

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30th June, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2003 are set out in notes 32 and 17, respectively, to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 17.

An interim dividend of HK1.5 cents per share amounting to HK\$12,126,341 was paid to shareholders during the year. The Directors now recommend a final dividend of HK1 cent per share amounting to HK\$8,161,169 payable to shareholders whose names appear on the Register of Members of the Company on 18th November, 2003.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

TREASURY AND GROUP BORROWINGS AND INTEREST CAPITALISED

The Group maintains a conservative approach in its treasury management with foreign exchange exposure being kept at minimal and interest rates on floating rate bases. As at 30th June, 2003, the Group had cash resources of approximately HK\$206.7 million, comprising cash on hand of approximately HK\$17.93 million together with committed unutilised facilities of approximately HK\$188.74 million. Bank loans accounted for 12.52% of the Group's assets. Details of bank loans and other borrowings of the Group are set out in note 24 to the financial statements. No interest was capitalised by the Group during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

No provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated.

DIRECTORS' REPORT *(Continued)*

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Robert Ng Chee Siong
Mr. Ivan Lee Wank-hay
Mr. Eric Ip Sai Kwong (resigned on 11th November, 2002)
Ms. Florence So Yeo Guat Eng (resigned on 11th November, 2002)
Mr. Raymond Tong Kwok Tung (resigned on 11th November, 2002)

Independent Non-Executive Directors

Mr. Ronald Joseph Arculli, GBS, OBE, JP
Mr. Paul Cheng Ming Fun, JP
Mr. Gilbert Lui Wing Kwong

In accordance with the provisions of the Company's Articles of Association, Mr. Ivan Lee Wank-hay will retire at the forthcoming Annual General Meeting and, who being eligible, will offer himself for re-election.

DIRECTORS' INTERESTS

As at 30th June, 2003, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

(a) Long Positions in Shares of the Company

Name of Directors	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Robert Ng Chee Siong	869,731	Beneficial owner of 219,226 shares and spouse interest in 650,505 shares	0.10%
Mr. Ronald Joseph Arculli, GBS, OBE, JP	282,167	Beneficial owner	0.03%
Mr. Paul Cheng Ming Fun, JP	67,738	Beneficial owner	≈ 0%
Mr. Ivan Lee Wank-hay	–	–	–
Mr. Gilbert Lui Wing Kwong	–	–	–

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS

(Continued)

(b) Long Positions in Underlying Shares and Debentures Short Positions in Shares, Underlying Shares and Debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Robert Ng Chee Siong, the Chairman of the Board, held interest and/or directorships in hotels which operate in Hong Kong.

As the Board of Directors of the Company is independent of the boards of these hotels and maintains three Independent Non-Executive Directors, the Group operates its business independently of, and at arm's length from, these hotels.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of Directors' interests in contracts of significance are set out in note 31 to the financial statements.

Other than as disclosed in note 31, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

None of the Directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

CONNECTED TRANSACTIONS

During the year, the Group made advances totalling HK\$1,413,785 to its 25% owned associate, Regent Step Investment Limited ("Regent Step"), to finance the loan on-lent to Bestown Property Limited ("Bestown"), which is the owner of the Royal Pacific Hotel. Both Regent Step and Bestown are of the same shareholding structure. The advances are unsecured, bearing interest at cost of fund plus a margin and having no fixed repayment term. The advances made are proportional to the Group's shareholding interest in Regent Step, the remaining share interests in which are held by a connected party to the Company by virtue of Mr. Ng Teng Fong being a substantial shareholder of the Company.

Details of other related party transactions are set out in note 31 to the financial statements.

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2003, the interests and short positions of the Substantial Shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register kept under Section 336 of Part XV of the SFO were as follows:

(a) Long Positions in Shares of the Company

Name of Substantial Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Ng Teng Fong	382,358,938 <i>(Note 1)</i>	Beneficial owner of 33,636,867 shares, spouse interest in 933,219 shares, and interest of controlled corporations in 347,788,852 shares	46.85%
Strathallan Investment Limited	91,351,719 <i>(Note 2)</i>	Beneficial owner	11.19%
Tamworth Investment Limited	135,654,408 <i>(Note 2)</i>	Beneficial owner	16.62%

Name of Other Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	45,194,142 <i>(Note 2)</i>	Beneficial owner	5.53%
Solid Construction Materials Company Limited	79,675,627	Security interest in 79,284,246 shares and beneficial owner of 391,381 shares	9.76%

Notes:

1. As regards 347,788,852 shares held by controlled corporations:
 - (a) 346,230,666 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 33,538,625 shares by Fanlight Investment Limited, 14,518,430 shares by Karaganda Investments Inc., 45,194,142 by Nippomo Limited, 1,328,729 shares by Orient Creation Limited, 91,351,719 shares by Strathallan Investment Limited, 3,928,578 shares by Strong Investments Limited, 135,654,408 shares by Tamworth Investment Limited and 20,716,035 shares by Transpire Investment Limited; and
 - (b) 1,558,186 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.71% control.
2. The interests of Nippomo Limited, Strathallan Investment Limited and Tamworth Investment Limited were duplicated in the interests of Mr. Ng Teng Fong.

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS *(Continued)*

(b) Long Positions in Underlying Shares Short Positions in Shares and Underlying Shares

There were no long positions in the underlying shares or any short positions in the shares and underlying shares of the Company, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate turnover or purchases attributable to the Group's five largest customers or suppliers was less than 30% of the Group's total turnover or purchases for the year under review.

RETIREMENT BENEFITS SCHEME

The Group participates in a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in fund under the control of trustee.

The retirement benefits cost charged to income statement represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The term of office for each Independent Non-Executive Director is the period up to his retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, an Audit Committee comprising Mr. Paul Cheng Ming Fun, JP and Mr. Gilbert Lui Wing Kwong, Independent Non-Executive Directors, was established on 16th September, 1998. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and recommend improvements to the Group's financial reporting process and internal controls.

AUDITORS

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Robert NG Chee Siong
Chairman

Hong Kong, 23rd September, 2003