

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries are set out in note 15 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 12 on the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2001 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 19 to 61.

No interim dividend was paid in respect of the six months period ended 30 June 2001. The directors do not recommend any final dividend in respect of the year ended 31 December 2001.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 13 on the financial statements.

DIRECTORS

The directors during the financial year and up to the date of this report are:

Executive directors

Ho Kian Guan	<i>(Chairman)</i>
Ho Kian Hock	<i>(Vice Chairman)</i>
Ho Kian Cheong	<i>(Managing Director)</i>
Paul Tse See Fan	

Independent non-executive directors

Robin YH Chan
Arthur Kwok Chi Shun

Report of the Directors (Continued)

DIRECTORS (Continued)

Messrs Ho Kian Guan and Arthur Kwok Chi Shun shall retire at the forthcoming annual general meeting in accordance with article 116 of the Company's articles of association and, being eligible, offer themselves for re-election.

The Company has not entered into service contracts with any of the above directors.

The appointment of non-executive directors is not for a fixed period of term.

MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2001, there existed the following arrangements for an indefinite period:

1. Kansas Holdings Limited provides management services to the Company. No management fee was charged during the year.
2. Keck Seng Realty Investment Pte Limited acts as manager and sales agent for the Company's property in Singapore. No management or agency fee was charged during the year.
3. Goodland Limited ("Goodland") acts as the project manager of Golden Crown Development Limited ("Golden Crown")'s Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development. Goodland is also a major contractor of the development.
4. Goodland acts as project manager of Westin Saigon, a property under development and held by Ocean Place Joint Venture Company Limited ("OPJV") in the Socialist Republic of Vietnam. No management fee was charged during the year.
5. Goodland provides management services to Ocean Incorporation Ltd. ("Ocean Inc") in return for a management fee.

Messrs Ho Kian Guan, and Ho Kian Hock and Ho Kian Cheong were interested in the above arrangements as substantial shareholders and directors of Kansas Holdings Limited, Keck Seng Realty Investment Pte Limited and Goodland.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES

The interests of the directors and their associates in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance as at 31 December 2001 were as follows:

	Shares of HK\$1 each			
	Personal interests	Family interests	Corporate interests	Other Interests
Beneficial interests				
Keck Seng Investments (Hong Kong) Limited				
Ho Kian Guan	480	—	253,876,320 <i>(note 1)</i>	—
Ho Kian Hock	480	—	253,876,320 <i>(note 1)</i>	—
Ho Kian Cheong	480	—	253,876,320 <i>(note 1)</i>	—
Paul Tse See Fan	288,720	—	—	—
Robin YH Chan	180,000	—	720,000 <i>(note 2)</i>	—
Arthur Kwok Chi Shun	—	—	—	—
Shares of S\$1 each Corporate interests				
Lam Ho Investments Pte Ltd				
Ho Kian Guan			495,000 <i>(note 3)</i>	
Ho Kian Hock			495,000 <i>(note 3)</i>	
Ho Kian Cheong			495,000 <i>(note 3)</i>	
Shares of HK\$1 each Corporate interests				
Shun Seng International Limited				
Ho Kian Guan			9,990 <i>(note 3)</i>	
Ho Kian Hock			9,990 <i>(note 3)</i>	
Ho Kian Cheong			9,990 <i>(note 3)</i>	
Arthur Kwok Chi Shun			15,000 <i>(note 4)</i>	
Shares of £1 each Corporate interests				
Scofield Limited				
Ho Kian Guan			200 <i>(note 3)</i>	
Ho Kian Hock			200 <i>(note 3)</i>	
Ho Kian Cheong			200 <i>(note 3)</i>	

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

	Amount of capital (US\$)
	Corporate interests
Hubei Qing Chuan Hotel Company Limited	
Ho Kian Guan	5,216,000 (<i>note 3</i>)
Ho Kian Hock	5,216,000 (<i>note 3</i>)
Ho Kian Cheong	5,216,000 (<i>note 3</i>)
Arthur Kwok Chi Shun	489,000 (<i>note 5</i>)
	Shares of Ptc1 each
	Corporate interests
Golden Crown Development Limited	
Ho Kian Guan	9,000,000 (<i>note 3</i>)
Ho Kian Hock	9,000,000 (<i>note 3</i>)
Ho Kian Cheong	9,000,000 (<i>note 3</i>)
	Quota of Ptc1,000
	Corporate interests
Ocean Gardens Management Company Limited	
Ho Kian Guan	1 (<i>note 3</i>)
Ho Kian Hock	1 (<i>note 3</i>)
Ho Kian Cheong	1 (<i>note 3</i>)
	Shares of HK\$1 each
	Corporate interests
Shun Cheong International Limited	
Ho Kian Guan	999 (<i>note 3</i>)
Ho Kian Hock	999 (<i>note 3</i>)
Ho Kian Cheong	999 (<i>note 3</i>)
Arthur Kwok Chi Shun	5,500 (<i>note 6</i>)
	Shares of M\$1 each
	Corporate interests
KSF Enterprises Sdn Bhd	
Ho Kian Guan	7,500 (<i>note 3</i>)
Ho Kian Hock	7,500 (<i>note 3</i>)
Ho Kian Cheong	7,500 (<i>note 3</i>)

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

	Common shares without par value Corporate interests	Preferred shares of C\$1 each Corporate interests
Chateau Ottawa Hotel Inc.		
Ho Kian Guan	450,000 (<i>note 3</i>)	450,000 (<i>note 3</i>)
Ho Kian Hock	450,000 (<i>note 3</i>)	450,000 (<i>note 3</i>)
Ho Kian Cheong	450,000 (<i>note 3</i>)	450,000 (<i>note 3</i>)

Notes:

1. At 31 December 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Kansas Holdings Limited and Goodland, which together beneficially held 253,876,320 shares in the Company.
2. At 31 December 2001, Dr Robin YH Chan had controlling interest in United Asia Enterprises Inc which held 720,000 shares in the Company.
3. At 31 December 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had deemed corporate interests in Lam Ho Investments Pte Limited, Shun Seng International Limited, Scoffield Limited, Hubei Qing Chuan Hotel Company Limited ("Qing Chuan"), Golden Crown, Ocean Gardens Management Company Limited, Shun Cheong International Limited, KSF Enterprises Sdn Bhd and Chateau Ottawa Hotel Inc. which were held through companies collectively controlled by them.
4. At 31 December 2001, Mr Arthur Kwok Chi Shun was a substantial shareholder of Larch Management Incorporated which beneficially held 15,000 shares representing 15% interest in Shun Seng International Limited.
5. At 31 December 2001, capital in the amount of US\$489,000, representing 3% interest in Qing Chuan were held by AKAA Project Management Limited which is wholly owned by Mr Arthur Kwok Chi Shun.
6. At 31 December 2001, 5,500 shares representing 55% interest in Shun Cheong International Limited were held by Larcfort Incorporated in which Mr Arthur Kwok Chi Shun had beneficial interests.

Report of the Directors (Continued)

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2001, amounting to 10% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

	Shares held	Percentage of total issued shares
Goodland Limited	153,006,960	45.0%
Kansas Holdings Limited	<u>100,869,360</u>	<u>29.7%</u>
	<u><u>253,876,320</u></u>	<u><u>74.7%</u></u>

INTEREST IN CONTRACTS

During the year, certain subsidiaries of the Company had the following transactions which are on normal commercial terms with Goodland:

1. A current account was maintained between Goodland and Ocean Inc and interest was charged on the outstanding balance at market rates. At 31 December 2001, the balance due by Ocean Inc on this account amounted to HK\$119,034,304. The interest charge for the year ended 31 December 2001 was HK\$7,540,717.
2. Goodland maintained an interest bearing current account with Golden Crown. At 31 December 2001, the balance due by Golden Crown amounted to HK\$526,656. The interest charge for the year ended 31 December 2001 payable by Golden Crown was HK\$11,182.

Goodland maintained an interest bearing loan account with Qing Chuan. At 31 December 2001, the balance due by Qing Chuan amounted to HK\$31,242,463. The interest charge for the year ended 31 December 2001 payable by Qing Chuan was HK\$1,953,357.

At 31 December 2001, the balances due to/(from) Goodland by OPJV, Golden Crown, Qing Chuan and Lam Ho Investments Pte Limited on non-interest bearing current accounts amounted to HK\$182,668, HK\$8,600,000, HK\$3,137,537 and HK\$(17,356) respectively.

3. Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$1,011,204 for the year ended 31 December 2001.

Report of the Directors (Continued)

INTEREST IN CONTRACTS (Continued)

4. Ocean Inc and Golden Crown paid management fees of HK\$1,456,311 and HK\$1,747,573 respectively for the year to Goodland.
5. Golden Crown rented certain properties from Goodland and rental amounting to HK\$174,757 was paid during the year.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had an interest in the above transactions as beneficial owners, through intermediate companies, of a substantial part of the issued capital of Goodland.

Apart from the foregoing and the management arrangements set out on page 7 of the annual report, no contract 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, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Riverside Wuhan, is Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("SAL").

Mr Ho Kian Guan is an independent non-executive director of SAL, a company whose shares are listed on the Hong Kong Stock Exchange and Mr Ho Kian Cheong is his alternate on the board of SAL.

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

No purchase, sale or redemption of the Company's own shares was made by the Company or any of its subsidiaries during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2001 are set out in notes 21 and 22 on the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 62 to 63 of the annual report.

Report of the Directors (Continued)

PROPERTIES

Particulars of the properties and property interests held by the Group are shown on pages 64 to 65 of the annual report.

RETIREMENT SCHEMES

As from 1 December 2000, the companies of the Group operating in Hong Kong operate a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000.

The employees of the Group’s subsidiary operating in the PRC, are members of central pension schemes operated by the local governments in the PRC and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees’ retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 20% of the employees’ salaries cost in accordance with the relevant regulations in the PRC and are charged to the profit and loss account as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes.

The employees of the Group’s subsidiary operating in Vietnam, are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees’ retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at prevailing rate of 15% of basic salary.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules except for not specifying the terms of appointment of non-executive directors.

AUDIT COMMITTEE

In compliance with the revised Code of Best Practice, the Company has set up an Audit Committee on 1 January 1999 which acts in an advisory capacity and makes recommendations to the Board. The audit committee comprises two independent non-executive directors and reports to the board of directors.

Report of the Directors (Continued)

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Ho Kian Guan

Chairman

Hong Kong, 24 April 2002