

INTERIM REPORT

2005



Keck Seng
Investments (Hong Kong) Limited

CORPORATE INFORMATION

Directors

HO Kian Guan – *Executive Chairman*

HO Kian Hock – *Deputy Executive Chairman*

TSE See Fan, Paul

* HO Kian Cheong

** CHAN Yau Hing, Robin

** KWOK Chi Shun, Arthur

** WANG Poey Foon, Angela

Audit Committee

** CHAN Yau Hing, Robin – *Chairman*

** KWOK Chi Shun, Arthur

** WANG Poey Foon, Angela

Remuneration Committee

TSE See Fan, Paul – *Chairman*

** CHAN Yau Hing, Robin

** KWOK Chi Shun, Arthur

** WANG Poey Foon, Angela

Secretary

YUEN Chiu Yuk, Ida

* *Non-executive Director*

** *Independent Non-executive Director*

Auditors

KPMG

8th Floor Prince's Building

10 Chater Road

Central

Hong Kong

Share Registrars & Transfer Office

Tengis Limited

G/F Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

Registered Office

Room 2902 West Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

INTERIM RESULTS

The Directors of Keck Seng Investments (Hong Kong) Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group"), and associated companies for the six months ended 30 June 2005. These results have been reviewed by the Company's auditors, KPMG, in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" and by the Audit Committee of the Board of Directors. The review report of the auditors is included on page 30.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2005 increased to HK\$91.2 million (HK\$ 26.8 cents per share) from HK\$32.2 million (HK\$ 9.5 cents per share) in the same period last year.

The Directors have declared an interim dividend of HK\$ 4 cents per share for 2005 (2004: HK\$ 1.5 cents per share) payable on Wednesday, 2 November 2005, to shareholders whose names appear on the register of members of the Company on 20 October 2005.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|--------------------------------|
| | | 2005 HK\$'000 | 2004 (restated) HK\$'000 |
| Turnover | 3 | 296,213 | 183,415 |
| Cost of sales | | (51,234) | (51,505) |
| | | 244,979 | 131,910 |
| Valuation gains on investment properties | | 14,000 | – |
| Other revenue | | 6,180 | 3,055 |
| Other net loss | 4 | (27,369) | (3,973) |
| Direct operating expenses | | (10,476) | (7,753) |
| Marketing and selling expenses | | (6,478) | (7,001) |
| Depreciation and amortisation | | (48,429) | (46,744) |
| Administrative and other operating expenses | | (42,317) | (33,408) |
| Profit from operations | | 130,090 | 36,086 |
| Finance costs | 5(a) | (4,935) | (3,590) |
| Share of profits less losses of associates | | 15,693 | 8,725 |
| Profit before taxation | 5 | 140,848 | 41,221 |
| Income tax | 6 | (19,683) | 4,126 |
| Profit after taxation | | 121,165 | 45,347 |
| Attributable to: | | | |
| Equity holders of the Company | | 91,205 | 32,287 |
| Minority interests | | 29,960 | 13,060 |
| Profit after taxation | | 121,165 | 45,347 |
| Dividend attributable to the interim period: | | | |
| Interim dividend declared after the interim period end – HK4 cents (2004: HK1.5 cents) per share | 7 | 13,608 | 5,103 |
| Basic earnings per share | 8 | 26.8 cents | 9.5 cents |
| Profit for the period is retained as follows: | | | |
| By the Company and its subsidiaries | | 76,778 | 24,513 |
| By associates | | 14,427 | 7,774 |
| | | 91,205 | 32,287 |

The notes on pages 5 to 22 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

| | | 30 June 2005 | | 31 December 2004 (restated) | |
|--|------|----------------|------------------|--------------------------------|------------------|
| | Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | | |
| Fixed assets | 9 | | | | |
| – Investment properties | | | 172,000 | | 158,000 |
| – Other properties, plant and equipment | | | 765,512 | | 808,875 |
| | | | <u>937,512</u> | | <u>966,875</u> |
| Interest in leasehold land held for own use under an operating lease | | | 120,566 | | 123,481 |
| Interest in associates | | | 360,351 | | 353,677 |
| Available-for-sale securities | | | 822 | | 818 |
| | | | <u>1,419,251</u> | | <u>1,444,851</u> |
| Current assets | | | | | |
| Properties under development | 10 | 106,841 | | 85,475 | |
| Properties held for sale | | 208,040 | | 238,833 | |
| Inventories | | 3,621 | | 3,761 | |
| Trade and other receivables | 11 | 103,781 | | 27,734 | |
| Cash and cash equivalents | | 483,618 | | 444,794 | |
| | | <u>905,901</u> | | <u>800,597</u> | |
| Current liabilities | | | | | |
| Bank overdrafts | | – | | 39 | |
| Bank loans | | 102,653 | | 115,442 | |
| Trade and other payables | 12 | 91,255 | | 92,770 | |
| Amounts due to an affiliated company | 17 | 11,067 | | 77,855 | |
| Loans from associates | | 1,364 | | 1,364 | |
| Loans from minority shareholders | | – | | 30,222 | |
| Taxation | | 60,322 | | 43,566 | |
| | | <u>266,661</u> | | <u>361,258</u> | |
| Net current assets | | | <u>639,240</u> | | <u>439,339</u> |
| Total assets less current liabilities | | | <u>2,058,491</u> | | <u>1,884,190</u> |
| Non-current liabilities | | | | | |
| Bank loans | | 137,384 | | 170,265 | |
| Loans from minority shareholders | | 197,309 | | 100,669 | |
| Deferred tax liabilities | | 4,595 | | 2,915 | |
| | | | <u>(339,288)</u> | | <u>(273,849)</u> |
| NET ASSETS | | | <u>1,719,203</u> | | <u>1,610,341</u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 13 | | 340,200 | | 340,200 |
| Reserves | 14 | | 1,175,154 | | 1,083,908 |
| Total equity attributable to equity holders of the Company | | | <u>1,515,354</u> | | <u>1,424,108</u> |
| Minority interests | | | 203,849 | | 186,233 |
| TOTAL EQUITY | | | <u>1,719,203</u> | | <u>1,610,341</u> |

The notes on pages 5 to 22 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|--------------------|
| | | 2005 | 2004 (restated) |
| | | HK\$'000 | HK\$'000 |
| Total equity at 1 January: | | | |
| Attributable to equity holders of the Company (as previously reported at 31 December 2004/2003) | | 1,434,931 | 1,341,808 |
| Minority interests (as previously presented separately from liabilities and equity at 31 December 2004/2003) | | 191,571 | 176,725 |
| | | 1,626,502 | 1,518,533 |
| Prior period adjustments arising from changes in accounting policies | 2(a) | (16,161) | (14,841) |
| At 1 January, after prior period adjustments | | 1,610,341 | 1,503,692 |
| Gain/(deficit) on revaluation of available-for-sale securities | 14 | 4 | (30) |
| Exchange differences on translation of the financial statements of foreign entities | 14 | 37 | (230) |
| Net gains/(losses) not recognised in the consolidated income statement | | 41 | (260) |
| Attributable to equity holders of the Company | | 91,205 | 32,287 |
| Minority interests (as previously presented separately in the income statement) | | 29,960 | 13,060 |
| Net profit for the period (2004: as restated) | 14 | 121,165 | 45,347 |
| Minority interests' share of dividends paid by the subsidiaries | 14 | (12,344) | (14,695) |
| Final dividend paid in respect of the previous financial year | 14 | - | (3,402) |
| Total equity at 30 June | | 1,719,203 | 1,530,682 |

The notes on pages 5 to 22 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

| | Six months ended 30 June | |
|--|---------------------------------|--------------------------------------|
| | 2005 | 2004 |
| | <i>HK\$'000</i> | <i>(restated)</i> <i>HK\$'000</i> |
| Net cash generated from operating activities | 47,191 | 78,104 |
| Net cash generated from/(used in) investing activities | 9,996 | (2,868) |
| Net cash generated from/(used in) financing | 3,469 | (30,197) |
| Increase in cash and cash equivalents | 60,656 | 45,039 |
| Cash and cash equivalents at 1 January | 444,755 | 287,584 |
| Effect of foreign exchanges rate changes | (21,793) | – |
| Cash and cash equivalents at 30 June | <u>483,618</u> | <u>332,623</u> |

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

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issuance on 28 September 2005.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes 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 2004 annual financial statements. The condensed consolidated interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The 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 HKICPA. KPMG’s independent review report to the Board of Directors is included on page 30.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as being previously reported information 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 2004 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 April 2005.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes HKASs, Hong Kong (Standing Interpretations Committee) (“HK(SIC)”) Interpretations and other Interpretations that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of the interim financial report. Therefore, the policies that will be applied in the Group’s financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial report.

2. Changes in accounting policies (continued)

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in this interim financial report.

(a) Summary of the effect of changes in the accounting policies

- (i) Effect on opening balance of total equity at 1 January 2005 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 January 2005. These represent the aggregate effect of retrospective adjustments to the net assets as at 31 December 2004.

| | | Revenue reserves | Capital and other reserves | Total | Minority interests | Total equity |
|---|-----------------|-----------------------------|---|-----------------|-------------------------------|-------------------------|
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Effect of new policy (increase/(decrease)) | | | | | | |
| Prior period adjustments: | | | | | | |
| <i>HKAS 17</i> | | | | | | |
| Leasehold land and buildings held for own use | 2(c) | (8,474) | – | (8,474) | (4,772) | (13,246) |
| <i>HKAS 40</i> | | | | | | |
| Investment properties | 2(b)(i) | 19,576 | (19,576) | – | – | – |
| <i>HK(SIC) Interpretation 21</i> | | | | | | |
| Deferred taxation | 2(b)(ii) | (2,349) | – | (2,349) | (566) | (2,915) |
| | | 17,227 | (19,576) | (2,349) | (566) | (2,915) |
| Total effect at 1 January 2005 | | 8,753 | (19,576) | (10,823) | (5,338) | (16,161) |

2. Changes in accounting policies (continued)

(a) Summary of the effect of changes in the accounting policies (continued)

(ii) Effect on opening balance of total equity at 1 January 2004 (as adjusted)

The following table sets out only those adjustments that have been made to the opening balances at 1 January 2004.

| Note | Capital | | Total | Minority interests | Total equity | |
|---|------------------|--------------------|-----------------|--------------------|----------------|-----------------|
| | Revenue reserves | and other reserves | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Effect of new policy (increase/(decrease)) | | | | | | |
| <i>HKAS 17</i> | | | | | | |
| Leasehold land and buildings held for own use | 2(c) | (8,474) | – | (8,474) | (4,772) | (13,246) |
| <i>HKAS 40</i> | | | | | | |
| Investment properties | 2(b)(i) | 10,927 | (10,927) | – | – | – |
| <i>HK(SIC) Interpretation 21</i> | | | | | | |
| Deferred taxation | 2(b)(ii) | (1,311) | – | (1,311) | (284) | (1,595) |
| | | <u>9,616</u> | <u>(10,927)</u> | <u>(1,311)</u> | <u>(284)</u> | <u>(1,595)</u> |
| Total effect at 1 January 2004 | | <u>1,142</u> | <u>(10,927)</u> | <u>(9,785)</u> | <u>(5,056)</u> | <u>(14,841)</u> |

2. Changes in accounting policies (continued)
(a) Summary of the effect of changes in the accounting policies (continued)

- (iii) Effect on profit after taxation for the six months ended 30 June 2005 (estimated) and 30 June 2004 (as adjusted)

In respect of the six month period ended 30 June 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30 June 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

| | Note | Six months ended 30 June 2005 | | | Six months ended 30 June 2004 | | |
|----------------------------------|----------|-------------------------------|-----------------------------------|-------------------|-------------------------------|-----------------------------------|-------------------|
| | | Company HK\$'000 | Minority interests HK\$'000 | Total HK\$'000 | Company HK\$'000 | Minority interests HK\$'000 | Total HK\$'000 |
| Effect of new policy | | | | | | | |
| (increase)/(decrease) | | | | | | | |
| <i>HKAS 40</i> | | | | | | | |
| Investment properties | 2(b)(i) | 10,473 | 3,527 | 14,000 | – | – | – |
| <i>HK(SIC) Interpretation 21</i> | | | | | | | |
| Deferred taxation | 2(b)(ii) | (1,257) | (423) | (1,680) | – | – | – |
| Total effect for the period | | <u>9,216</u> | <u>3,104</u> | <u>12,320</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Effect on earnings per share: | | | | | | | |
| – basic | | <u>HK2.7 cents</u> | | | <u>–</u> | | |

2. Changes in accounting policies (continued)

(a) Summary of the effect of changes in the accounting policies (continued)

- (iv) Effect on net income recognised directly in equity for the six months ended 30 June 2005 (estimated) and 30 June 2004 (as adjusted)

In respect of the six month period ended 30 June 2005, the following table provides estimates of the extent to which the income or expenses recognised directly in equity are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six month period ended 30 June 2004, the table discloses the adjustments that have been made to the net income or expenses as previously reported for that period, in accordance with the transitional provisions of the respective HKFRSs.

| | Six months ended 30 June 2005 | | | Six months ended 30 June 2004 | | |
|---|-------------------------------|----------|----------|-------------------------------|----------|----------|
| | Equity holders of the Company | | | Equity holders of the Company | | |
| | Minority interests | Total | | Minority interests | Total | |
| Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Effect of new policy (increase)/(decrease) | | | | | | |
| <i>HKAS 40</i> | | | | | | |
| Investment properties | | | | | | |
| – effect on investment property revaluation reserve | 2(b)(i) | (10,473) | (3,527) | (14,000) | – | – |
| Total effect for the period | | (10,473) | (3,527) | (14,000) | – | – |

2. Changes in accounting policies *(continued)*

- (b) *Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets)*

Changes in accounting policies relating to investment properties are as follows:

- (i) Timing of recognition of movements in fair value in the income statement

In prior years, movements in the fair value of the Group's investment properties were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

Upon adoption of HKAS 40 as from 1 January 2005:

- all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40; and
- land held for an undetermined future purpose is recognised as "investment property" if the property is freehold or, if the property is leasehold, the Group has chosen to recognise such land as investment property rather than as land held under an operating lease. As such, movements in the fair value of land held for an undetermined future purpose are also now recognised directly in the income statement as they arise in accordance with the fair value model.

These changes in accounting policy have been adopted retrospectively by increasing the opening balance of revenue reserves as of 1 January 2005 by HK\$19,576,000 (1 January 2004: HK\$10,927,000) to include all of the Group's previous investment property revaluation reserve.

As a result of this new policy, the Group's profit before taxation for the six months ended 30 June 2005 has increased by HK\$14,000,000 before considering the minority interests' effect of HK\$3,527,000 (six months ended 30 June 2004: HK\$Nil), being the net increase in the fair value of the Group's investment properties.

2. Changes in accounting policies *(continued)*

(b) *Investment properties (HKAS 40, Investment property, and HK(SIC) Interpretation 21, Income taxes – Recovery of revalued non-depreciable assets) (continued)*

(ii) Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment properties. As there would have been no tax payable on the disposal of the Group's investment properties, no deferred tax was provided in prior years.

As from 1 January 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively by reducing the opening balance of revenue reserves as of 1 January 2005 by HK\$2,915,000 before considering the effect of minority interests of HK\$566,000 (1 January 2004: HK\$1,595,000 before considering the effect of minority interests of HK\$284,000) and increasing deferred tax liabilities by the same amount.

As a result of this new policy, the Group's taxation expense for the six months ended 30 June 2005 has increased by HK\$1,680,000 (six months ended 30 June 2004: HK\$Nil).

(c) *Leasehold land and buildings held for own use (HKAS 17, Leases)*

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses. Depreciation on hotel properties is provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel properties. Depreciation on land and buildings and other properties is provided on a straight line basis over the unexpired period of the lease.

With the adoption of HKAS 17 as from 1 January 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land can be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

2. Changes in accounting policies *(continued)**(c) Leasehold land and buildings held for own use (HKAS 17, Leases) (Continued)*

Any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term. If the property is in the course of development or re-development, or the property is otherwise being used in the production of inventory, the amortisation charge is included as part of the costs of the property under development or other inventory. In all other cases the amortisation charge for the period is recognised in the income statement immediately.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. The buildings are stated at cost less accumulated depreciation, to be consistent with the new policy required to be adopted for the land element.

The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the classification of leasehold land relating to hotel properties and other properties and the depreciation thereof.

The change in accounting policy has been adopted retrospectively which has had the effect of reducing the opening balance of revenue reserves as of 1 January 2005 and 2004 by HK\$8,474,000, after considering the minority interests' effect of HK\$4,772,000. In prior years, the Group did not commence amortisation of the costs of land use rights until the buildings constructed thereon were completed and had started to generate revenue for the Group. The retrospective adjustment represents the amortisation of such land use rights from the date of acquisition as required by HKAS 17.

This change in accounting policy does not have any material effect on the financial statements for the periods ended 30 June 2005 and 2004.

(d) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to equity holders of the Company.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

3. 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.

The analysis of the geographical locations of the Group's operations during the financial period is as follows:

| | Six months ended 30 June 2005 (HK\$'000) | | | | | Total |
|--|--|---------------|----------------|------------|--------------|----------------|
| | Macau | PRC | Vietnam | Canada | Others | |
| Turnover | 163,813 | 19,131 | 106,770 | 474 | 6,025 | 296,213 |
| Other revenue | | | | | | |
| – allocated | 4,745 | 181 | 38 | – | – | 4,964 |
| – unallocated | – | – | – | – | 1,216 | 1,216 |
| Total revenue | 168,558 | 19,312 | 106,808 | 474 | 7,241 | 302,393 |
| Segment result | 119,358 | (3,151) | 18,410 | (184) | (4,343) | 130,090 |
| Finance costs | (37) | (734) | – | – | (4,164) | (4,935) |
| Share of profits less losses of associates | – | 3,649 | 6,749 | 5,296 | (1) | 15,693 |
| Profit before taxation | | | | | | 140,848 |
| Income tax | | | | | | (19,683) |
| Profit after taxation | | | | | | 121,165 |
| Profit attributable to equity holders of the Company | | | | | | 91,205 |
| Minority interests | | | | | | 29,960 |
| Depreciation and amortisation | 2,029 | 6,720 | 39,592 | – | 88 | 48,429 |

3. Segmental information (continued)

| | Six months ended 30 June 2004 (restated) (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 |
| Total revenue | <u>94,976</u> | <u>18,019</u> | <u>72,215</u> | <u>406</u> | <u>854</u> | <u>186,470</u> |
| 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 | – | <u>8,725</u> |
| Profit before taxation | | | | | | 41,221 |
| Income tax credit | | | | | | <u>4,126</u> |
| Profit after taxation | | | | | | <u>45,347</u> |
| Profit attributable to equity holders of the Company | | | | | | <u>32,287</u> |
| Minority interests | | | | | | <u>13,060</u> |
| Depreciation and amortisation | 2,041 | 6,094 | 38,521 | – | 88 | 46,744 |

An analysis of the Group's turnover for the six months ended 30 June 2005 by business segments is as follows:

| | Six months ended 30 June | |
|----------------------------------|--------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Proceeds from sale of properties | 161,357 | 84,979 |
| Hotel and club operations | 127,677 | 92,089 |
| Rental income | 4,560 | 3,914 |
| Management fee received | 2,619 | 2,433 |
| | <u>296,213</u> | <u>183,415</u> |

6. Income tax

Taxation is calculated at the rate of 17.5% (2004: 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 | |
|--|--------------------------|-------------------------|
| | 2005 <i>HK\$'000</i> | 2004 <i>HK\$'000</i> |
| Provision for Hong Kong Profits Tax for the period | – | – |
| Overseas taxation | | |
| – Current period | (17,554) | (8,205) |
| – Prior periods | 817 | 13,282 |
| Deferred taxation | (1,680) | – |
| | <hr/> | <hr/> |
| | (18,417) | 5,077 |
| Share of associates' taxation | (1,266) | (951) |
| | <hr/> | <hr/> |
| Income tax | <u>(19,683)</u> | <u>4,126</u> |

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 2005, the Directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for overseas taxation totalling HK\$817,000 (2004: HK\$13,282,000) have been released into the consolidated income statement for the six months ended 30 June 2005.

At 30 June 2005, the Group had deferred tax liabilities in the amount of HK\$4,595,000 (31 December 2004: HK\$2,915,000), arising from revaluation of investment properties (note 2(b)(ii)).

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\$5,457,000 (31 December 2004: HK\$4,955,000). The future benefit of tax losses which are subject to agreement by the relevant tax authorities at 30 June 2005 amounted to HK\$89,553,000 (31 December 2004: HK\$89,574,000). 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 ten years from the year in which they were incurred or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

7. Dividend

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

8. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$91,205,000 (2004: HK\$32,287,000) and 340,200,000 ordinary shares in issue during both periods.

9. Fixed assets

Investment properties carried at fair value were revalued at 30 June 2005 by an independent firm of surveyors, Chesterton Petty Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis. As a result of the valuation, a gain of HK\$14,000,000 (2004: HK\$Nil), and deferred tax thereon of HK\$1,680,000 (2004: HK\$Nil), have been included in the consolidated income statement.

At 30 June 2005, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of HK\$817,121,000 (31 December 2004: HK\$873,345,000) were mortgaged to various banks to secure banking facilities granted to the Group.

10. Properties under development

Certain of these properties with a carrying value of HK\$106,841,000 (31 December 2004: HK\$85,475,000) have been mortgaged to secure a subsidiary's banking facilities at 30 June 2005.

11. 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 2005 HK\$'000 | At 31 December 2004 HK\$'000 |
|-----------------------------|---|------------------------------------|
| Current | 9,272 | 3,065 |
| 1 to 3 months overdue | 88,155 | 17,907 |
| 4 to 12 months overdue | - | 57 |
| More than 12 months overdue | - | 4 |
| | <hr/> | <hr/> |
| Trade receivables | 97,427 | 21,033 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group has a defined credit policy. The general credit terms allows range from 0 to 30 days. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

12. Trade and other payables

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

| | At 30 June | At 31 December |
|--|-------------------|----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Due within 1 month or on demand | 7,942 | 16,482 |
| Due after 1 month but within 3 months | 1,036 | 5,572 |
| Due after 3 months but within 6 months | 1,171 | 35 |
| | <u>10,149</u> | <u>22,089</u> |
| Trade creditors | <u>10,149</u> | <u>22,089</u> |

13. 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 2005 and 30 June 2005 | <u>340,200,000</u> | <u>340,200</u> |

14. Capital and reserves

| | Share premium | Legal reserve | Exchange reserve | Investment property | | Revenue reserves | Total reserves | Minority interests | Total | Share capital | Total equity |
|--|---------------|---------------|------------------|---------------------|--------------------------------|------------------|----------------|--------------------|-----------|---------------|--------------|
| | | | | revaluation reserve | Investment revaluation reserve | | | | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2004 | 158,105 | 12,758 | 14,824 | 10,927 | 212 | 804,782 | 1,001,608 | 176,725 | 1,178,333 | 340,200 | 1,518,533 |
| Prior period adjustments in respect of: | | | | | | | | | | | |
| - Investment properties (note 2(b)(i)) | - | - | - | (10,927) | - | 10,927 | - | - | - | - | - |
| - Deferred taxation (note 2(b)(iii)) | - | - | - | - | - | (1,311) | (1,311) | (284) | (1,595) | - | (1,595) |
| - Leasehold land and buildings (note 2(c)) | - | - | - | - | - | (8,474) | (8,474) | (4,772) | (13,246) | - | (13,246) |
| Movement during the period | - | - | (230) | - | (30) | - | (260) | - | (260) | - | (260) |
| Profit for the period (as restated) | - | - | - | - | - | 32,287 | 32,287 | 13,060 | 45,347 | - | 45,347 |
| Dividends | - | - | - | - | - | (3,402) | (3,402) | (14,695) | (18,097) | - | (18,097) |
| At 30 June 2004 (as restated) | | | | | | | | | | | |
| and at 1 July 2004 (as restated) | 158,105 | 12,758 | 14,594 | - | 182 | 834,809 | 1,020,448 | 170,034 | 1,190,482 | 340,200 | 1,530,682 |
| Movement during the period | - | - | 3,360 | - | 44 | - | 3,404 | - | 3,404 | - | 3,404 |
| Profit for the period (as restated) | - | - | - | - | - | 65,159 | 65,159 | 19,285 | 84,444 | - | 84,444 |
| Dividends | - | - | - | - | - | (5,103) | (5,103) | (3,086) | (8,189) | - | (8,189) |
| At 31 December 2004 (as restated) and at | | | | | | | | | | | |
| 1 January 2005 (as restated) | 158,105 | 12,758 | 17,954 | - | 226 | 894,865 | 1,083,908 | 186,233 | 1,270,141 | 340,200 | 1,610,341 |
| Movement during the period | - | - | 37 | - | 4 | - | 41 | - | 41 | - | 41 |
| Profit for the period | - | - | - | - | - | 91,205 | 91,205 | 29,960 | 121,165 | - | 121,165 |
| Dividends | - | - | - | - | - | - | - | (12,344) | (12,344) | - | (12,344) |
| At 30 June 2005 | 158,105 | 12,758 | 17,991 | - | 230 | 986,070 | 1,175,154 | 203,849 | 1,379,003 | 340,200 | 1,719,203 |

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 revaluation reserve has been set up and dealt in accordance with the accounting policies adopted for the revaluation of available-for-sales securities.

15. Commitments

At 30 June 2005, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

| | At 30 June 2005 HK\$'000 | At 31 December 2004 HK\$'000 |
|-----------------------------------|---|------------------------------------|
| Contracted for | 24,187 | 47,579 |
| Authorised but not contracted for | 776 | 1,004 |
| | <u>24,963</u> | <u>48,583</u> |

16. Contingent liabilities

- (a) At 30 June 2005, 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 2004: HK\$6,311,000).
- (b) At 30 June 2005, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK\$134,451,000 (31 December 2004: HK\$134,451,000) and HK\$65,503,000 (31 December 2004: HK\$66,680,000) respectively.
- (c) At 30 June 2005, a joint and several guarantee to the extent of HK\$31,705,000 (CA\$5,000,000) (31 December 2004: HK\$32,275,000 (CA\$5,000,000)) was given by the Company and a subsidiary to a bank to secure banking facilities made available to its associate.
- (d) 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 2005, the guarantee granted by the subsidiary amounted to HK\$62,120,000 (US\$8,000,000) (31 December 2004: HK\$62,120,000 (US\$8,000,000)).
- (e) 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 remaining phase of the development project was completed prior to 4 September 2005. At the date of this report, the occupation permit has not been issued by the local authorities.

17. Material related party transactions

- (a) During the six months ended 30 June 2005, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which held 28.4% of the issued shares of the Company at 30 June 2005:
- (i) Interest bearing current accounts with Goodland
 - A current account was maintained between Goodland and a subsidiary of the Company and interest was charged on the outstanding balance at market rates. At 30 June 2005, the balance due by the subsidiary on this account amounted to HK\$1,936,000 (31 December 2004: HK\$77,000). The interest charge for the six months ended 30 June 2005 was HK\$19,000 (2004: HK\$44,000).
 - Goodland maintained interest bearing current account with a subsidiary. At 30 June 2005, the balance due by the subsidiary amounted to HK\$277,000 (31 December 2004: HK\$1,154,000). The interest charge for the six months ended 30 June 2005 payable by the subsidiary was HK\$14,000 (2004: HK\$3,000).
 - (ii) At 30 June 2005, the balances due to Goodland by certain subsidiaries on non-interest bearing accounts amounted to HK\$7,559,000 (31 December 2004: HK\$76,624,000).
 - (iii) Loans from minority shareholders include amounts due to Goodland of HK\$140,161,000 (31 December 2004: HK\$74,027,000) which are unsecured, non-interest bearing and have no fixed terms of repayment.
 - (iv) A subsidiary 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 2005 (2004: HK\$506,000).
 - (v) Certain subsidiaries paid to Goodland management fees amounting to HK\$1,836,000 (2004: HK\$1,722,000) for the six months ended 30 June 2005.
 - (vi) A subsidiary incurred building construction costs payable to Goodland in respect of the construction of certain development projects of the Ocean Gardens amounting to HK\$20,000,000 for the six months ended 30 June 2005 (2004: HK\$2,700,000).

Provision of construction costs amounting to HK\$16,866,000 was released from the amount due to Goodland upon completion of certain units of a development project of the Ocean Gardens during the six months ended 30 June 2004.

17. Material related party transactions *(continued)*

- (vii) The Company, Goodland, Larch Management Incorporated and AKAA 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.

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 the subsidiary 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 the subsidiary's option. It is intended that the subsidiary will choose whichever is the lower of interest rate on an interest payment date.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each have a one-third 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.

- (b) On 15 February 2005, the Company entered into an agreement (the "Option to Purchase") with Ms Alexia Ho Wen Tsi, a daughter of Mr Ho Kian Guan, the Executive Chairman of the Company, and an independent third party (the "Purchasers"), in relation to the disposal of a residential property, which was vacant at 31 December 2004 and located in 530 East Coast Road, Ocean Park, Singapore. The consideration is SGD1,200,000 (equivalent to approximately HK\$5,694,000) payable by way of cash of 1% of the purchase price as a deposit upon signing of the Option to Purchase agreement, a cash sum amounting to 10% of the purchase price less the deposit upon exercise of the Option of Purchase and the remaining balance to be paid upon completion. The consideration was arrived at after arm's length negotiations between the Company and the Purchasers on normal commercial terms with reference to a property valuation report conducted on 9 November 2004 by an independent professional surveyors, CKS Property Consultants Pte Ltd at an open market value of SGD1,200,000. There were no recent transaction records for similar properties. The book value of the property as at 31 December 2004 was HK\$2,255,000.

It is common practice in Singapore for options to purchase to be entered into prior to the completion of sale and purchase of properties. All the Directors of the Company 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.

OPERATIONS REVIEW

The Group's business is organized by geographical locations. These locations are mainly divided into Macau, The People's Republic of China ("PRC"), Vietnam, Canada and other markets classified by location of assets.

Macau

The Group's turnover from operations is derived principally from the sale and leasing of properties in Macau. In the first half of 2005, turnover in Macau increased to HK\$163.8 million, an increase of 77% over the same period in 2004. The Group benefited from the robust strength of the Macau property market and the premium product image of **Ocean Gardens**, the Group's major residential development project in Macau. The sale of Orchid Court in Ocean Gardens received a favourable response from the market and was a major contributor to the Group's turnover in the first half of 2005.

Vietnam

In the first half of 2005, turnover at the **Sheraton Saigon Hotel and Towers and Executive Residences** increased to HK\$106.8 million, an increase of 48% as compared to the same period in 2004. The hotel continues to be the leading hotel in Ho Chi Minh City both in terms of room rates and occupancy rates, despite an increase of hotel rooms in the market.

Share of profits from **Caravelle Hotel** in Ho Chi Minh City also increased to HK\$6.7 million in the first half of 2005, an increase of 80% as compared to the same period in 2004.

PRC

In the first half of 2005, both room rates and occupancy rates improved at the **Holiday Inn Riverside Wuhan**. Turnover increased by 7% to HK\$19.1 million. This increase was achieved despite a competitive hotel market in Wuhan with new hotels entering into the market.

Due to improved property market conditions in Beijing, profit contribution from the **Beijing Riviera** property increased to HK\$3.6 million during the first half of 2005, an increase of 33% compared to the same period in 2004.

Canada

During the first half of 2005, **Sheraton Ottawa Hotel** in Ottawa, **DoubleTree International Plaza Hotel** in Toronto, and **Four Points Hotel by Sheraton** in Quebec all reported improved room rates and occupancy rates as compared to 2004. As a result, there was an overall improvement in profit contribution from Canadian operations and investments.

FINANCIAL REVIEW

The Group's turnover was HK\$296.2 million for the first six months of 2005, an increase of 61% over the corresponding period in 2004. 54% (2004: 46%) of the Group's turnover was generated by the sale of properties. During the period under review, revenue from hotel and club operations amounted to HK\$127.7 million, an increase of 39% as compared to HK\$92.1 million in the corresponding period in 2004. A profit attributable to equity holders of the Company of HK\$91.2 million was reported as compared to HK\$32.3 million for the corresponding period in 2004.

As of 30 June 2005, the Group had total bank loans and other borrowings of HK\$438.7 million whilst cash equivalents amounted to HK\$483.6 million. Accordingly, the ratio of net borrowings to total assets was not applicable. Of the total amount of bank borrowings of HK\$240.0 million, HK\$102.7 million are repayable within twelve months and the remaining amounts of HK\$93.2 million and HK\$44.2 million 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 2005, 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\$924.0 million.

CONTINGENT LIABILITIES

At 30 June 2005, 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 2005, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and associates amounted to HK\$134,451,000 and HK\$65,503,000 respectively.

At 30 June 2005, a joint and several guarantee to the extent of HK\$31,705,000 was given by the Company and a subsidiary to a bank to secure banking facilities made available to its associate.

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 2005, the guarantee granted by the subsidiary amounted to HK\$62,120,000.

CONTINGENT LIABILITIES (continued)

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 16(e) 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 remaining phase of the development project was completed prior to 4 September 2005. An application has been put forward to relevant local authorities to effect the issuance of the occupation permit. At the date of this report, the occupation permit has not been issued by the local authorities.

PROSPECTS

On the back of strong performance of the Macau economy, selling price of properties in Macau has increased significantly in 2004 and the first half of 2005. The Group took advantage of market conditions and achieved satisfactory sales results in the first half of 2005. The market has since then consolidated. Medium to long-term prospects for the property market, however, remain optimistic.

The Group expects to continue to benefit from the robust economies of Asia, particularly in China and Vietnam where the Group operates and where significant economic growth rates continue to be achieved.

PERSONNEL

At 30 June 2005, the Group had approximately 1,610 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 experience 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.

CORPORATE GOVERNANCE

To maintain a solid, balanced and sensible framework of corporate governance has been one of the Company's priorities.

The Hong Kong Stock Exchange had promulgated a new Code on Corporate Governance Practices (the "Code") which became effective as at 1 January 2005.

The Company therefore conducted a review of its corporate governance regime and framework during the period, and will continue to do so, with a view towards ensuring that such practices are in line with evolving regulatory developments and market expectations.

CORPORATE GOVERNANCE (continued)

None of the Directors is aware of any information that would reasonably indicate that the Company, is not, or was not for any part of the accounting period covered by the interim report, in compliance with the code provisions (those which became effective for the accounting period commencing 1 January 2005) as stipulated in the Code, except that the Company had not appointed a chief executive officer, since the day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the executive directors. In respect of the management of the Board of Directors of the Company, the role was undertaken by Mr HO Kian Guan, Executive Chairman of the Company. The Board of Directors is of the view that this structure has served the Company well in the past years and does not impair the balance of responsibility between the Board and the management of the business. Further, the non-executive directors of the Company were not appointed for a specific term. In practice, however, they are subject to retirement by rotation not less than once every three years.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board of Directors of the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong Limited. The Company has made specific enquiries of all Directors who confirmed compliance with the required standards set out in the Model Code during the period under review.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors presently comprises three independent non-executive directors. The Audit Committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports, including the Group's unaudited consolidated financial statements for the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board of Directors comprises four members, three of whom are independent non-executive directors. The Committee reviews matters relating to the remuneration for senior management and Directors of the Company.

BOOK CLOSE

The register of members will be closed from Monday, 17 October 2005 to Thursday, 20 October 2005, 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 Share Registrars, Tengis Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 October 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The Directors of the Company who held office at 30 June 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:

Number of Ordinary Shares (unless otherwise specified)*Long Positions:*

| Name of Company | Name of Directors | Personal Interests (1) | Corporate 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 | 55,260,480 | 197,516,320 (2) | 252,776,800 | 74.30 |
| | 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 – paid in registered capital | 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 |

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 AKA 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 30 June 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

At 30 June 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 30 June 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2005.

HO KIAN GUAN
Executive Chairman

Hong Kong, 28 September 2005

**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 22.

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 Hong Kong Accounting Standard 34 "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 2005.

KPMG

Certified Public Accountants

Hong Kong, 28 September 2005