

## **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 2004.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Group are property investment and development, hotel and club operations and the provision of management services.

The principal activities of the Company are investment holding and those of its subsidiaries are set out in Note 14 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 11 on the financial statements.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the financial year ended 31 December 2004:

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented 42% of the Group's total purchases with the largest supplier accounting for 20% of the Group's total purchases.

The directors, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong, have interests in the largest supplier of the Group. Save as disclosed above, at 31 December 2004, none of the directors, their associates or shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had any interest in the above five largest suppliers.

- (b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

### **FINANCIAL STATEMENTS**

The profit of the Group for the year ended 31 December 2004 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 69.

An interim dividend of HK\$0.015 per share (2003: HK\$0.01 per share) was paid on 13 October 2004. The directors now recommend the payment of a final dividend of HK\$0.03 per share (2003: HK\$0.01 per share) in respect of the year ended 31 December 2004.

### **TRANSFER TO RESERVES**

Profits attributable to shareholders, before dividends, of HK\$89,835,000 (2003: HK\$32,860,000) have been transferred to reserves.

### **FIXED ASSETS**

Details of the movements in fixed assets during the year are set out in Note 12 on the financial statements.

## **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 (*Executive Chairman*)

HO Kian Hock (*Deputy Executive Chairman*)

TSE See Fan, Paul

#### **Non-executive directors**

HO Kian Cheong

\* CHAN Yau Hing, Robin

\* KWOK Chi Shun, Arthur

\* WANG Poey Foon, Angela (appointed on 28 September 2004)

\* *Independent non-executive directors*

Messrs Ho Kian Guan and Kwok Chi Shun, Arthur shall retire from the board of directors 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.

Ms Wang Poey Foon, Angela was appointed as independent non-executive director and audit committee member of the Company on 28 September 2004. In accordance with Article 99, Ms Wang retire and being eligible for offer herself for re-election.

The Company has received annual confirmation of independence from the three independent non-executive directors in accordance of Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

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

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

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES**

The directors and chief executive of the Company who held office at 31 December 2004 had the following interests in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

## Report of the Directors (Continued)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

#### Number of Ordinary Shares (unless otherwise specified)

##### Long Positions:

Name of Company	Name of Directors	Personal Interests (1)	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Keck Seng Investments	Ho Kian Guan	480	–	197,516,320 (2)	–	197,516,800	58.06
(Hong Kong) Ltd	Ho Kian Hock	480	–	197,516,320 (2)	–	197,516,800	58.06
	Ho Kian Cheong	55,306,480	–	197,516,320 (2)	–	252,822,800	74.32
	Tse See Fan, Paul	288,720	–	–	–	288,720	0.08
	Chan Yau Hing, Robin	180,000	–	720,000 (3)	–	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	–	495,000 (4)	–	495,000	9.90
	Ho Kian Hock	–	–	495,000 (4)	–	495,000	9.90
	Ho Kian Cheong	–	–	495,000 (4)	–	495,000	9.90
Shun Seng International Ltd	Ho Kian Guan	–	–	9,990 (4)	–	9,990	9.99
	Ho Kian Hock	–	–	9,990 (4)	–	9,990	9.99
	Ho Kian Cheong	–	–	9,990 (4)	–	9,990	9.99
Hubei Qing Chuan Hotel Co Ltd	Ho Kian Guan	–	–	US\$5,216,000 (4)	–	US\$5,216,000	32.00
	Ho Kian Hock	–	–	US\$5,216,000 (4)	–	US\$5,216,000	32.00
	Ho Kian Cheong	–	–	US\$5,216,000 (4)	–	US\$5,216,000	32.00
	Kwok Chi Shun, Arthur	–	–	US\$489,000 (5)	–	US\$489,000	3.00
Golden Crown Development Ltd	Ho Kian Guan	–	–	9,000,000 (6)	–	9,000,000	12.86
	Ho Kian Hock	–	–	9,000,000 (6)	–	9,000,000	12.86
	Ho Kian Cheong	–	–	9,000,000 (6)	–	9,000,000	12.86
	Tse See Fan, Paul	50,000	–	–	–	50,000	0.07
Ocean Gardens Management Co Ltd	Ho Kian Guan	–	–	1 (4)	–	1	1.00
– quota of Ptc1,000	Ho Kian Hock	–	–	1 (4)	–	1	1.00
	Ho Kian Cheong	–	–	1 (4)	–	1	1.00
Shun Cheong International Ltd	Ho Kian Guan	–	–	999 (4)	–	999	9.99
	Ho Kian Hock	–	–	999 (4)	–	999	9.99
	Ho Kian Cheong	–	–	999 (4)	–	999	9.99
	Kwok Chi Shun, Arthur	–	–	5,500 (7)	–	5,500	55.00
KSF Enterprises Sdn Bhd	Ho Kian Guan	–	–	7,500 (6)	–	7,500	75.00
	Ho Kian Hock	–	–	7,500 (6)	–	7,500	75.00
	Ho Kian Cheong	–	–	7,500 (6)	–	7,500	75.00
Chateau Ottawa Hotel Inc	Ho Kian Guan	–	–	450,000 (6)	–	450,000	5.00
– common shares	Ho Kian Hock	–	–	450,000 (6)	–	450,000	5.00
	Ho Kian Cheong	–	–	450,000 (6)	–	450,000	5.00
Chateau Ottawa Hotel Inc	Ho Kian Guan	–	–	370,000 (6)	–	370,000	5.00
– preferred shares	Ho Kian Hock	–	–	370,000 (6)	–	370,000	5.00
	Ho Kian Cheong	–	–	370,000 (6)	–	370,000	5.00

## **Report of the Directors** (Continued)

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES** (Continued)

*Notes:*

- (1) This represents interests held by the relevant directors as beneficial owner.
- (2) This represents 100,869,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had 1/3 interests indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by Chan Yau Hing, Robin.
- (4) This represents interests held by Goodland Limited in which each of Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had 1/3 interests indirectly.
- (5) This represents interests held by AKAA Project Management International Limited which was wholly owned by Kwok Chi Shun, Arthur.
- (6) This represents same parcel of interests held by Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong through controlled corporations.
- (7) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun, Arthur had not less than 1/3 interests.

Save as mentioned above, at 31 December 2004, none of the directors and chief executive of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## Report of the Directors (Continued)

### SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 31 December 2004, the interests and short positions of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### *Long Positions:*

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,516,320	58.1%
Pad Inc (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 2)	Beneficial owner	100,869,360	29.7%
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4%
Kerry Group Limited (Note 3)	Interests of controlled corporations	20,325,600	6.0%
Kerry Holdings Limited (Note 3)	Interests of controlled corporations	20,325,600	6.0%

#### *Notes:*

- (1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland.
- (2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.
- (3) Kerry Holdings Limited is a wholly owned subsidiary of Kerry Group Limited and both had deemed interests in the same 20,325,600 shares held by the subsidiaries of Kerry Holdings Limited.

Save as mentioned above, at 31 December 2004, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

## **Report of the Directors** (Continued)

### **MANAGEMENT ARRANGEMENTS**

During the year ended 31 December 2004, there existed the following arrangements for an indefinite period:

- (1) Goodland acts as the project manager of 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 for the development.
- (2) Goodland acts as project manager of the Sheraton Saigon, a hotel property held by Ocean Place Joint Venture Company Limited in the Socialist Republic of Vietnam.
- (3) Goodland provides management services to Ocean Incorporation Ltd. in return for a management fee.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

### **CONNECTED TRANSACTIONS**

- (1) On 26 March 2004, the Company, Goodland, Larch Management Incorporated and AKA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary, Hubei Qing Chuan Hotel Company Limited ("Qing Chuan"). Qing Chuan is a connected person of the Company by virtue of it being an associate of Goodland, a substantial shareholder of the Company. As such, the guarantee constitutes a connected transaction of the Company under the Listing Rules and a press announcement was made by the Company on 30 March 2004.

A term loan facility of up to an aggregate principal amount of US\$3,800,000 (approximately HK\$29,640,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between Qing Chuan and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at Qing Chuan's option. The option will be exercised at Qing Chuan's discretion. It is intended that Qing Chuan will choose whichever is the lower of LIBOR on an interest payment date.

Approximately 50% of the facility was used to finance and/or refinance the borrower's existing loans and approximately 50% was retained as the general working capital of the borrower.

## **Report of the Directors** (Continued)

### **CONNECTED TRANSACTIONS** (Continued)

The directors of the Company, including the independent non-executive directors, consider that the guarantee is granted upon normal commercial terms which are arrived at after arm's length negotiations. They consider that the terms of the guarantee are fair and reasonable. The obtaining of the facility by the borrower is in the interests of the Company as a whole due to the lower interest rate of the facility as compared to the then existing loans of the borrower.

- (2) On 15 February 2005, the Company entered into an Option to Purchase with the Purchasers, Ms Alexia Ho Wen Tsi, a daughter of Mr Ho Kian Guan (the Executive Chairman of the Company) and a co-purchaser, in relation to a disposal of a residential property which was currently vacant and located in 530 East Coast Road, Ocean Park, Singapore with a gross floor area of 196.0 square meter for a consideration of SGD1,200,000, (equivalent to approximately HK\$5,694,000) payable by way of cash of 1% of the purchase price as deposit upon signing of the Option to Purchase, a cash sum amounting to 10% of the purchase price less the deposit upon exercise of the Option to Purchase and the remaining balance to be paid in cash upon completion. The consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms and by a property valuation report conducted on 9 November 2004 by an independent professional surveyor, CKS Property Consultants Pte Ltd at an open market value of SGD1,200,000. There was no recent transaction record on similar properties in open market.

As the daughter of the Executive Chairman of the Company is one of the Purchasers who is considered to be the associate of the Executive Chairman and therefore a connected person, the Option to Purchase constituted a connected transaction for the Company. The co-purchaser is an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The book value of the property as at 15 February 2005 is HK\$2,255,000 and the Company is expected to gain approximately HK\$3,439,000 by way of the disposal. The property was rented out to an independent third party for the whole year of 2003 for rental income of HK\$160,000 and the first month of 2004 for rental income of HK\$14,000. After taking into account of the maintenance fees, management fees and other expenses for the years of 2003 and 2004, the net loss attributable to the property for the two financial years immediately preceding the transaction was HK\$30,000.

## **Report of the Directors** (Continued)

### **CONNECTED TRANSACTIONS** (Continued)

It is a common practice in Singapore for option to purchase to be entered into prior to the completion of sale and purchase of properties. The Option to Purchase was entered into in the ordinary course of business and on normal commercial terms. All the directors of the Company, including the independent non-executive directors, consider that the Option to Purchase was entered into in the ordinary course of business of the Company on normal commercial terms and was in the best interest of the Company. The sale of property was completed on 12 April 2005.

### **DIRECTORS' INTERESTS IN CONTRACTS**

For the year ended 31 December 2004, certain subsidiaries of the Company had transactions with Goodland as set out in Note 30 on the financial statements.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had 1/3 indirect interest in Goodland (while Messrs Ho Kian Guan and Ho Kian Hock are also directors of Goodland) and they are deemed to be interested in the aforesaid transactions.

Apart from the foregoing and the management arrangements set out on page 10 of the directors' 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 the 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 Hock 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 2004 are set out in Notes 20 and 23 on the financial statements.



## **Report of the Directors** (Continued)

### **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 70 of the annual report.

### **PROPERTIES**

Particulars of the properties and property interests held by the Group are shown on pages 71 to 72 of the annual report.

### **PERSONNEL**

At 31 December 2004, the Company and its subsidiaries had approximately 1,617 employees. A policy of localizing as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions of human resources in the different countries in which the Company and its subsidiaries operate.

### **RETIREMENT SCHEMES**

The Group has defined contribution schemes in Hong Kong, the People's Republic of China and Vietnam. Particulars of these retirement schemes are set out in Note 26 on the financial statements.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report of the Company, other than the directors of the Company are not appointed for specific terms but subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company.

All directors, except one, have confirmed that they have complied with the required standard set out in the Model Code during the applicable period. However, the Company is aware of instances where a director has not complied with Rule B.8 of the Model Code and section 348 of the SFO. The Company has reminded the said director in writing of his obligations under the Model Code and the SFO and will continue to monitor the compliance record of the said director.

## **Report of the Directors** (Continued)

### **AUDIT COMMITTEE**

The audit committee presently comprises three independent non-executive directors and reports to the board of directors. The audit committee regularly meets with the Group's senior management and external auditors, to review the effectiveness of the internal control systems and the interim and annual reports, including the audited consolidated financial statements of the Group for the year ended 31 December 2004.

### **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**  
*Executive Chairman*

Hong Kong, 21 April 2005