



KECK SENG INVESTMENTS (HONG KONG) LIMITED
激成投資(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00184)

2006 INTERIM RESULTS ANNOUNCEMENT (UNAUDITED)

The Directors of Keck Seng Investments (Hong Kong) Limited (the “Company”) hereby announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”), and associated companies for the six months ended 30 June 2006. 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 unmodified review report of the auditors will be included in the interim report sent to the equity holders of the Company.

The consolidated profit attributable to equity holders of the Company for the six months ended 30 June 2006 was HK\$63,497,000 (HK\$0.187 per share), compared to HK\$91,205,000 (HK\$0.268 per share) in the same period last year. The turnover, cost of sales, depreciation and amortisation, and direct operating expenses for the six months ended 30 June 2005 have been restated in order to show the slot machine income on a gross basis to conform with the current period’s presentation.

The Directors have declared an interim dividend of HK\$0.03 (2005: HK\$0.04) per share for 2006 payable on Wednesday, 1 November 2006, to equity holders whose names appear on the register of members of the Company on Thursday, 19 October 2006.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June	
		2006	2005
		(restated)	
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	246,964	330,546
Cost of sales		(48,378)	(57,889)
		198,586	272,657
Valuation gains on investment properties		18,500	14,000
Other revenue	3(a)	11,298	6,180
Other net income/(loss)	3(b)	14,247	(27,369)
Direct operating expenses		(71,513)	(36,135)
Marketing and selling expenses		(6,833)	(6,478)
Depreciation and amortisation		(45,992)	(50,448)
Administrative and other operating expenses		(46,769)	(42,317)
Profit from operations		71,524	130,090
Finance costs	4(a)	(4,463)	(4,935)
Share of profits less losses of associates		8,772	14,427
Profit before taxation		75,833	139,582
Income tax	5	1,827	(18,417)
Profit after taxation		77,660	121,165
Attributable to:			
Equity holders of the Company		63,497	91,205
Minority interests		14,163	29,960
Profit after taxation		77,660	121,165
Dividend attributable to the interim period:			
Interim dividend declared after the interim period end			
– HK\$0.03 (2005: HK\$0.04) per share		10,206	13,608
Basic earnings per share	6	18.7 cents	26.8 cents

CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 June 2006 HK\$'000	(Audited) As at 31 December 2005 HK\$'000
Non-current assets			
Investment properties		191,500	173,000
Other properties and fixed assets		692,995	730,388
Interest in leasehold land held for own use under an operating lease		120,634	121,671
Interest in associates		108,568	242,759
Available-for-sale securities		1,170	1,008
Deferred tax assets		4,508	4,508
		<u>1,119,375</u>	<u>1,273,334</u>
Current assets			
Properties under development		130,478	126,255
Properties held for sale		211,835	207,428
Inventories		3,096	2,815
Trade and other receivables	7	25,922	20,137
Cash and cash equivalents		666,481	639,303
		<u>1,037,812</u>	<u>995,938</u>
Assets classified as held for sale	9	144,000	–
		<u>1,181,812</u>	<u>995,938</u>
Current liabilities			
Bank loans		26,251	46,279
Trade and other payables	8	94,120	95,408
Amounts due to an affiliated company		21,991	26,339
Loans from associates		1,364	1,364
Loans from minority shareholders		29,483	26,625
Loans from an affiliated company		28,766	43,161
Taxation		42,460	48,135
Dividend payable		13,608	–
		<u>258,043</u>	<u>287,311</u>
Net current assets		<u>923,769</u>	<u>708,627</u>
Total assets less current liabilities		<u>2,043,144</u>	<u>1,981,961</u>
Non-current liabilities			
Bank loans		127,544	125,386
Loans from minority shareholders		80,008	76,627
Deferred tax liabilities		6,748	4,528
		<u>214,300</u>	<u>206,541</u>
Net assets		<u>1,828,844</u>	<u>1,775,420</u>
Capital and reserves			
Share capital		340,200	340,200
Reserves	9	1,259,762	1,205,071
Total equity attributable to equity holders of the Company		<u>1,599,962</u>	<u>1,545,271</u>
Minority interests		<u>228,882</u>	<u>230,149</u>
Total equity		<u>1,828,844</u>	<u>1,775,420</u>

Notes:

1. BASIS OF PREPARATION

The interim financial statements have 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 issue on 15 September 2006.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The HKICPA has issued a number of amendments, new standards and interpretations which are effective for accounting periods beginning on or after 1 January 2006. The adoption of these amendments, new standards and interpretations has no significant impact on the financial statements of the Group.

The Group has not early adopted the following amendments, new standards and interpretations which have been issued and are not yet effective for the accounting period ended 30 June 2006. The Directors have so far concluded that the adoption is unlikely to have a significant impact on the Group’s results of operation and financial position.

		Effective for accounting periods beginning on or after
HKAS1 (amendment)	Capital disclosures	1 January 2007
HKFRS7	Financial instruments: Disclosures	1 January 2007
HK(IFRIC) Int7	Applying the restatement approach under HKAS29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC)-Int8	Scope of HKFRS2	1 May 2006
HK(IFRIC)-Int9	Reassessment of embedded derivatives	1 June 2006

The preparation of the interim financial statements 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.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. SEGMENTAL INFORMATION

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

	Six months ended 30 June 2006 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	10,831	22,291	212,737	556	549	246,964
Other revenue						
– allocated	6,279	116	77	–	–	6,472
– unallocated	–	–	–	–	4,826	4,826
Total revenue	17,110	22,407	212,814	556	5,375	258,262
Other net income (note 3)	8,881	198	149	–	5,019	14,247
Segment result	31,090	(3,062)	34,232	(125)	9,389	71,524
Finance costs	(71)	(671)	–	(3)	(3,718)	(4,463)
Share of profits less losses of associates	–	2,298	(383)	6,857	–	8,772
Profit before taxation						75,833
Income tax credit						1,827
Profit after taxation						77,660
Profit attributable to equity holders of the Company						63,497
Minority interests						14,163
Depreciation and amortisation	2,162	4,816	38,926	–	88	45,992
Impairment of interest in associates (note 9)	–	5,910	–	–	–	5,910

Six months ended 30 June 2005 (HK\$'000)

	Macau	PRC	Vietnam (restated)	Canada	Others	Total (restated)
Turnover	163,813	19,131	141,103	474	6,025	330,546
Other revenue						
– allocated	4,745	181	38	–	–	4,964
– unallocated	–	–	–	–	1,216	1,216
Total revenue	168,558	19,312	141,141	474	7,241	336,726
Other net loss (note 3)	(18,859)	(308)	(22)	–	(8,180)	(27,369)
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	–	3,293	6,749	4,386	(1)	14,427
Profit before taxation						139,582
Income tax charge						(18,417)
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	41,611	–	88	50,448
Impairment of interest in associates	–	–	–	–	–	–

An analysis of the Group's turnover for the six months ended 30 June 2006 by business segments is as follows:

	Six months ended 30 June	
	2006	2005 (restated)
	HK\$'000	HK\$'000
Hotel and club operations (note)	236,858	162,010
Proceeds from sale of properties	1,330	161,357
Rental income	5,932	4,560
Management fee received	2,844	2,619
	246,964	330,546

Note: Included in hotel and club operations is slot machine income which amounted to HK\$103,753,000 for the six months ended 30 June 2006 (2005 (restated): HK\$39,708,000). The slot machine income represents net proceeds earned from the operation of slot machines at one of the Group's hotels.

6. The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$63,497,000 (2005: HK\$91,205,000) and 340,200,000 ordinary shares in issue during both periods.

7. 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 2006 HK\$'000	At 31 December 2005 HK\$'000
Current	14,140	4,060
1 to 3 months overdue	5,115	8,008
4 to 12 months overdue	10	518
More than 12 months overdue	–	–
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Trade receivables	19,265	12,586
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The Group has a defined credit policy. The general credit terms allowed range from 0 – 30 days. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

8. TRADE AND OTHER PAYABLES

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

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Due within 1 month or on demand	8,215	19,179
Due after 1 month but within 3 months	1,033	–
Due after 3 months but within 6 months	–	87
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Trade creditors	9,248	19,266
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9. On 1 June 2006, the Group entered into a sales and purchase agreement with an independent third party in respect of the disposal of the Group's entire interest in Crown Pacific Development Limited ("Crown Pacific"). Accordingly, the carrying amounts of the Group's interest have been classified as assets held for sale and are presented separately in the balance sheet.

Assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell. The net carrying amounts of the investment in Crown Pacific at 1 June 2006 exceeded the agreed disposal proceeds (equivalent to the fair value less costs to sell at 1 June 2006) and an impairment loss of HK\$5,910,000 was charged to the consolidated income statement.

Included in the exchange reserve, an amount of foreign exchange gain, HK\$5,179,000, was related to assets classified as held for sale at 30 June 2006, which would be recognised in the income statement upon completion of the disposal. The transaction was completed on 31 July 2006.

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

Macau's property market was consolidating during the first half of 2006, after significant increases in capital values in the past two years. The Group did not launch any sale of properties in *Ocean Gardens*, Macau during the first half of 2006. As a result, revenue reduced significantly to HK\$17.1 million.

Vietnam

During the first half of 2006, *Sheraton Saigon Hotel and Towers and Executive Residences* reported improvements in operations and revenues. Average room rate increased significantly in the first half of 2006 to US\$151, as compared to US\$117 in 2005. Despite the drop in occupancy rate to 64% during the first six months of 2006, as compared to 77% during the same period of 2005, the hotel reported an increase in gross operating income. The hotel continues to be the premier hotel in Ho Chi Minh City, Vietnam.

Due to an intense competition from other hotels in the city, the *Caravelle Hotel*, in which your Group holds 25%, saw its occupancy rate dropped to 58% in the first half of 2006, as compared to 71% in 2005. Average room rate has increased to US\$123 in 2006, as compared to US\$100 in the first half of 2005.

PRC

Aggressive marketing has resulted in increased occupancy rates and average room rates at the *Holiday Inn Riverside Wuhan*. Occupancy rate improved to 76% in the first half of 2006, as compared to 62% during the same period of 2005. Average room rate also increased to Rmb369 in the first half of 2006, as compared to Rmb342 in the first half of 2005.

The Company has completed its disposal of its 24% equity interest in the *Beijing Riviera* project in July 2006.

Canada

During the first half of 2006, *Sheraton Ottawa Hotel* in Ottawa, *DoubleTree International Plaza Hotel* in Toronto, and *Four Points Hotel by Sheraton* in Hull all reported improved room rates and occupancy rates as compared to 2005. As a result, there was an overall improvement in profit contribution from Canadian operations and investments.

FINANCIAL REVIEW

The Group's turnover was HK\$247.0 million for the first six months of 2006, a decrease of 25% over the corresponding period in 2005. 1% of the Group's turnover was generated by the sale of properties in Macau (2005: 49%). During the period under review, revenue from hotel and club operations amounted to HK\$236.9 million, an increase of 46% as compared to HK\$162.0 million in the corresponding period in 2005. A profit attributable to equity holders of HK\$63.5 million was reported as compared to a profit attributable to equity holders of HK\$91.2 million in 2005.

As of 30 June 2006, the Group had total bank loans and other borrowings of HK\$315.4 million whilst cash equivalents amounted to HK\$666.5 million. Accordingly, the ratio of net borrowings to total assets was not applicable. Of the total amount of bank borrowings of HK\$153.8 million, HK\$38.3 million are repayable within twelve months and the remaining amounts of HK\$102.4 million and HK\$13.1 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.

MATERIAL EVENTS SINCE FINANCIAL PERIOD

The Company has completed disposal of interest in an associate company in July 2006. There have not been any other important events since the end of the financial period which affected the Group.

PLEDGE OF ASSETS

As at 30 June 2006, 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\$983.0 million.

CONTINGENT LIABILITIES

At 30 June 2006, 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 2006, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$134,347,000 and HK\$72,527,000 respectively.

At 30 June 2006, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to HK\$35,105,000.

PROSPECTS

In the near term, the Macau property sector is undergoing a consolidation after a significant run-up in capital values in the past two years. With continuing foreign investments in the gaming and other sectors, it is expected the Macau economy will grow significantly in the medium and long term, with corresponding positive impact on the property sector.

Vietnam and China, where the Group has invested, are expected to perform well.

The Group will continue to focus in these markets where it has proven experience and track records, and to take advantage of the growth potential in these markets.

PERSONNEL

At 30 June 2006, the Group has approximately 1,716 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 employment conditions in the different countries in which the Company and its subsidiaries operate.

CORPORATE GOVERNANCE

The Company will continue its policy of maintaining a solid, balanced and sensible framework of corporate governance.

The Company has 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.

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 results, in compliance with the Code on Corporate Governance Practices, except that the Company had not appointed a chief executive officer, since 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.

Code Provision C2.1 of the Code in respect of a review of the effectiveness of the Group's internal controls is first applicable to the Company for its financial year ending 31 December 2006. The Board has already put in place procedures, including seeking external advisory assistance, to enable the Board to report on Code Provision C2.1 in its 2006 Corporate Governance Report.

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 have 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 system and the interim and annual reports, including the Group's unaudited consolidated financial statements for the six months ended 30 June 2006.

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, 16 October 2006 to Thursday, 19 October 2006, 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 at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 October 2006.

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 2006.

By Order of the Board
Keck Seng Investments (Hong Kong) Limited
HO Kian Guan
Executive Chairman

Hong Kong, 15 September 2006

As at the date of this announcement, the Board of Directors of the Company comprises Mr. HO Kian Guan, Mr. HO Kian Hock, Mr. TSE See Fan Paul, Mr. CHAN Lui Ming Ivan and Ms. YU Yuet Chu Evelyn as executive directors; Mr. HO Kian Cheong as non-executive director; and Dr. CHAN Yau Hing Robin, Mr. KWOK Chi Shun Arthur and Ms. WANG Poey Foon Angela as independent non-executive directors.

Please also refer to the published version of this announcement in China Daily.