigon Hotel and Towers, which only partially opened 100 rooms in May 2003, was fully opened by November 2003. As compared to the corresponding period in 2003 which was impacted by SARS, the first half of 2004 saw significantly increased turnover to HK\$72.1 million, an increase of 378%.

(iv) PRC

There was an increase in turnover of 42% to HK\$17.8 million at the Holiday Inn Riverside Wuhan in the first six months of 2004 as compared to 2003 turnover, the latter of which was impacted by SARS as well.

(v) Canada

Despite the weakness of the Canadian travel market in 2004, the Canadian hotels as a whole were able to turn in a small profit in 2004 as compared to the loss in 2003. This was due to the conversion of the Toronto hotel to Doubletree brand which has allowed it to take advantage of a well-known worldwide distribution network and the premium product image, as well as the absence of SARS in 2004.

FINANCIAL REVIEW

The Group's turnover was HK\$183.4 million for the first six months of 2004, an increase of 265% over the corresponding period in 2003. 46% of the Group's turnover was generated by the sale of properties in Macau (2003: 26%). During the period under review, revenue from hotel and club operations amounted to HK\$92.1 million, an increase of 200% as compared to HK\$30.7 million in the corresponding period in 2003. A profit attributable to shareholders of HK\$32.3 million was reported as compared to a loss attributable to shareholders of HK\$4.7 million in 2003.

The Group's net borrowings as at 30 June 2004 amounted to approximately HK\$161,040,000, representing total bank loans and other borrowings of HK\$493,662,000 less cash equivalents of HK\$332,622,000. The Group's ratio of net borrowings to total assets was 7%. Of the total amount of bank borrowings of HK\$260,085,000, HK\$120,296,000 are repayable within twelve months and the remaining amounts of HK\$64,469,000 and HK\$75,320,000 are repayable within two to five years and after five years respectively.

The Group's borrowings are mostly in Hong Kong dollars and United States dollars. Cash and cash equivalents are mostly in Hong Kong dollars, Euros, Australian dollars and United States dollars. Most of the Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Directors believe the Group has sufficient working capital for its present requirements.