

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 30th June, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2005 are set out in notes 34 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 29.

An interim dividend of HK2 cents per share amounting to HK\$16,596,488 was paid to shareholders during the year. The Directors now recommend a final dividend of HK3.5 cents per share amounting to HK\$29,158,506 payable to shareholders whose names appear on the Register of Members of the Company on 17th November, 2005.

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, 2005, the Group's bank loans accounted for 19.9% of the Group's total 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 SECURITIES

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

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. Daryl Ng Win Kong (appointed on 28th April, 2005)

Non-executive Directors

Mr. Ronald Joseph Arculli, (re-designated from Independent
GBS, CVO, OBE, JP Non-executive Director to
Non-executive Director on
1st July, 2005)
Mr. Gilbert Lui Wing Kwong (re-designated from Independent
Non-executive Director to
Non-executive Director on
30th August, 2004)

Independent Non-executive Directors

Mr. Peter Wong Man Kong, BBS, JP (appointed on 30th September, 2004)
Mr. Adrian David Li Man-kiu (appointed on 28th April, 2005)
Mr. Steven Ong Kay Eng (appointed on 1st July, 2005)
Mr. Ronald Joseph Arculli, (re-designated from Independent
GBS, CVO, OBE, JP Non-executive Director to
Non-executive Director on
1st July, 2005)
Mr. Gilbert Lui Wing Kwong (re-designated from Independent
Non-executive Director to
Non-executive Director on
30th August, 2004)
Mr. Paul Cheng Ming Fun, JP (resigned on 31st May, 2005)

In accordance with the provisions of the Company's Articles of Association, Messrs. Robert Ng Chee Siong, Ronald Joseph Arculli, GBS, CVO, OBE, JP, Adrian David Li Man-kiu, Steven Ong Kay Eng and Daryl Ng Win Kong 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, 2005, 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 (the "Listing Rules"), were as follows:

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	889,163	Beneficial owner of 224,121 shares and spouse interest in 665,042 shares	0.10%
Mr. Ronald Joseph Arculli, GBS, CVO, OBE, JP	282,167	Beneficial owner	0.03%
Mr. Gilbert Lui Wing Kwong	–	–	–
Mr. Peter Wong Man Kong, BBS, JP	–	–	–
Mr. Adrian David Li Man-kiu	–	–	–
Mr. Steven Ong Kay Eng	–	–	–
Mr. Thomas Tang Wing Yung	–	–	–
Mr. Daryl Ng Win Kong	–	–	–

Save as disclosed above, as at 30th June 2005, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept by the Company under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT *(Continued)*

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, Mr. Robert Ng Chee Siong, the Chairman of the Board, held interest and/or directorships in companies operating hotels in Hong Kong.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of Directors' interests in contracts of significance are set out in note 33 to the financial statements.

Other than as disclosed in note 33, 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.

SERVICE 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

The Company announced on 2nd November, 2004 that it had entered into an agreement on 13th October, 2004 (the "Agreement") relating to the following non-exempt continuing connected transaction between the Group and Sino Land Company Limited or its subsidiaries ("Sino Land Group") (being associate of Mr. Ng Teng Fong, the controlling shareholder of the Company) for the three financial years commencing from 1st July, 2004 and ending on 30th June, 2007 with an annual cap fixed for each of the years. Particulars of the Agreement together with the total consideration for the year ended 30th June, 2005 are disclosed herein as required under the Listing Rules:

Security Guard Services

Party A:	Sino Security Services Limited, a wholly-owned subsidiary of Sino Land Company Limited
Party B:	The Company
Nature of transactions:	Provision of security guard services by Sino Security Services Limited to properties owned by the Group

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTIONS *(Continued)*

Security Guard Services *(Continued)*

Terms:	A lump sum fee to be agreed between the parties which shall be determined by reference to cost plus a profit margin, which varies on a case-by-case basis depending on factors such as size of the property, nature of the property, location of the property, complexity of the work, image, degree of competition and length of the contract. In general, for indicative purpose, the current profit margin for the services provided ranges from 1% to 10% for particular properties based on the abovementioned factors.
Annual cap:	HK\$1.75 million
Total consideration for the year:	HK\$1.02 million
Basis of the annual cap:	In determining the annual cap, the management took into account the existing scales and operations of the businesses and the anticipated growth of such businesses of the Group.

Sino Land Group, being an associate of the Company's controlling shareholder Mr. Ng Teng Fong, is a connected person of the Company and therefore the above transaction constitutes continuing connected transaction of the Company pursuant to the Listing Rules.

The Directors of the Company considered that the above continuing connected transaction would be consistent with the business and commercial objectives of the Company and it was anticipated that the transaction would further strengthen the Company's position as a service provider in hotel management and club management in Hong Kong.

The above continuing connected transaction during the year was carried out within the annual cap and has been reviewed by the Directors of the Company (including the Independent Non-executive Directors). The Independent Non-executive Directors have confirmed that during the year, the above continuing connected transaction was conducted and entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms (on arm's length basis or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties);

DIRECTORS' REPORT (Continued)

CONNECTED TRANSACTIONS (Continued)

Security Guard Services (Continued)

- (iii) in accordance with the relevant agreements forming such transactions; and
- (iv) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Details of other related party transactions are set out in note 33 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2005, 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:

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	390,875,226 (Note 1)	Beneficial owner of 34,388,806 shares, spouse interest in 954,077 shares, and interest of controlled corporations in 355,532,343 shares	46.91%
Strathallan Investment Limited	93,393,854 (Note 2)	Beneficial owner	11.21%
Tamworth Investment Limited	138,686,918 (Note 2)	Beneficial owner	16.64%
Name of Other Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	46,204,440 (Note 2)	Beneficial owner	5.54%
Solid Capital Holdings Limited	83,087,978	Security interest in 82,725,739 shares and beneficial owner of 362,239 shares	9.97%

DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS (Continued)

Long Positions in Shares of the Company (Continued)

Notes:

1. As regards 355,532,343 shares held by controlled corporations:
 - (a) 353,939,326 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 34,288,371 shares by Fanlight Investment Limited, 14,822,590 shares by Karaganda Investments Inc., 46,204,440 shares by Nippomo Limited, 1,347,621 shares by Orient Creation Limited, 93,393,854 shares by Strathallan Investment Limited, 4,016,397 shares by Strong Investments Limited, 138,686,918 shares by Tamworth Investment Limited and 21,179,135 shares by Transpire Investment Limited; and
 - (b) 1,593,017 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.73% control.
2. The interests of Nippomo Limited, Strathallan Investment Limited and Tamworth Investment Limited were duplicated in the interests of Mr. Ng Teng Fong.

Save as disclosed above and so far as the Directors of the Company are aware of, as at 30th June, 2005, no other person had an interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder of the Company.

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 BENEFIT 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 benefit cost charged to income statement represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to the guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

DIRECTORS' REPORT *(Continued)*

COMPLIANCE COMMITTEE

The Company set up its Compliance Committee on 30th August, 2004 to enhance the corporate governance of the Group. The Compliance Committee has dual reporting lines. A principal reporting line is to the Board through the Director of Legal, Compliance and Company Secretary, who chairs the Compliance Committee. A secondary reporting line is to the Audit Committee. The existing Compliance Committee comprises the Director of Legal, Compliance and Company Secretary (Committee Chairman), the two Heads of Legal and Company Secretarial Departments, Chief Executive Officer (Hotel) (or his designated personnel), the Chief Financial Officer, head of Internal Audit Department, department heads and the Compliance Officer. The Compliance Committee holds regular meetings to review and make recommendations to the Board and the Audit Committee on the Group's corporate governance issues.

AUDIT COMMITTEE

The Company set up its Audit Committee on 16th September, 1998. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and internal controls. The existing Audit Committee comprises Mr. Adrian David Li Man-kiu (Committee Chairman), Mr. Peter Wong Man Kong, BBS, JP and Mr. Steven Ong Kay Eng, the Independent Non-executive Directors, and Mr. Gilbert Lui Wing Kwong, Non-executive Director. During the year, the Audit Committee had held four meetings to review the 2004 annual report and accounts, the 2005 interim report and accounts and the internal audit reports and reported all relevant matters to the Board.

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and the annual report for the year ended 30th June, 2005.

EMOLUMENT POLICY

The Company's emolument policy is to ensure that the remuneration offered to employees including Executive Directors and senior management is based on the skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for Non-executive Directors is to ensure that the Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in the board committees. Individual Director and senior management would not be involved in deciding their own remuneration.

The Company has established its Remuneration Committee on 23rd June, 2005 which comprises Executive Director, Mr. Daryl Ng Win Kong (Committee Chairman) and two Independent Non-executive Directors, namely, Mr. Peter Wong Man Kong, BBS, JP and Mr. Adrian David Li Man-kiu. The Remuneration Committee would meet at least annually to make recommendations to the Board on the Group's emolument policy including the remuneration of Directors and senior management.

DIRECTORS' REPORT *(Continued)*

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 30th June, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which was in force prior to 1st January, 2005 and remains applicable to the accounting periods commencing before 1st January, 2005, save that the Independent Non-executive Directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

Subsequent to the financial period, the Board had issued letters of appointment to Independent Non-executive Directors and Non-executive Directors for a 3-year term of office subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

CODES FOR DEALING IN THE COMPANY'S SECURITIES

The Company has adopted a code for dealing in the Company's securities by Directors (the "Company Code") on terms no less exacting than the required standard set out in the Model Code of the Listing Rules. The Company has made specific enquiries of all Directors who confirmed compliance with the required standard set out in the Model Code and the Company Code for the year ended 30th June, 2005.

On 23rd June, 2005, the Company has adopted a code for dealing in the Company's securities by relevant employees, who is likely to be in possession of unpublished price-sensitive information in relation to the securities of the Company, on no less exacting terms than the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

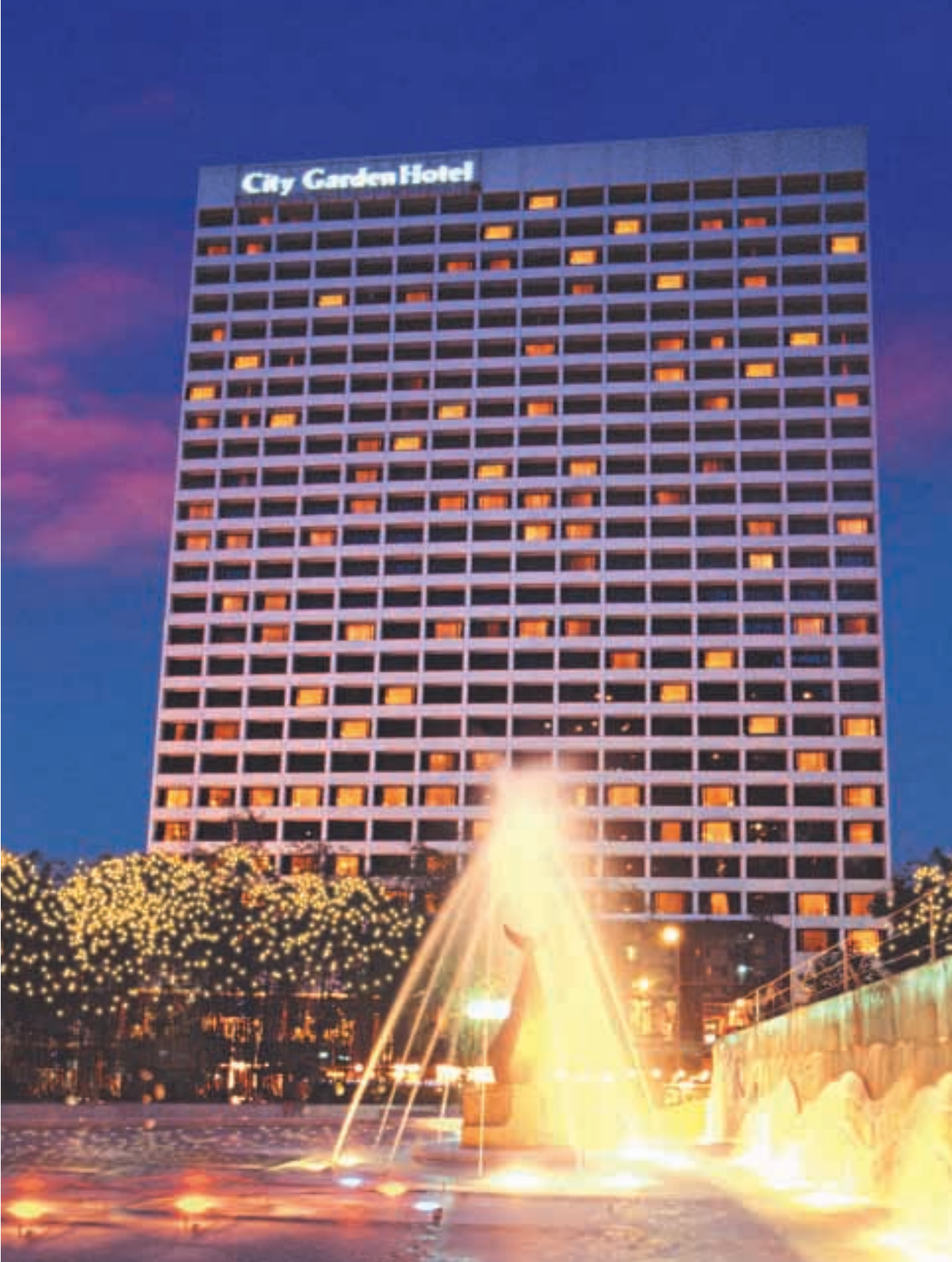
Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 30th June, 2005.

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, 22nd September, 2005





Designed to surpass the demands of today's seasoned travellers, the City Garden Hotel presents 613 elegantly furnished rooms, including 11 suites, with accommodating ergonomic work areas and luxurious finishes. 9 executive floors offer private lounge and dedicated staffs devoted to personal attention. There is a business centre on site to satisfy every business need. And at our distinctive fitness centre, guests can keep up their workout routines, or just unwind and enjoy the heated swimming pool, Jacuzzi, and sauna to relax the body and soothe the soul.

Hotel restaurants and bar offer International, South East Asian cuisines and live band entertainment. Contemporary designed function rooms are suitable for dinner gatherings, cocktail receptions, conferences and seminars.

To provide a premier accommodation with business facilities to frequent business travellers, City Garden Hotel started a renovation project of 7 guest floors comprising 7 suites and 168 rooms as the Executive Club Floors in September 2004. The project was completed in September 2005. The next phase of renovation is scheduled in December 2005 and will be completed in January 2006. Two more floors with 48 rooms and 2 suites will be added to this new image of the hotel.







Conrad Hong Kong is part of the prestigious Pacific Place development located in the heart of central business district. The hotel is across from the lush Hong Kong Park, directly connected to Admiralty MTR subway station, and within minutes from Star Ferry and Hong Kong Convention and Exhibition Centre.

Towering from 40th to 61st floor, Conrad Hong Kong features 513 deluxe rooms which include 46 suites and 5 dedicated executive floors complete with an exclusive lounge. All rooms boast panoramic views of Hong Kong harbour and picturesque Victoria Peak. The hotel has an extensive range of function rooms including one of the city's largest column-free ballrooms.

Conrad's four award-winning restaurants including Nicholini's, Golden Leaf, Brasserie on the Eighth and Garden Café present a wide range of dining choices from signature Italian cuisine to exquisite Chinese specialties. Lobby Lounge and Pacific Bar are also popular meeting venues. The hotel has a well-appointed Health Club, heated outdoor swimming pool and spa pools.

Conrad Hong Kong recently embarked on a multi-million dollar refurbishment programme to maintain its excellent facility and to incorporate the latest advanced technology. The newly renovated hotel lobby featured in rich gold and deep brown tones and accentuated Oriental furniture creates a warm residential ambience. Similar colour scheme and design will be extended to guest rooms and hotel public areas with the entire project planned to be completed in phases in the next two years.







The Royal Pacific Hotel and Towers is located on the top of the China Ferry Terminal in the heart of Tsim Sha Tsui. It is within walking distance of the Mass Transit Railway, the KCR East Rail and the Star Ferry, with Hong Kong International Airport and Hong Kong Disneyland just a 30-minute ride away.

All 674 luxuriously furnished guest rooms and suites boast postcard views of either Victoria Harbour or Kowloon Park, and are equipped with a wireless broadband connection and a full range of personal amenities. The Royal Executive Club offers a personalised secretarial service to business travellers in addition to a Business Centre, a Club Lounge and a private meeting room.

To ensure that our guests enjoy excellent food and beverage services, the Café on the Park recently underwent an extensive renovation. The project was completed in June 2005. The renowned restaurant, with its open kitchen, now offers a new dining experience. Other food and beverage outlets include the Safari Bar, the Lobby Lounge and the Park Deli.

Eight versatile function rooms offer a location for lavish receptions supported by a full suite of audio-visual equipment and a team of dedicated banquet specialists.

