

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries are set out in note 12 on the accounts.

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 2 on the accounts.

ACCOUNTS

The profit of the Group for the year ended 31 December 2000 and the state of the Company's and the Group's affairs as at that date are set out in the accounts on pages 20 to 57.

No interim dividend was paid in respect of the six months period ended 30 June 2000. The directors do not recommend any final dividend in respect of the year ended 31 December 2000.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2000 are set out in note 12 on the accounts.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 10 on the accounts.

Report of the Directors (continued)

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	

Non-executive directors

Robin YH Chan	<i>(Independent)</i>
Arthur Kwok Chi Shun	<i>(Independent)</i>
Wong Yau See	<i>(Ceased to be director on his passing away on 19 February 2001)</i>

Mr Paul Tse See Fan and Dr Robin YH Chan 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 2000, 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.

Report of the Directors (continued)

MANAGEMENT ARRANGEMENTS (continued)

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 for a management fee.
5. Goodland provides management services to Ocean Incorporation Ltd. (“Ocean Inc”) in return for a management fee.

Messrs Ho Kian Guan, 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.

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 2000 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 (note 1)	–
Ho Kian Hock	480	–	253,876,320 (note 1)	–
Ho Kian Cheong	480	–	253,876,320 (note 1)	–
Paul Tse See Fan	288,720	–	–	–
Robin YH Chan	180,000	–	720,000 (note 2)	–
Arthur Kwok Chi Shun	–	–	–	–
Wong Yau See	480	–	–	–
Shares of S\$1 each				
Corporate interests				
Lam Ho Investments Pte Ltd				
Ho Kian Guan			495,000 (note 3)	
Ho Kian Hock			495,000 (note 3)	
Ho Kian Cheong			495,000 (note 3)	

Report of the Directors (continued)

DIRECTORS' INTERESTS IN SHARES (continued)

	Shares of HK\$1 each
	Corporate interests
Shun Seng International Limited	
Ho Kian Guan	9,990 (<i>note 4</i>)
Ho Kian Hock	9,990 (<i>note 4</i>)
Ho Kian Cheong	9,990 (<i>note 4</i>)
Arthur Kwok Chi Shun	15,000 (<i>note 5</i>)
	Shares of £1 each
	Corporate interests
Scofield Limited	
Ho Kian Guan	200 (<i>note 6</i>)
Ho Kian Hock	200 (<i>note 6</i>)
Ho Kian Cheong	200 (<i>note 6</i>)
	Amount of capital (US\$)
	Corporate interests
Hubei Qing Chuan Hotel Company Limited	
Ho Kian Guan	5,216,000 (<i>note 7</i>)
Ho Kian Hock	5,216,000 (<i>note 7</i>)
Ho Kian Cheong	5,216,000 (<i>note 7</i>)
Arthur Kwok Chi Shun	489,000 (<i>note 7</i>)
	Shares of Ptc1 each
	Corporate interests
Golden Crown Development Limited	
Ho Kian Guan	9,000,000 (<i>note 8</i>)
Ho Kian Hock	9,000,000 (<i>note 8</i>)
Ho Kian Cheong	9,000,000 (<i>note 8</i>)
	Quota of Ptc1,000
	Corporate interests
Ocean Gardens Management Company Limited	
Ho Kian Guan	1 (<i>note 9</i>)
Ho Kian Hock	1 (<i>note 9</i>)
Ho Kian Cheong	1 (<i>note 9</i>)

Report of the Directors (continued)

DIRECTORS' INTERESTS IN SHARES (continued)

	Shares of HK\$1 each	
	Corporate interests	
Shun Cheong International Limited		
Ho Kian Guan		999 (<i>note 10</i>)
Ho Kian Hock		999 (<i>note 10</i>)
Ho Kian Cheong		999 (<i>note 10</i>)
	Shares of M\$1 each	
	Corporate interests	
KSF Enterprises Sdn Bhd		
Ho Kian Guan		7,500 (<i>note 11</i>)
Ho Kian Hock		7,500 (<i>note 11</i>)
Ho Kian Cheong		7,500 (<i>note 11</i>)
	Common shares	Preferred shares
	without par value	of C\$1 each
	Corporate interests	Corporate interests
Chateau Ottawa Hotel Inc.		
Ho Kian Guan	450,000 (<i>note 12</i>)	450,000 (<i>note 12</i>)
Ho Kian Hock	450,000 (<i>note 12</i>)	450,000 (<i>note 12</i>)
Ho Kian Cheong	450,000 (<i>note 12</i>)	450,000 (<i>note 12</i>)

Notes:

- At 31 December 2000, 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.
- At 31 December 2000, Dr Robin YH Chan had controlling interest in United Asia Enterprises Inc which held 720,000 shares in the Company.
- At 31 December 2000, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland which beneficially held 495,000 shares representing 9.9% interest in Lam Ho Investments Pte Ltd.
- At 31 December 2000, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland which beneficially held 9,990 shares representing 9.99% interest in Shun Seng International Limited.
- At 31 December 2000, 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.

Report of the Directors (continued)

DIRECTORS' INTERESTS IN SHARES (continued)

6. At 31 December 2000, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland which beneficially held 200 shares representing 10% interest in Scofield Limited.
7. At 31 December 2000, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland, which beneficially held capital in the amount of US\$5,216,000 representing 32% interest in Hubei Qing Chuan Hotel Company Limited ("Qing Chuan").

At 31 December 2000, 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.

8. At 31 December 2000, 9,000,000 shares representing 12.86% interest in Golden Crown Development Limited were held by companies collectively controlled by Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong.
9. At 31 December 2000, 1 quota representing 1% interest in Ocean Gardens Management Company Limited was held by Goodland in which Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had a substantial shareholding interest.
10. At 31 December 2000, 999 shares representing 9.99% interest in Shun Cheong International Limited were held by Goodland in which Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had a substantial shareholding interest.
11. At 31 December 2000, 7,500 shares representing 75% interest in KSF Enterprises Sdn Bhd were held by companies collectively controlled by Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong.
12. At 31 December 2000, 450,000 common shares and 450,000 preferred shares representing 5% interest in Chateau Ottawa Hotel Inc were held by companies collectively controlled by Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong.

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 2000, 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	100,869,360	29.7%
	<u>253,876,320</u>	<u>74.7%</u>

Report of the Directors (continued)

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 2000, the balance due by Ocean Inc on this account amounted to HK\$216,153,850. The interest charge for the year ended 31 December 2000 was HK\$12,792,941.
2. Goodland maintained an interest bearing current account with Golden Crown. At 31 December 2000, the balance due by Golden Crown amounted to HK\$9,509. The interest charges for the year ended 31 December 2000 payable by Golden Crown was HK\$27,466.

At 31 December 2000, the balances due to / (from) Goodland by OPJV, Golden Crown, Qing Chuan, Shun Seng International Limited and Lam Ho Investments Pte Limited on non-interest bearing current accounts amounted to HK\$171,510, HK\$8,600,000, HK\$(781,069), HK\$(1,913) and HK\$(1,263) 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 2000.
4. Ocean Inc, Golden Crown and OPJV paid management fees of HK\$1,456,311, HK\$1,747,573 and US\$44,787 respectively for the year to Goodland.
5. Golden Crown rented certain properties from Goodland and rental amounting to HK\$198,058 was paid during the year.
6. Golden Crown incurred construction fees of HK\$10,199,480 for the year to Goodland in respect of the construction of certain projects of the Ocean Gardens development.

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 pages 8 and 9 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.

Report of the Directors (continued)

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 a 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 2000 are set out in notes 18 and 19 on the accounts.

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 page 58 of the annual report.

PROPERTIES

Particulars of the properties and property interests held by the Group are shown on pages 59 to 60 of the annual report.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2000 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.

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 Committee comprises two non-executive directors, both of them being independent.

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, 11 April 2001