

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 30th June, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 33 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2004 are set out in notes 33 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 25.

An interim dividend of HK1.5 cents per share amounting to HK\$12,300,928 was paid to shareholders during the year. The Directors now recommend a final dividend of HK3 cents per share amounting to HK\$24,710,965 payable to shareholders whose names appear on the Register of Members of the Company on 17th November, 2004.

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, GROUP BORROWINGS AND INTEREST CAPITALISED

The Group maintains a conservative approach in its treasury management with foreign exchange exposure being kept at a minimal level and interest rates on floating rate bases. As at 30th June, 2004, the Group had cash resources of approximately HK\$103.6 million, comprising cash on hand of approximately HK\$36.6 million together with committed unutilised facilities of approximately HK\$67 million. Bank loans accounted for 15.5% 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. Thomas Tang Wing Yung	(appointed on 30th August, 2004)
Mr. Ivan Lee Wank-hay	(resigned on 16th June, 2004)

Non-executive Director

Mr. Gilbert Lui Wing Kwong	(re-designated from Independent Non-executive Director to Non-executive Director on 30th August, 2004)
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Independent Non-executive Directors

Mr. Ronald Joseph Arculli, GBS, OBE, JP	
Mr. Paul Cheng Ming Fun, JP	
Mr. Gilbert Lui Wing Kwong	(re-designated from Independent Non-executive Director to Non-executive Director on 30th August, 2004)

In accordance with the provisions of the Company's Articles of Association, Messrs. Gilbert Lui Wing Kwong and Thomas Tang Wing Yung will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

As at 30th June, 2004, 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 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 Issuers (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	878,623	Beneficial owner of 221,466 shares and spouse interest in 657,157 shares	0.10%
Mr. Ronald Joseph Arculli, GBS, OBE, JP	282,167	Beneficial owner	0.03%
Mr. Paul Cheng Ming Fun, JP	68,430	Beneficial owner	=0%
Mr. Gilbert Lui Wing Kwong	–	–	–

(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' REPORT *(Continued)*

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 32 to the financial statements.

Other than as disclosed in note 32, 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 totaling HK\$4,470,572 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, bear interest at cost of fund plus a margin of 0.1225% per annum and have 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. The transaction is exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules which came into effect on 31st March, 2004. Nevertheless the transaction was subject to reporting requirement under the preceding Listing Rules and is included here for information purposes only.

Details of other related party transactions are set out in note 32 to the financial statements.

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2004, 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	386,239,664 <i>(Note 1)</i>	Beneficial owner of 33,980,974 shares, spouse interest in 942,764 shares, and interest of controlled corporations in 351,315,926 shares	46.89%
Strathallan Investment Limited	92,286,254 <i>(Note 2)</i>	Beneficial owner	11.20%
Tamworth Investment Limited	137,042,166 <i>(Note 2)</i>	Beneficial owner	16.63%

Name of Other Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	45,656,481 <i>(Note 2)</i>	Beneficial owner	5.54%
Solid Capital Holdings Limited	81,356,723	Security interest in 80,997,298 shares and beneficial owner of 359,425 shares	9.88%

Notes:

1. As regards 351,315,926 shares held by controlled corporations:
 - (a) 349,741,801 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 33,881,728 shares by Fanlight Investment Limited, 14,646,803 shares by Karaganda Investments Inc., 45,656,481 shares by Nippomo Limited, 1,331,641 shares by Orient Creation Limited, 92,286,254 shares by Strathallan Investment Limited, 3,968,766 shares by Strong Investments Limited, 137,042,166 shares by Tamworth Investment Limited and 20,927,962 shares by Transpire Investment Limited; and
 - (b) 1,574,125 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.72% 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 operates 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, 2004 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.

COMPLIANCE COMMITTEE

A Compliance Committee comprising the Legal and Company Secretary Director, the two Heads of the Legal and Company Secretarial Departments, Chief Executive Officer (Hotel) (or his designated personnel), the Chief Financial Officer, department heads without an overseeing director and the Compliance Officer was established on 30th August, 2004 to enhance the corporate governance of the Group. The Compliance Committee has dual reporting lines. A principal reporting line to the Board through the Legal and Company Secretary Director, who will chair the Compliance Committee. A secondary reporting line will be to the Audit Committee.

AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, an Audit Committee comprising Mr. Paul Cheng Ming Fun, JP, Independent Non-executive Director, and Mr. Gilbert Lui Wing Kwong, Non-executive Director, 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 Siang
Chairman

Hong Kong, 22nd September, 2004

Note: Mr. Peter Wong Man Kong, BBS, JP has been appointed an Independent Non-executive Director and a member of the Audit Committee of the Company on 30th September, 2004 subsequent to the date of the Report of the Directors. In accordance with the Company's Articles of Association, Mr. Wong will also retire at the forthcoming Annual General Meeting and, who being eligible, will offer himself for re-election.

Conrad Hong Kong



CONRAD
HONG KONG



The Conrad Hong Kong is part of the exciting Pacific Place development located in the Central Business District. The hotel is only a 10-minute walk from the Star Ferry and directly above the MTR Admiralty Station.

Completed in 1990, the Conrad has a total gross floor of 551,687 sq.ft with 513 guest rooms including 46 suites. The hotel has a business centre which offers a complete range of secretarial services as well as an extensive range of conference and function rooms.

The hotel has several renowned food and beverage outlets including The Golden Leaf Chinese Restaurant, Nicholini's serving Italian cuisine, Brasserie On the Eighth serving French specialties and an International Coffee Shop. The hotel has a health club with modern gymnasium as well as a heated outdoor swimming pool for its guests.

Royal Pacific Hotel & Towers



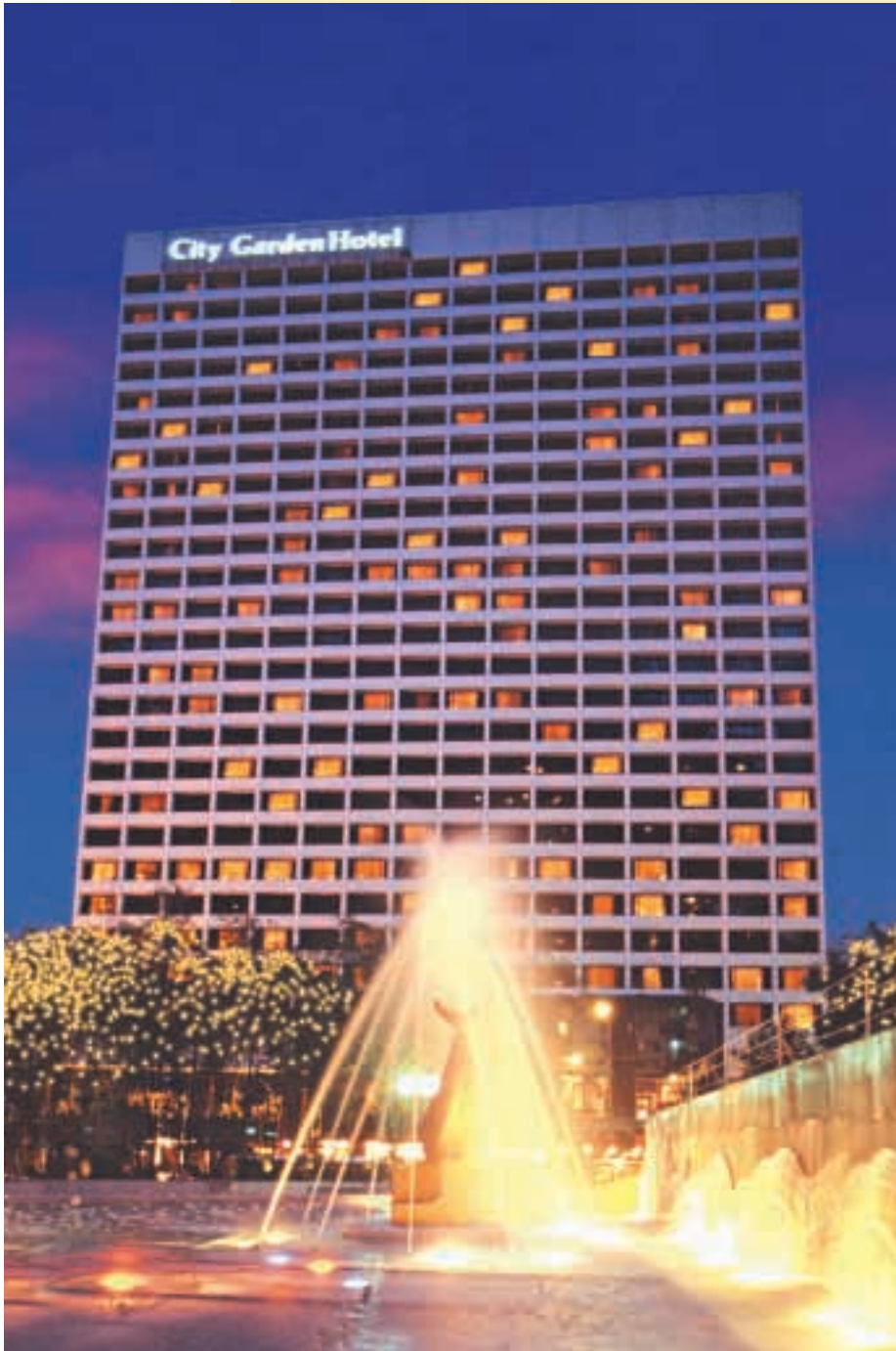


Prominent on the Kowloon waterfront, The Royal Pacific Hotel & Towers is situated on top of the China Ferry Terminal in China Hong Kong City. The hotel is within walking distance from the Kowloon Star Ferry and the MTR Tsim Sha Tsui Station.

With a total of 673 guest rooms, the hotel has a Royal Executive Club located on the 19th and 20th floors of the Towers Wing which is specifically designed for business travellers. It is also equipped with a business centre that renders a full range of secretarial services.

The hotel offers a variety of dining experiences including a coffee shop, lobby lounge and bar. A fitness centre and a squash court are available exclusively for hotel guests.

City Garden Hotel





The City Garden Hotel is located at the edge of the Causeway Bay district. Within a few minutes walking distance from the MTR Fortress Hill Station, the hotel is in close proximity to the Hong Kong Convention and Exhibition Centre, Central district and two of the cross harbour tunnels to Kowloon.

With a total of 613 guest rooms, the hotel has two specialty restaurants offering both Western and Chinese cuisines. There is also the Admiral's Bar in the basement. For recreational purposes, there is an outdoor swimming pool, a fitness centre and a sauna exclusively for hotel guests. For business travellers, there is an executive floor and business centre that offers full secretarial services.