

## 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 2006.

### PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (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 33 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 11 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2006:

- (1) the aggregate amount of purchases attributable to the Group’s five largest suppliers represented less than 30 per cent of the Group’s total purchases.
- (2) the aggregate amount of turnover attributable to the Group’s five largest customers represented less than 30 per cent of the Group’s total turnover.

### FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2006 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 25 to 82.

An interim dividend of HK\$0.03 per share (2005: HK\$0.04 per share) was paid on 1 November 2006. The directors now recommend the payment of a final dividend of HK\$0.10 per share (2005: HK\$0.04 per share) in respect of the year ended 31 December 2006.

### TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK\$203,031,000 (2005: HK\$122,363,000) have been transferred to reserves.

### FIXED ASSETS

Details of the movements in fixed assets during the year are set out in Note 12 to 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

CHAN Lui Ming, Ivan (appointed on 1 July 2006)

YU Yuet Chu, Evelyn (appointed on 1 July 2006)

**Non-executive directors**

HO Kian Cheong

CHAN Yau Hing, Robin\*

KWOK Chi Shun, Arthur\*

WANG Poey Foon, Angela\*

\* *Independent non-executive directors*

Messrs Ho Kian Guan, Tse See Fan, Paul and Chan Yau Hing, Robin 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 while Mr Chan Lui Ming, Ivan and Ms Yu Yuet Chu, Evelyn shall retire in accordance with article 99 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, except for Mr Chan Lui Ming, Ivan and Ms Yu Yuet Chu, Evelyn.

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

## REPORT OF THE DIRECTORS (Continued)

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES**

The directors of the Company who held office at 31 December 2006 had the following interests in the shares, underlying shares or debentures 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 <sup>(1)</sup>	Corporate Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Ltd	Ho Kian Guan	480	197,516,320 <sup>(2)</sup>	197,516,800	58.06
	Ho Kian Hock	480	197,516,320 <sup>(2)</sup>	197,516,800	58.06
	Ho Kian Cheong	55,160,480	–	55,160,480	16.21
	Tse See Fan Paul	288,720	–	288,720	0.08
	Chan Yau Hing Robin	180,000	720,000 <sup>(3)</sup>	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	32,410,774 <sup>(4)</sup>	32,410,774	99.7
	Ho Kian Hock	–	32,410,774 <sup>(4)</sup>	32,410,774	99.7
	Ho Kian Cheong	96,525	–	96,525	0.3
Shun Seng International Ltd	Ho Kian Guan	–	83,052 <sup>(5)</sup>	83,052	83.05
	Ho Kian Hock	–	83,052 <sup>(5)</sup>	83,052	83.05
	Ho Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel Co Ltd – paid in registered capital in US\$	Ho Kian Guan	–	13,163,880 <sup>(6)</sup>	13,163,880	80.76
	Ho Kian Hock	–	13,163,880 <sup>(6)</sup>	13,163,880	80.76
	Ho Kian Cheong	1,017,120	–	1,017,120	6.24
	Kwok Chi Shun Arthur	–	489,000 <sup>(7)</sup>	489,000	3.00
Golden Crown Development Ltd – common shares	Ho Kian Guan	–	56,675,000 <sup>(8)</sup>	56,675,000	80.96
	Ho Kian Hock	–	56,675,000 <sup>(8)</sup>	56,675,000	80.96
	Ho Kian Cheong	1,755,000	–	1,755,000	2.51
	Tse See Fan Paul	50,000	–	50,000	0.07
Ocean Gardens Management Co Ltd	Ho Kian Guan	–	100,000 <sup>(9)</sup>	100,000	100.00
	Ho Kian Hock	–	100,000 <sup>(9)</sup>	100,000	100.00
Shun Cheong International Ltd	Ho Kian Guan	–	4,305 <sup>(10)</sup>	4,305	43.05
	Ho Kian Hock	–	4,305 <sup>(10)</sup>	4,305	43.05
	Ho Kian Cheong	195	–	195	1.95
	Kwok Chi Shun Arthur	–	5,500 <sup>(11)</sup>	5,500	55.00
KSF Enterprises Sdn Bhd	Ho Kian Guan	–	10,000 <sup>(12)</sup>	10,000	100.00
	Ho Kian Hock	–	10,000 <sup>(12)</sup>	10,000	100.00
Chateau Ottawa Hotel Inc – common shares	Ho Kian Guan	–	4,950,000 <sup>(13)</sup>	4,950,000	55.00
	Ho Kian Hock	–	4,950,000 <sup>(13)</sup>	4,950,000	55.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	3,300,000 <sup>(14)</sup>	3,300,000	55.00
	Ho Kian Hock	–	3,300,000 <sup>(14)</sup>	3,300,000	55.00

## REPORT OF THE DIRECTORS (Continued)

## Notes:

- (1) This represents interests held by the relevant directors as beneficial owners.
- (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 and Ho Kian Hock had 1/3 interest indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by Dr Chan Yau Hing Robin by virtue of the fact that United Asia Enterprises Inc or its directors were accustomed to act in accordance with the directions of Dr Chan.
- (4) This represents 29,776,951 shares (91.6%) indirectly held by the Company and 2,633,823 shares (8.1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (5) This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (6) This represents US\$8,965,000 (55%) indirectly contributed by the Company and US\$4,198,880 (25.76%) contributed by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (7) This represents interests held by AKAA Project Management International Limited which was wholly owned by Kwok Chi Shun Arthur.
- (8) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by various companies in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (9) This represents 1 quota of Ptc99,000 (99%) indirectly held by the Company and 1 quota of Ptc1,000 (1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (10) This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (11) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.
- (12) This represents 2,500 shares (25%) directly held by the Company, 2,499 shares (24.99%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 5,001 shares (50.01%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (13) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (14) This represents 3,000,000 preferred shares (50%) indirectly held by the Company and 300,000 preferred shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.

## REPORT OF THE DIRECTORS (Continued)

Save as mentioned above, at 31 December 2006, 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.

**SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES**

At 31 December 2006, the interests and short positions of those persons (other than the directors) in the shares and underlying 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%
Allianz Aktiengesellschaft (Note 3)	Interests of controlled corporations	17,120,000	5.0%
Dresdner Bank Aktiengesellschaft (Note 3)	Interests of controlled corporations	17,120,000	5.0%
Veer Palthe Voute NV (Note 3)	Beneficial owner	17,120,000	5.0%

*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 Limited.
- (2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.
- (3) Allianz Aktiengesellschaft and Dresdner Bank Aktiengesellschaft had deemed interests in the same 17,120,000 shares beneficially held by Veer Palthe Voute NV.

Save as mentioned above, at 31 December 2006, 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 2006, there existed the following arrangements for an indefinite period:

- (1) Goodland Limited ("Goodland") acts as the project manager of Golden Crown Development Limited for its 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 and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

**DIRECTORS' INTERESTS IN CONTRACTS**

For the year ended 31 December 2006, certain subsidiaries of the Company had transactions with Goodland as set out in Note 30 to the financial statements.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors 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.

**BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2006 are set out in Note 14, Note 20, Note 22 and Note 30 to the financial statements.

## REPORT OF THE DIRECTORS (Continued)

**SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

**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 83 of the annual report.

**PROPERTIES**

Particulars of the properties and property interests held by the Group are shown on pages 84 to 85 of the annual report.

**PERSONNEL**

At 31 December 2006, the Group had approximately 1,786 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 are competitive and are 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 27 to the financial statements.

**CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.3 of the Listing Rules and considers all the independent non-executive directors to be independent.

**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, 27 April 2007