



**KECK SENG  
INVESTMENTS**  
(HONG KONG) LIMITED

INTERIM REPORT 2004

## **CORPORATE INFORMATION**

### **Directors**

Ho Kian Guan – *Executive Chairman*

Ho Kian Hock – *Deputy Executive Chairman*

Paul Tse See Fan

\* Ho Kian Cheong

\*\* Robin Y.H. Chan

\*\* Arthur Kwok Chi Shun

### **Audit Committee**

\*\* Robin Y.H. Chan – *Chairman*

\*\* Arthur Kwok Chi Shun

### **Secretary**

Ida Yuen Chiu Yuk

### **Auditors**

KPMG

8th Floor Prince's Building

10 Chater Road

Hong Kong

### **Share Registrars & Transfer Office**

Tengis Limited

G/F Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

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### **Registered Office**

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168-200 Connaught Road Central

Hong Kong

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

**INTERIM RESULTS**

The Directors of Keck Seng Investments (Hong Kong) Limited (the "Company") are pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and associated companies (the "Group") for the six months ended 30 June 2004, together with the comparative figures for the corresponding period in 2003. The interim results have not been audited, but have been reviewed by both the Company's Audit Committee and the Company's auditors.

The Group's consolidated profit attributable to shareholders for the six months ended 30 June 2004 was HK\$32.3 million (2003: loss attributable to shareholders of HK\$4.7 million). The profit for the current period represents a significant improvement of approximately 7.9 times when compared with the loss for the corresponding period in 2003.

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

	Note	Six months ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	183,415	50,289
Cost of sales		(51,505)	(14,484)
		<b>131,910</b>	35,805
Other revenue		3,055	2,002
Other net (loss)/income	3	(3,973)	8,797
Direct operating expenses		(7,753)	(5,729)
Marketing and selling expenses		(7,001)	(2,120)
Administrative and other operating expenses		(80,152)	(54,507)
Profit/(loss) from operations		<b>36,086</b>	(15,752)
Finance costs	4(a)	(3,590)	(5,748)
Share of profits less losses of associates		8,725	5,836
Profit/(loss) from ordinary activities before taxation	4	<b>41,221</b>	(15,664)
Income tax credit/(charge)	5	4,126	(1,832)
Profit/(loss) from ordinary activities after taxation		<b>45,347</b>	(17,496)
Minority interests		(13,060)	12,768
Profit/(loss) attributable to shareholders		<b>32,287</b>	(4,728)
Dividend attributable to the interim period: Interim dividend declared after the interim period end – HK\$1.5 cents (2003: HK\$1 cent) per share	6	<b>5,103</b>	3,402
Basic earnings/(loss) per share	7	<b>9.5 cents</b>	(1.4) cents
Profit/(loss) for the period is retained as follows:			
By the Company and its subsidiaries		24,513	(9,341)
By associates		7,774	4,613
		<b>32,287</b>	(4,728)

The notes on pages 5 to 13 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET**

		30 June 2004 (Unaudited)		31 December 2003 (Audited)	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets	8				
– Investment properties			147,000		147,000
– Other properties and fixed assets			976,855		1,014,065
			<u>1,123,855</u>		<u>1,161,065</u>
Interest in associates			347,908		346,906
Non-trading investments			774		804
			<u>1,472,537</u>		<u>1,508,775</u>
<b>Current assets</b>					
Properties under development		71,074		66,827	
Properties held for sale	9	261,763		305,326	
Inventories		3,858		3,120	
Trade and other receivables	10	22,480		56,362	
Cash and cash equivalents		332,623		287,584	
		<u>691,798</u>		<u>719,219</u>	
<b>Current liabilities</b>					
Bank loans		120,296		142,009	
Trade and other payables	11	81,980		81,585	
Proposed dividend		3,402		–	
Amounts due to an affiliated company	16	26,521		105,342	
Loans from associates		1,364		1,364	
Taxation		39,768		43,481	
		<u>273,331</u>		<u>373,781</u>	
<b>Net current assets</b>			<u>418,467</u>		<u>345,438</u>
<b>Total assets less current liabilities</b>			<u>1,891,004</u>		<u>1,854,213</u>
<b>Non-current liabilities</b>					
Bank loans		139,789		138,560	
Loans from minority shareholders		205,692		197,120	
			<u>(345,481)</u>		<u>(335,680)</u>
<b>Minority interests</b>			<u>(175,090)</u>		<u>(176,725)</u>
<b>NET ASSETS</b>			<u>1,370,433</u>		<u>1,341,808</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	12		340,200		340,200
Reserves	13		1,030,233		1,001,608
			<u>1,370,433</u>		<u>1,341,808</u>

The notes on pages 5 to 13 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Shareholders' equity at 1 January	<b>1,341,808</b>	1,303,924
Deficit on revaluation of non-trading investments	<b>(30)</b>	(36)
Exchange differences on translation of the financial statements of foreign entities	<b>(230)</b>	8,567
Net (losses)/gains not recognised in the consolidated income statement	<b>(260)</b>	8,531
Net profit/(loss) for the period	<b>32,287</b>	(4,728)
Final dividend paid in respect of previous financial year	<b>(3,402)</b>	–
Shareholders' equity at 30 June	<b>1,370,433</b>	1,307,727

The notes on pages 5 to 13 form part of this interim financial report.

*CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*

	Six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	78,104	(15,809)
Net cash outflow from investing activities	(2,868)	(27,865)
Net cash (outflow)/inflow from financing	(30,197)	11,993
Increase/(decrease) in cash and cash equivalents	45,039	(31,681)
Cash and cash equivalents at 1 January	287,584	162,271
Cash and cash equivalents at 30 June	332,623	130,590

The notes on pages 5 to 13 form part of this interim financial report.

**NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT****1. Significant accounting policies***Basis of preparation*

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (previously named Hong Kong Society of Accountants). KPMG's independent review report to the Board of Directors is included on page 20.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2003 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2003 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 April 2004.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the preparation of the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2003 statutory financial statements.

**2. Segmental information**

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), or in providing products or services (business segment), which is subject to risks and rewards that are different from those of other segments.

Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions. The Group's business operations are mainly divided into Macau, the People's Republic of China ("PRC"), Vietnam, Canada and other markets classified by the location of assets.

Segment revenue and expenses include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and expenses are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group transactions are between group enterprises within a single segment.

## 2. Segmental information (continued)

The analysis of the geographical locations of the operations of the Company and its subsidiaries during the financial period is as follows:

	Six months ended 30 June 2004 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	92,767	17,833	72,097	406	312	183,415
Other revenue						
– allocated	2,209	186	118	–	–	2,513
– unallocated	–	–	–	–	542	542
<b>Total revenue</b>	<b>94,976</b>	<b>18,019</b>	<b>72,215</b>	<b>406</b>	<b>854</b>	<b>186,470</b>
Segment result	47,411	(3,590)	(7,063)	(67)	(605)	36,086
Finance costs	(83)	(813)	–	–	(2,694)	(3,590)
Share of profits less						
losses of associates	(1)	2,753	3,750	2,223	–	8,725
Profit from ordinary activities						
before taxation						41,221
Income tax credit						4,126
Profit from ordinary activities						
after taxation						45,347
Minority interests						(13,060)
Profit attributable to shareholders						32,287
Depreciation and amortisation	2,041	6,094	38,521	–	88	46,744

## 2. Segmental information (continued)

	Six months ended 30 June 2003 (HK\$'000)					
	Macau	PRC	Vietnam	Canada	Others	Total
Turnover	21,313	12,575	15,077	811	513	50,289
Other revenue						
– allocated	170	–	–	–	–	170
– unallocated	–	–	–	–	1,832	1,832
<b>Total revenue</b>	<b>21,483</b>	<b>12,575</b>	<b>15,077</b>	<b>811</b>	<b>2,345</b>	<b>52,291</b>
Segment result	6,802	(13,103)	(12,502)	(134)	3,185	(15,752)
Finance costs	(672)	(2,604)	(1,512)	–	(960)	(5,748)
Share of profits less						
losses of associates	(16)	3,706	2,464	(318)	–	5,836
Loss from ordinary activities						
before taxation						(15,664)
Income tax charge						(1,832)
Loss from ordinary activities						
after taxation						(17,496)
Minority interests						12,768
Loss attributable to shareholders						(4,728)
Depreciation and amortisation	2,144	13,407	13,148	–	88	28,787

An analysis of the Group's turnover for the six months ended 30 June 2004 by business segments is as follows:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Proceeds from sale of properties	84,979	13,224
Hotel and club operations	92,089	30,650
Rental income	3,914	3,658
Management fee received	2,433	2,757
	<b>183,415</b>	<b>50,289</b>

**3. Other net (loss)/income**

Other net (loss)/income represents net exchange (losses)/gains.

**4. Profit/(loss) from ordinary activities before taxation**

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
<b>(a) Finance costs:</b>		
Interest on bank overdraft and other advances repayable within five years (net of interest capitalised into properties under development HK\$Nil (2003: HK\$308,000))	<b>2,630</b>	2,500
Interest on bank advances repayable after five years	<b>905</b>	1,310
Interest paid on amounts due to an affiliated company	<b>55</b>	1,573
Other borrowing costs	–	365
	<u><b>3,590</b></u>	<u>5,748</u>
<b>(b) Other items:</b>		
Staff costs (including retirement costs of HK\$361,000 (2003: HK\$554,000))	<b>11,498</b>	8,417
Cost of properties sold	<b>27,171</b>	7,469
Cost of inventories	<b>10,198</b>	5,553
Depreciation	<b>46,744</b>	28,787
Dividend income from listed investments	<b>(16)</b>	(12)
Provisions for construction costs released to cost of sales ( <i>Note</i> )	<u><b>(16,866)</b></u>	<u>–</u>

*Note:* The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the Directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the period ended 30 June 2004, the Directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK\$16,866,000 have been released to cost of sales in the consolidated income statement for the six months ended 30 June 2004.

## 5. Income tax

Taxation is calculated at the rate of 17.5% (2003: 17.5%) on Hong Kong assessable profits and at the applicable rates on overseas assessable profits. The taxation credit/(charge) is made up as follows:

	Six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong Profits Tax for the period	–	–
Overseas taxation		
– Current period	<b>(8,205)</b>	(919)
– Prior periods	<b>13,282</b>	310
	<hr/>	<hr/>
	<b>5,077</b>	(609)
Share of associates' taxation	<b>(951)</b>	(1,223)
	<hr/>	<hr/>
Income tax credit/(charge)	<b>4,126</b>	(1,832)
	<hr/> <hr/>	<hr/> <hr/>

In prior years, the Directors provided for overseas taxation in respect of certain subsidiaries of the Group based on the information available to the Group at that time. During the six months ended 30 June 2004, the Directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for overseas taxation totalling HK\$13,282,000 have been released to the income statement for the six months ended 30 June 2004.

At 30 June 2004, the Group did not have any material deferred tax liabilities (31 December 2003: HK\$Nil).

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK\$4,241,000 (31 December 2003: HK\$4,241,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 30 June 2004 amount to HK\$107,863,000 (31 December 2003: HK\$105,954,000). The future benefit of tax losses is not recognised as it is not probable that there will be sufficient appropriate taxable profits before expiry of tax losses in the respective tax jurisdictions.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to three to five years from the year in which they were incurred or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

## 6. Dividend

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

## 7. Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$32,287,000 (2003: loss of HK\$4,728,000) and 340,200,000 ordinary shares in issue during both periods.

**8. Fixed assets**

At 30 June 2004, the Directors have considered the carrying amount of the Group's investment properties and have estimated that the carrying amounts do not differ significantly from those as at 31 December 2003. Consequently, no revaluation surplus or deficit has been recognised in the current period.

At 30 June 2004, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of HK\$368,439,000 (31 December 2003: HK\$375,388,000) were mortgaged to various banks to secure banking facilities granted to the Group.

**9. Properties held for sale**

Certain of these properties with a carrying value of HK\$132,667,000 (31 December 2003: HK\$135,048,000) have been mortgaged to secure a subsidiary's banking facilities at 30 June 2004.

**10. Trade and other receivables**

Included in trade and other receivables are trade receivables (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
Current	13,515	4,707
1 to 3 months overdue	2,671	38,497
4 to 12 months overdue	8	147
More than 12 months overdue	–	5
	<hr/>	<hr/>
Trade receivables	<b>16,194</b>	<b>43,356</b>

Debts are due within 30 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

**11. Trade and other payables**

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
Due within 1 month or on demand	7,339	4,833
Due after 1 month but within 3 months	3,003	2,340
Due after 3 months but within 6 months	87	110
	<hr/>	<hr/>
Trade creditors	<b>10,429</b>	<b>7,283</b>

12. Share capital

	No. of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1 each	<u>500,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2004 and 30 June 2004	<u>340,200,000</u>	<u>340,200</u>

13. Reserves

	Share premium HK\$'000	Legal reserve HK\$'000	Exchange reserve HK\$'000	Investment property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Revenue reserve HK\$'000	Total HK\$'000
At 1 January 2003	158,105	12,758	9,269	8,080	188	775,324	963,724
Movement during the year	–	–	5,555	2,847	24	–	8,426
Profit for the year	–	–	–	–	–	32,860	32,860
Dividend	–	–	–	–	–	(3,402)	(3,402)
At 31 December 2003 and at 1 January 2004	<u>158,105</u>	<u>12,758</u>	<u>14,824</u>	<u>10,927</u>	<u>212</u>	<u>804,782</u>	<u>1,001,608</u>
Movement during the period	–	–	(230)	–	(30)	–	(260)
Profit for the period	–	–	–	–	–	32,287	32,287
Dividend	–	–	–	–	–	(3,402)	(3,402)
<b>At 30 June 2004</b>	<b><u>158,105</u></b>	<b><u>12,758</u></b>	<b><u>14,594</u></b>	<b><u>10,927</u></b>	<b><u>182</u></b>	<b><u>833,667</u></b>	<b><u>1,030,233</u></b>

The application of the share premium is governed by section 48B of the Hong Kong Companies Ordinance.

The legal reserve is non-distributable and represents transfers from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

The exchange reserve of the Group arises on translation of the financial statements of foreign subsidiaries and associates.

The investment property revaluation and investment revaluation reserves have been set up and dealt in accordance with the accounting policies adopted for the revaluation of investment properties and non-trading investments.

**14. Commitments**

At 30 June 2004, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	<b>At 30 June 2004 HK\$'000</b>	At 31 December 2003 HK\$'000
Contracted for	<b>66,794</b>	29,890
Authorised but not contracted for	—	—
	<b><u>66,794</u></b>	<b><u>29,890</u></b>

**15. Contingent liabilities**

- (a) At 30 June 2004, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (31 December 2003: HK\$6,311,000).
- (b) At 30 June 2004, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to HK\$Nil (31 December 2003: HK\$37,379,000).
- (c) Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, Golden Crown Development Limited ("Golden Crown") is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to comply with the development schedule may render the subsidiary liable to a fine of HK\$4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to HK\$9,709 per day. When the delay reaches 180 days, the Macau SAR Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau SAR Government and the subsidiary shall have no right of compensation. The Directors are confident that the remaining phase of the development project will be completed by 4 September 2005.
- (d) At 30 June 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and associates amounted to HK\$134,624,000 (31 December 2003: HK\$182,312,000) and HK\$59,945,000 (31 December 2003: HK\$61,980,000) respectively.
- (e) At 30 June 2004, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to HK\$36,269,000 (CA\$6,250,000) (31 December 2003: HK\$37,500,000 (CA\$6,250,000)).
- (f) To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2004, the guarantee granted by the subsidiary amounted to HK\$62,200,000 (US\$8,000,000) (31 December 2003: HK\$62,024,000 (US\$8,000,000)).

## 16. Material related party transactions

During the six months ended 30 June 2004, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which holds 45% of the issued shares of the Company at 30 June 2004:

- (a) A current account was maintained between Goodland and Ocean Incorporation Ltd. and interest was charged on the outstanding balance at market rates. At 30 June 2004, the balance due by Ocean Incorporation Ltd. on this account amounted to HK\$7,863,000 (31 December 2003: HK\$60,995,000). The interest charge for the six months ended 30 June 2004 was HK\$44,000 (2003: HK\$622,000).
- (b) Goodland maintains an interest bearing current account with Golden Crown. At 30 June 2004, the balance due by Golden Crown amounted to HK\$15,000 (31 December 2003: HK\$92,000). The interest charge for the six months ended 30 June 2004 payable by Golden Crown was HK\$3,000 (2003: HK\$3,000).

At 30 June 2004, the balances due to Goodland by Ocean Place Joint Venture Company Limited ("OPJV"), Golden Crown and Hubei Qing Chuan Hotel Company Limited ("Qing Chuan"), on non-interest bearing accounts amounted to HK\$15,000 (31 December 2003: HK\$8,841,000), HK\$13,620,000 (31 December 2003: HK\$31,986,000) and HK\$4,391,000 (31 December 2003: HK\$3,428,000) respectively.

- (c) Loans from minority shareholders include amounts due to Goodland of HK\$147,333,000 (31 December 2003: HK\$141,660,000) which are non-interest bearing.
- (d) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$506,000 for the six months ended 30 June 2004 (2003: HK\$506,000).
- (e) Ocean Incorporation Ltd., OPJV and Golden Crown paid management fees to Goodland amounted to HK\$728,000 (2003: HK\$728,000), HK\$874,000 (2003: HK\$874,000) and HK\$120,000 (2003: HK\$3,120,000) respectively for the six months ended 30 June 2004.
- (f) Golden Crown rented certain properties from Goodland and rental amounting to HK\$87,000 (2003: HK\$87,000) was paid during the six months ended 30 June 2004.
- (g) 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 of the Company, Qing Chuan.

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. It is intended that Qing Chuan will choose whichever is the lower of LIBOR on an interest payment date.

Kansas Holdings Limited provides management services to the Company. No management fee was charged during the six months ended 30 June 2003 and 30 June 2004.

Keck Seng Realty Investment Pte Limited acts as manager and sale agent for the Company's property in Singapore. No management or agency fee was charged during the six months ended 30 June 2003 and 30 June 2004.

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

**REVIEW OF OPERATIONS****(i) Overall Results**

The Group put in a strong performance during the first half of 2004. Turnover of the Group for the first six months ended 30 June 2004 was HK\$183.4 million, an increase of 265% over the corresponding period in 2003. Turnover comprised primarily of proceeds from sale of properties, revenue from hotel operations and rental.

**(ii) Macau**

Strong sales at Magnolia and Cattleya Courts, the two luxurious residential apartment blocks in Ocean Gardens completed in 2003, continued in the first half of 2004. The Macau turnover of HK\$92.7 million represents a 335% increase in turnover in the first six months of 2004 as compared to the corresponding period in 2003.

**(iii) Vietnam**

The Sheraton Saigon Hotel and Towers, which only partially opened 100 rooms in May 2003, was fully opened by November 2003. As compared to the corresponding period in 2003 which was impacted by SARS, the first half of 2004 saw significantly increased turnover to HK\$72.1 million, an increase of 378%.

**(iv) PRC**

There was an increase in turnover of 42% to HK\$17.8 million at the Holiday Inn Riverside Wuhan in the first six months of 2004 as compared to 2003 turnover, the latter of which was impacted by SARS as well.

**(v) Canada**

Despite the weakness of the Canadian travel market in 2004, the Canadian hotels as a whole were able to turn in a small profit in 2004 as compared to the loss in 2003. This was due to the conversion of the Toronto hotel to Doubletree brand which has allowed it to take advantage of a well-known worldwide distribution network and the premium product image, as well as the absence of SARS in 2004.

**FINANCIAL REVIEW**

The Group's turnover was HK\$183.4 million for the first six months of 2004, an increase of 265% over the corresponding period in 2003. 46% of the Group's turnover was generated by the sale of properties in Macau (2003: 26%). During the period under review, revenue from hotel and club operations amounted to HK\$92.1 million, an increase of 200% as compared to HK\$30.7 million in the corresponding period in 2003. A profit attributable to shareholders of HK\$32.3 million was reported as compared to a loss attributable to shareholders of HK\$4.7 million in 2003.

The Group's net borrowings as at 30 June 2004 amounted to approximately HK\$161,040,000, representing total bank loans and other borrowings of HK\$493,662,000 less cash equivalents of HK\$332,622,000. The Group's ratio of net borrowings to total assets was 7%. Of the total amount of bank borrowings of HK\$260,085,000, HK\$120,296,000 are repayable within twelve months and the remaining amounts of HK\$64,469,000 and HK\$75,320,000 are repayable within two to five years and after five years respectively.

The Group's borrowings are mostly in Hong Kong dollars and United States dollars. Cash and cash equivalents are mostly in Hong Kong dollars, Euros, Australian dollars and United States dollars. Most of the Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Directors believe the Group has sufficient working capital for its present requirements.

**PLEDGE OF ASSETS**

As at 30 June 2004, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties, including investment properties, other properties, a hotel property and properties held for sale with an aggregate carrying value of approximately HK\$501 million.

In addition, shares in an associate were pledged to a bank by a subsidiary of the Group in return for banking facilities granted to that associate.

**CONTINGENT LIABILITIES**

At 30 June 2004, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000.

At 30 June 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$134,624,000 and HK\$59,945,000 respectively.

At 30 June 2004, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$36,269,000.

To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2004, the guarantee granted by the subsidiary amounted to HK\$62,200,000.

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to complete the remaining phase of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 15(c) on the interim financial report. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The Directors are confident that the development of the remaining phase of Ocean Gardens will be completed by 4 September 2005.

**PROSPECTS**

The Macau SAR Government has displayed leadership and foresight. The successful opening of the two new gaming establishments in Macau in the first half of 2004 heralds a new era. The economy reported GDP growth rates of over 20% in the first quarter of 2004. International investors are beginning to focus on the gaming, hotel, property, construction, service and other sectors in Macau. We expect the property market to continue to exhibit strong growth in the short to medium term.

Post-SARS, all hotel operations are reporting generally improved room rates, or occupancy rates, or both. This will continue to contribute to Group turnover.

Your Group expects to continue to benefit from these trends.

### EMPLOYEES INFORMATION

The Group had a total of approximately 1,300 employees as at 30 June 2004 (30 June 2003: approximately 1,040). Salaries and benefits are maintained at competitive levels commensurate with human resources market conditions. Rewards are given on the basis of performance.

### INTERIM DIVIDENDS

The Directors have declared an interim dividend of HK\$1.5 cents per share for the six months ended 30 June 2004 (2003: HK\$1 cent per share) payable on Wednesday, 13 October 2004, to shareholders whose names appear on the register of members of the Company on 30 September 2004.

### BOOK CLOSE

The register of members will be closed from Monday, 27 September 2004 to Thursday, 30 September 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES

The Directors and chief executive of the Company who held office at 30 June 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 of directors' and chief executives' interests and short positions 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"):

	Personal interests <i>(Note 1)</i>	Shares of HK\$1 each		Other Interests
		Family interests	Corporate interests <i>(Note 2)</i>	
<b>Keck Seng Investments (Hong Kong) Limited</b>				
Ho Kian Guan	480	–	253,876,320	–
Ho Kian Hock	480	–	253,876,320	–
Ho Kian Cheong	480	–	253,876,320	–
Paul Tse See Fan	288,720	–	–	–
Robin Y H Chan	180,000	–	720,000	–
Arthur Kwok Chi Shun	–	–	–	–

**DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES** (continued)

	<b>Shares of S\$1 each</b>
	<b>Corporate interests</b>
<b>Lam Ho Investments Pte Ltd</b>	
Ho Kian Guan	495,000 (Note 2)
Ho Kian Hock	495,000 (Note 2)
Ho Kian Cheong	495,000 (Note 2)
	<b>Shares of HK\$1 each</b>
	<b>Corporate interests</b>
<b>Shun Seng International Limited</b>	
Ho Kian Guan	9,990 (Note 2)
Ho Kian Hock	9,990 (Note 2)
Ho Kian Cheong	9,990 (Note 2)
Arthur Kwok Chi Shun	15,000 (Note 3)
	<b>Amount of capital (US\$)</b>
	<b>Corporate interests</b>
<b>Hubei Qing Chuan Hotel Company Limited</b>	
Ho Kian Guan	5,216,000 (Note 2)
Ho Kian Hock	5,216,000 (Note 2)
Ho Kian Cheong	5,216,000 (Note 2)
Arthur Kwok Chi Shun	489,000 (Note 3)
	<b>Shares of Ptc1 each</b>
	<b>Corporate/Personal interests</b>
<b>Golden Crown Development Limited</b>	
Ho Kian Guan	9,000,000 (Note 2)
Ho Kian Hock	9,000,000 (Note 2)
Ho Kian Cheong	9,000,000 (Note 2)
Paul Tse See Fan	50,000 (Note 1)

**DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES** (continued)

	<b>Quota of Ptc1,000 each</b>	
	<b>Corporate interests</b>	
<b>Ocean Gardens Management Company Limited</b>		
Ho Kian Guan		1 (Note 2)
Ho Kian Hock		1 (Note 2)
Ho Kian Cheong		1 (Note 2)
	<b>Shares of HK\$1 each</b>	
	<b>Corporate interests</b>	
<b>Shun Cheong International Limited</b>		
Ho Kian Guan		999 (Note 2)
Ho Kian Hock		999 (Note 2)
Ho Kian Cheong		999 (Note 2)
Arthur Kwok Chi Shun		5,500 (Note 3)
	<b>Shares of M\$1 each</b>	
	<b>Corporate interests</b>	
<b>KSF Enterprises Sdn Bhd</b>		
Ho Kian Guan		7,500 (Note 2)
Ho Kian Hock		7,500 (Note 2)
Ho Kian Cheong		7,500 (Note 2)
	<b>Common shares</b>	<b>Preferred</b>
	<b>without par value</b>	<b>shares of C\$1 each</b>
	<b>Corporate interests</b>	
<b>Chateau Ottawa Hotel Inc</b>		
Ho Kian Guan	450,000 (Note 2)	370,000 (Note 2)
Ho Kian Hock	450,000 (Note 2)	370,000 (Note 2)
Ho Kian Cheong	450,000 (Note 2)	370,000 (Note 2)

## Notes:

- (1) These represent interests held by the relevant Directors as beneficial owner.
- (2) These represent interests held by the relevant Directors through their controlled corporations in which Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had common shareholding interests.
- (3) These represent interests held by Mr Arthur Kwok Chi Shun through his controlled corporations.

Saves as mentioned above, at 30 June 2004, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has 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 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES**

The Company has been notified of the following interests in the Company's issued shares at 30 June 2004 amounting to 5% or more of the ordinary shares in issue:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc ( <i>Note 1, 2</i> )	Interests of controlled corporations	253,876,320	74.7%
Pad Inc ( <i>Note 1</i> )	Interests of controlled corporations	153,006,960	45.0%
Lapford Limited ( <i>Note 1</i> )	Interests of controlled corporations	153,006,960	45.0%
Kansas Holdings Limited ( <i>Note 1</i> )	Interests of controlled corporations	153,006,960	45.0%
Kansas Holdings Limited ( <i>Note 2</i> )	Beneficial owner	100,869,360	29.7%
Goodland Limited ( <i>Note 1</i> )	Beneficial owner	153,006,960	45.0%
Kerry Group Limited ( <i>Note 3</i> )	Interests of controlled corporations	20,325,600	6.0%
Kerry Holdings Limited ( <i>Note 3</i> )	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 153,006,960 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 30 June 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.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2004.

**CODE OF BEST PRACTICE**

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not during the course of the six months ended 30 June 2004, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), other than that the Directors of the Company are not appointed for specific terms, as they are all subject to retirement by rotation and re-election at annual general meetings of the Company in compliance with the Articles of the Company.

The Directors have also adopted the "Model Code For Securities Transactions By Directors of Listed Issuers" as per Appendix 10 of the Listing Rules.

**Ho Kian Guan**  
Executive Chairman

**INDEPENDENT REVIEW REPORT**

**TO THE BOARD OF DIRECTORS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED**

**Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

**Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

**Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2004.

**KPMG**

*Certified Public Accountants*

Hong Kong, 8 September 2004