



Leisure Focus

*Strategic partnerships to improve yields
and explore new opportunities overseas*

Operational Review

Hemtours (Pte) Ltd, a fully owned subsidiary of Hemas, together with Serendib Hotels Group, a 63% owned subsidiary (shareholding reduced to 50% subsequent to the private issue of shares to Minor International PCL), constitutes the Hemas Leisure sector. During the first half of the year, the industry showed signs of revival and concurrently the sector performed relatively well to achieve satisfactory results. The First Choice Charter from UK brought in more than 250 tourists every fortnight, giving a boost to the arrivals and earnings of both Hemtours and the Serendib

trend in the industry. Key factors behind Dolphin's success last year were the close proximity to the airport, the ability to cater to large tourist groups, the diversity within the property, and the popularity amongst Sri Lankan groups. The consistent delivery of product and service quality by Club Hotel Dolphin to its target market was signified by the First Choice Gold Award won by the hotel for the second consecutive year.

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group. However, during the latter half of the year, the industry suffered a serious blow as a result of heightened security concerns. The consequent adverse travel advisories and negative international publicity led to tourist arrivals for the year ending 8% below the previous year, whilst hotel occupancies were disappointingly low.

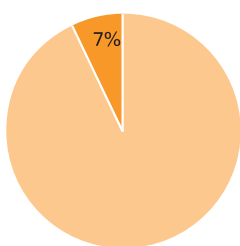
For the financial year under review the sector achieved a turnover of Rs 864Mn and a net profit of Rs 43Mn. It should be noted that a significant portion of the profit for the year was due to negative goodwill arising pursuant to the purchase of shares in Mowbray Ltd and the conversion of debentures in Serendib Hotels.

The performance of Club Hotel Dolphin, which posted impressive results in a difficult environment, was an exception to the general

group of Hotels. Under this partnership, Hotel Serendib was the first property that was to be re-branded as an Anantara Resort, which is the flagship resort hotel brand of the Minor group. However, this was deferred until such time industry prospects appear brighter and revenue projections can be validated. Despite the postponement of this project, the Minor group went forward with its investment of a 19.9% stake in Serendib Hotels Ltd, thus reaffirming its strategic intent to partner with Hemas and displaying its faith in Sri Lanka as a growth destination.

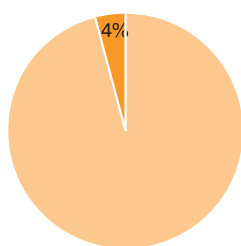
Going forward, the sector will look to the region to expand its portfolio and mitigate the single destination risk, whilst focusing on service excellence and productivity to maximise returns.

Segment Revenue vs Group

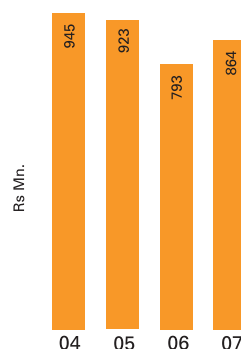


Leisure Sector

Segment Profit vs Group



Revenue



Net Profit after Taxation

