

## 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 2005.

### 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 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.

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2005:

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented 55% of the Group's total purchases with the largest supplier accounting for 44% of the Group's total purchases.

The directors, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong, have indirect interests in the largest supplier of the Group. Save as disclosed above, at 31 December 2005, 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 8% of the Group's total turnover.

### FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2005 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 23 to 93.

An interim dividend of HK\$0.04 per share (2004: HK\$0.015 per share) was paid on 2 November 2005. The directors now recommend the payment of a final dividend of HK\$0.04 (2004: HK\$0.03) per share in respect of the year ended 31 December 2005.

### TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$122,363,000 (2004 (restated): HK\$97,446,000) have been transferred to reserves.

## Report of the Directors (Continued)

### CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$1,190,000 (2004: HK\$Nil).

### 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 (*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

\* *Independent*

Messrs Ho Kian Hock and Ho Kian Cheong 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.

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 non-executive directors is not for a fixed period or term.

## Report of the Directors (Continued)

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The directors of the Company who held office at 31 December 2005 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”):

#### 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 (Hong Kong) Ltd	Ho Kian Guan	480	–	197,516,320 (2)	–	197,516,800	58.06
	Ho Kian Hock	480	–	197,516,320 (2)	–	197,516,800	58.06
	Ho Kian Cheong	55,160,480	–	197,516,320 (2)	–	252,676,800	74.27
	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 – quota of Ptc1,000	Ho Kian Guan	–	–	1 (4)	–	1	1.00
	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 – common shares	Ho Kian Guan	–	–	450,000 (6)	–	450,000	5.00
	Ho Kian Hock	–	–	450,000 (6)	–	450,000	5.00
	Ho Kian Cheong	–	–	450,000 (6)	–	450,000	5.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	–	370,000 (6)	–	370,000	5.00
	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' 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 a controlling interest.

Save as mentioned above, at 31 December 2005, none of the directors 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 2005, 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 2005, 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 2005, 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 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.

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

For the year ended 31 December 2005, certain subsidiaries of the Company had transactions with Goodland as set out in Note 31 on the financial statements.

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 above, 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 LISTED SECURITIES**

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

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

### **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2005 are set out in Note 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 page 94 of the annual report.

### **PROPERTIES**

Particulars of the properties and property interests held by the Group are shown on pages 95 to 96 of the annual report.

### **PERSONNEL**

At 31 December 2005, the Group had approximately 1,711 employees. A policy of localising 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 experience being available. Salary and remuneration is competitive and is based on varying conditions in the different countries in which the Company and its subsidiaries operate.

### **RETIREMENT SCHEMES**

The Group has defined contribution retirement schemes in Hong Kong, the People's Republic of China and Vietnam. Particulars of these retirement schemes are set out in Note 28 on the financial statements.

### **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, 25 April 2006