

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30th June, 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2006 are set out in notes 35 and 19, respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 35.

An interim dividend of HK2.2 cents per share amounting to HK\$18,444,337 was paid to shareholders during the year. The Directors now recommend a final dividend of HK2.6 cents per share amounting to HK\$21,888,152 payable to shareholders whose names appear on the Register of Members of the Company on 16th November, 2006.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The reserves available for distribution to the shareholders by the Company at 30th June, 2006 consisted of share premium, distributable reserve and retained profits totaling HK\$2,340,255,739 (2005: HK\$2,342,369,688).

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands and the provisions of the Company's Articles of Association, the share premium of the Company is available for distribution or paying dividends to the shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

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, 2006, the Group's bank loans accounted for 21.7% of the Group's assets. Details of bank loans and other borrowings of the Group are set out in note 26 to the consolidated financial statements. No interest was capitalised by the Group during the year.

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
Mr. Daryl Ng Win Kong

Non-executive Directors

The Honourable Ronald Joseph Arculli, GBS, CVO, OBE, JP (re-designated from Independent Non-executive Director to Non-executive Director on 1st July, 2005)

Mr. Gilbert Lui Wing Kwong

Independent Non-executive Directors

Mr. Peter Wong Man Kong, BBS, JP
Mr. Adrian David Li Man-kiu
Mr. Steven Ong Kay Eng (appointed on 1st July, 2005)

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, 2006, 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	899,256	Beneficial owner of 226,664 shares and spouse interest in 672,592 shares	0.10%
The Honourable 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 2006, 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 consolidated 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 agreement on 13th October, 2004 (the "Agreement") relating to the following non-exempt continuing connected transactions 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, 2006 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\$1.35 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 transactions constitute continuing connected transactions of the Company pursuant to the Listing Rules.

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

The above continuing connected transactions during the year were carried out within the annual cap and have 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 transactions were 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 consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2006, 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	395,313,678 <i>(Note 1)</i>	Beneficial owner of 34,779,297 shares, spouse interest in 964,909 shares and interest of controlled corporations in 359,569,472 shares	46.95%
Strathallan Investment Limited	94,454,357 <i>(Note 2)</i>	Beneficial owner	11.22%
Tamworth Investment Limited	140,261,733 <i>(Note 2)</i>	Beneficial owner	16.66%
Name of Other Shareholders	Number of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Nippomo Limited	46,729,100 <i>(Note 2)</i>	Beneficial owner	5.55%
Solid Capital Holdings Limited	83,087,978 <i>(Note 3)</i>	Security interest in 82,725,739 shares and beneficial owner of 362,239 shares	9.87%

DIRECTORS' REPORT *(Continued)*

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

Long Positions in Shares of the Company *(Continued)*

Notes:

1. *As regards 359,569,472 shares held by controlled corporations:*
 - (a) *357,958,367 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 34,677,722 shares by Fanlight Investment Limited, 14,990,901 shares by Karaganda Investments Inc., 46,729,100 shares by Nippomo Limited, 1,362,923 shares by Orient Creation Limited, 94,454,357 shares by Strathallan Investment Limited, 4,062,003 shares by Strong Investments Limited, 140,261,733 shares by Tamworth Investment Limited and 21,419,628 shares by Transpire Investment Limited; and*
 - (b) *1,611,105 shares were held through wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited, in which Mr. Ng Teng Fong had a 71.74% control.*
2. *The interests of Nippomo Limited, Strathallan Investment Limited and Tamworth Investment Limited were duplicated in the interests of Mr. Ng Teng Fong.*
3. *19,889 shares were held by Meadow Gate Company Limited which is 70% controlled by Solid Capital Holdings Limited.*

Save as disclosed above and so far as the Directors of the Company are aware of, as at 30th June, 2006, 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 consolidated income statement represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

DIRECTORS' REPORT *(Continued)*

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

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.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 14 to 19.

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 at all times maintained the prescribed public float under the Listing Rules.

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, 18th September, 2006

Conrad
Hong Kong



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.



Royal Pacific
Hotel & Towers



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.



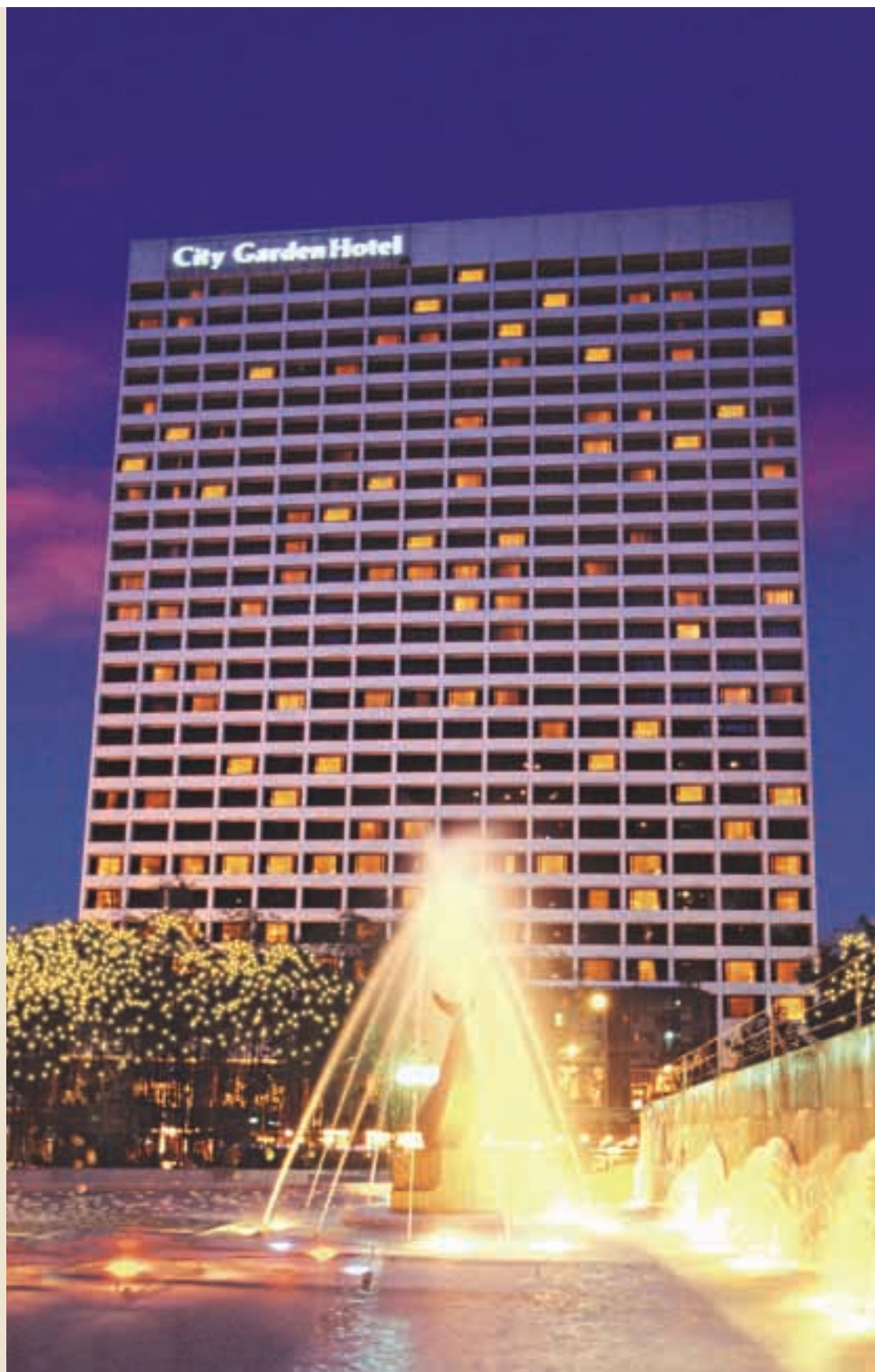
Feast on a magnificent range of mouth-watering cuisine and buffets, the newly renovated Café on the Park, features contemporary interior design with its interactive open kitchen. A blend of food and beverages also available all day at Safari Bar and Park Deli.



The Royal Pacific
Hotel and Towers
HONG KONG
皇家太平洋酒店



City Garden
Hotel



Designed to surpass the demands of today's seasoned travellers, the City Garden Hotel presents 613 elegantly furnished rooms, including 15 suites, with accommodating ergonomic work areas and luxurious finishes. 9 executive club 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.

