



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

Stock Code : 0184

INTERIM REPORT 2018 INTERIM REPORT 2018



CORPORATE INFORMATION

DIRECTORS

HO Kian Guan – *Executive Chairman*
 HO Kian Hock – *Deputy Executive Chairman*
 TSE See Fan Paul
 CHAN Lui Ming Ivan
 YU Yuet Chu Evelyn
 HO Chung Tao
 HO Chung Hui
 * HO Kian Cheong
 ** CHAN Yau Hing Robin
 ** KWOK Chi Shun Arthur
 ** WANG Poey Foon Angela
 ** YU Hon To David
 HO Chung Kain (Alternate to HO Chung Hui)

- * *Non-executive Director*
 ** *Independent Non-executive Director*

AUDIT COMMITTEE

CHAN Yau Hing Robin – *Chairman*
 KWOK Chi Shun Arthur
 WANG Poey Foon Angela
 YU Hon To David

REMUNERATION COMMITTEE

WANG Poey Foon Angela – *Chairman*
 CHAN Yau Hing Robin
 KWOK Chi Shun Arthur
 YU Hon To David
 TSE See Fan Paul
 YU Yuet Chu Evelyn

NOMINATION COMMITTEE

KWOK Chi Shun Arthur – *Chairman*
 CHAN Yau Hing Robin
 WANG Poey Foon Angela
 YU Hon To David
 TSE See Fan Paul
 HO Chung Tao

AUDITORS

KPMG
 8th Floor
 Prince's Building
 10 Chater Road
 Central
 Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong

COMPANY SECRETARY

NG Sing Beng

REGISTERED OFFICE

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 Shun Tak Centre
 168-200 Connaught Road Central
 Hong Kong

COMPANY'S WEBSITE

www.keckseng.com.hk

INTERIM RESULTS

The board of directors (the "Board") of Keck Seng Investments (Hong Kong) Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 was HK\$91,340,000 (HK\$0.268 per share), compared to HK\$24,285,000 (HK\$0.071 per share) for the first six months of 2017.

The Board has declared an interim dividend of HK\$0.04 (2017: HK\$0.03) per share for 2018 payable on Thursday, 25 October 2018, to equity shareholders whose names appear on the register of members of the Company on Thursday, 11 October 2018.

REVIEW OF OPERATIONS

The Group's business is organised by geographical locations. These locations are mainly divided into Macau, the People's Republic of China (the "PRC"), Vietnam, Japan, the United States (the "US"), Canada and other markets.

A summary and analysis of the operations are as follows.

Macau

Gaming revenue in Macau was MOP150.2 billion, recording an increase in the first half of 2018. Macau's GDP was MOP107.4 billion in the first quarter of 2018, representing a year-on-year growth of 12.9%. Unemployment remained low at 1.9% whilst median income rose to MOP20,000 for Macau residents.

During the first half of 2018, rental revenue from Macau operations decreased slightly to HK\$43.1 million, as compared to HK\$46.8 million in the first half of 2017, a decrease of 7.9%. This is due to a slight decrease in rental rates for residential properties. However, occupancy rate for office building units in the property portfolio was close to 100%, with increases in rental rates upon reversion. Occupancy rate for residential buildings have also been improving during the year of 2018.

The sale of properties by the Group in Macau was HK\$4.8 million during the period.

After reviewing Macau property market conditions and the state of the economy, the Group has decided to defer sale of the properties currently classified under properties held for sale to a later time in order to capture the benefits to be accrued with the opening of the Hong Kong-Zhuhai-Macau Bridge and the Macau light-rail transit system. In the meantime, the Group will continue to lease out vacant units in order to maximise income.

The People's Republic of China

The Chinese economy has been undergoing a period of adjustment in the past years. GDP in the first half of 2018 grew by 6.8%, as compared to a growth rate of 6.9% for the same period in 2017.

Holiday Inn Wuhan Riverside

During the first half of 2018, room revenue of the hotel slightly increased to RMB16.0 million, as compared to RMB15.9 million in the first half of 2017, an increase of 0.6%. However, the food and beverage revenue of the hotel has decreased to RMB9.6 million in the first half of 2018 from RMB9.9 million in the first half of 2017, a reduction of 3.0%.

For the first half of 2018, average room rate was at RMB418 per room per night, as compared to RMB405 per room per night during the first six months of 2017. Occupancy rate has decreased to 69.3% during the first half of 2018, as compared to 71.2% for the first half of 2017.

Vietnam

Vietnam's economy expanded at 7.1% in the first half of 2018, which is approximately the same as in the corresponding period last year. The economy is still highly dependent on the manufacturing and agricultural sectors as the main drivers of economic growth.

During the first six months of 2018, the Group's revenue from Vietnam increased to HK\$392.8 million, as compared to HK\$350.3 million in the first half of 2017, an increase of 12.1%.

Sheraton Saigon Hotel and Towers

For the first half of 2018, average room rate was at US\$165 per room per night, as compared to US\$153 per room per night during the first six months of 2017. Occupancy rate has decreased to 74.9% during the first half of 2018, as compared to 76.3% for the first half of 2017.

Caravelle Hotel

For the first half of 2018, average room rate was at US\$119 per room per night, as compared to US\$113 per room per night during the first six months of 2017. Occupancy rate has decreased to 62.8% during the first half of 2018, as compared to 66.7% for the first half of 2017.

Japan

Japan's GDP in the first half of 2018 grew by 1.1%, as compared to 1.4% for the first half of 2017.

Best Western Hotel Fino Osaka Shinsaibashi

The competition in the Osaka lodging market had increased due to a number of new hotels being completed and the increase in private lodging choices. For the first half of 2018, average room rate was at JPY10,041 per room per night, as compared to JPY11,159 per room per night during the first six months of 2017. Occupancy rate has increased to 89.1% during the first half of 2018, as compared to 88.9% for the first half of 2017.

The United States (“US”)

The US economy grew steadily in the first half of 2018. Gross domestic product in the first half of 2018 grew at 2.7%, as compared to 2.1% for the first half of 2017. Operating performance of our two hotels was not as robust as expected due to increasing market competition in San Francisco and New York, and the continuing impact of Airbnb.

W San Francisco

For the first half of 2018, average room rate was at US\$354 per room per night, as compared to US\$343 per room per night during the first six months of 2017. Occupancy rate has slightly decreased to 86.0% during the first half of 2018, as compared to 89.5% for the first half of 2017.

Sofitel New York

For the first half of 2018, average room rate was at US\$332 per room per night, as compared to US\$326 per room per night during the first six months of 2017. Occupancy rate has slightly dropped to 82.7% during the first half of 2018, as compared to 85.6% for the first half of 2017. The operating performance of the hotel is still affected by an increase in competition in the market as a result of new room supply entering the city as well as continuing pressure from the Airbnb segment. During this period, hotel operations and income was negatively impacted by labour union disruption.

Canada

The Canadian economy expanded by 2.3% in the first quarter of 2018, compared to 2.4% growth in the first quarter of 2017. The sustained growth was due to increase in consumer spending, housing starts, and an improvement in the investment environment.

The Sheraton Ottawa Hotel

For the first half of 2018, average room rate was at C\$195 per room per night, as compared to C\$196 per room per night during the first six months of 2017. Occupancy rate has increased to 74.8% during the first half of 2018, as compared to 66.0% for the first half of 2017.

Delta Hotels by Marriott Toronto Airport & Conference Centre (formerly known as the “International Plaza Hotel” and rebranded since 28 June 2017)

For the first half of 2018, average room rate was at C\$138 per room per night, as compared to C\$113 per room per night during the first six months of 2017. Occupancy rate has increased to 73.7% during the first half of 2018, as compared to 58.3% for the first half of 2017.

Other net gains/(losses)

Other net gains were at an amount of HK\$2.1 million, as compared to net losses of HK\$14.0 million in the first half of 2017. It was mainly attributable to net exchange gains for the first half of 2018 which amounted to HK\$3.2 million, as compared to net exchange losses of HK\$13.9 million in the first half of 2017.

FINANCIAL REVIEW

The Group's revenue was HK\$986.0 million for the first six months of 2018, an increase of 6.6% as compared to the corresponding period in 2017. The increase was primarily due to better performance in hotel operations. Revenue from hotel operations amounted to HK\$931.0 million, an increase of 6.9% as compared to HK\$871.3 million in the corresponding period in 2017. The increase was primarily attributable to contribution from operations of W San Francisco, as well as Sheraton Saigon Hotel and Towers. The Group's operating profit was HK\$163.4 million for the period ended 30 June 2018, as compared to HK\$156.7 million for the corresponding period in 2017.

Profit attributable to equity shareholders was HK\$91.3 million as compared to HK\$24.3 million in the first half year of 2017. This represents an increase of approximately 275.7% in profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017. The increase in profit of the Group for the six months ended 30 June 2018 was mainly attributable to an impairment loss in 2017 of approximately HK\$145.9 million on a hotel property of the Group, namely the Sofitel New York. No further provision of impairment loss for this hotel was required in this period.

During the period, the Group has paid HK\$96.9 million to acquire the remaining non-controlling interests in respect of the Group's interest in a hotel property situated in Japan.

In May 2018, the Group has also purchased approximately 0.7% of equity in AccorInvest at a cash consideration of EUR 25 million (equivalent to HK\$230 million). AccorInvest is expected to provide an opportunity for the Group to gain exposure to a diversified portfolio of hotels mainly located in Europe with resilient income stream and opportunities for value creation.

PLEDGE OF ASSETS

At 30 June 2018, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,672.4 million (31 December 2017: HK\$2,634.5 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 30 June 2018, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favor of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (31 December 2017: HK\$8,252,000).

At 30 June 2018, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees.

PROSPECTS

The recent trade war between the US and China has introduced an element of uncertainty to the global economy. Continuation and possible escalation of this conflict is likely to result in significant slowdown in trade with consequential negative impact on the level of commercial activity and economic growth in China and the rest of Asia. It has also been reported that there has been a slowdown in Chinese tourists visiting the US.

Against this background, the Group will continue to adopt a disciplined approach towards acquisitions, targeting industries and countries or regions with comparative advantage. The Group will continue to focus on seeking investments that creates long-term value on a sustainable basis for shareholders.

PERSONNEL AND RETIREMENT SCHEMES

At 30 June 2018, the Group had approximately 1,941 employees. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions in the different countries in which the Company and its subsidiaries operate. The Group has defined contribution schemes in Hong Kong, Macau, the People's Republic of China, Vietnam, the United States, Canada and Japan.

CORPORATE GOVERNANCE

The board of directors (the "Board") of the Company has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles, code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company has complied with the principles set out in the CG Code during the period from 1 January to 30 June 2018, save and except for the deviations as explained below.

1. Code Provision A.2.1, as the role of chairman and chief executive officer of the Company is not segregated;
2. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term;
3. Code Provision D.1.2, as the Company did not formalize functions reserved to the Board and those delegated to management and did not conduct review periodically;

4. Code Provision D.1.3, as the Company did not disclose the respective responsibilities, accountabilities and contributions of the Board and management; and
5. Code Provision D.1.4, as the Company did not have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has 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, the role was undertaken by Mr HO Kian Guan, Executive Chairman of the Company. The Board is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term. Although the Non-executive Directors of the Company were not appointed for a specific term, all Directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a Director will not exceed three years.

Pursuant to Code Provisions D.1.2, D.1.3 and D.1.4, the Company should formalise functions reserved to the board and those delegated to management and should conduct review periodically. The Company should disclose the respective responsibilities, accountabilities and contributions of the board and management. The Company should also have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As the Executive Directors have been closely involved in the day-to-day management of the Company and its major subsidiaries, the Company considers that it is not necessary at this time to have a distinction between the respective responsibilities, accountabilities and contributions of the Board and management. The Company is now planning to have formal letters of appointment for Directors.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board 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. 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 presently comprises four Independent Non-executive Directors. The Audit Committee meets with the Group's senior management and internal 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 2018.

REMUNERATION COMMITTEE

The Remuneration Committee comprises six members, four of whom are Independent Non-executive Directors. The Committee reviews matters relating to the remuneration for senior management and Directors of the Company. In compliance with Listing Rules, an Independent Non-executive Director currently chairs the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee comprises six members, four of whom are Independent Non-executive Directors. The Committee gives recommendations to the Board as to the recruitment of Directors. In compliance with Listing Rules, an Independent Non-executive Director currently chairs the Nomination Committee.

BOOK CLOSE

The register of members will be closed from Tuesday, 9 October 2018 to Thursday, 11 October 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 October 2018 (Hong Kong time), being the last share registration date.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 2018.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in director's biographical details up to the date of this interim report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Dr Chan Yau Hing Robin	Dr Chan was awarded the Grand Bauhinia Medal by the Government of the HKSAR in July 2018.
Mr Yu Hon To David	Mr Yu has been appointed as an independent non-executive director of MS Group Holdings Limited, a listed company of the Hong Kong Stock Exchange, with effect from 15 May 2018.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The directors of the Company who held office at 30 June 2018 had the following interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

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	394,480	197,806,320 ⁽²⁾	198,200,800	58.26
	Ho Kian Hock	20,480	197,806,320 ⁽²⁾	197,826,800	58.15
	Ho Kian Cheong	55,160,480	–	55,160,480	16.21
	Tse See Fan Paul	288,720	–	288,720	0.08
	Chan Yau Hing Robin	180,000	720,000 ⁽³⁾	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	32,410,774 ⁽⁴⁾	32,410,774	99.70
	Ho Kian Hock	–	32,410,774 ⁽⁴⁾	32,410,774	99.70
	Ho Kian Cheong	96,525	–	96,525	0.30
Shun Seng International Ltd	Ho Kian Guan	–	83,052 ⁽⁵⁾	83,052	83.05
	Ho Kian Hock	–	83,052 ⁽⁵⁾	83,052	83.05
	Ho Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel Co Ltd – paid in registered capital in US\$	Ho Kian Guan	–	13,163,880 ⁽⁶⁾	13,163,880	80.76
	Ho Kian Hock	–	13,163,880 ⁽⁶⁾	13,163,880	80.76
	Ho Kian Cheong	1,017,120	–	1,017,120	6.24
	Kwok Chi Shun Arthur	–	489,000 ⁽⁷⁾	489,000	3.00
Golden Crown Development Ltd – common shares	Ho Kian Guan	–	56,675,000 ⁽⁸⁾	56,675,000	80.96
	Ho Kian Hock	–	56,675,000 ⁽⁸⁾	56,675,000	80.96
	Ho Kian Cheong	1,755,000	–	1,755,000	2.51
	Tse See Fan Paul	50,000	–	50,000	0.07
Ocean Gardens Management Co Ltd	Ho Kian Guan	–	100,000 ⁽⁹⁾	100,000	100.00
	Ho Kian Hock	–	100,000 ⁽⁹⁾	100,000	100.00
Shun Cheong International Ltd	Ho Kian Guan	–	4,305 ⁽¹⁰⁾	4,305	43.05
	Ho Kian Hock	–	4,305 ⁽¹⁰⁾	4,305	43.05
	Ho Kian Cheong	195	–	195	1.95
	Kwok Chi Shun Arthur	–	5,500 ⁽¹¹⁾	5,500	55.00
KSF Enterprises Sdn Bhd – ordinary shares	Ho Kian Guan	–	28,405,000 ⁽¹²⁾	28,405,000 ⁽¹²⁾	100.00
	Ho Kian Hock	–	28,405,000 ⁽¹²⁾	28,405,000 ⁽¹²⁾	100.00
KSF Enterprises Sdn Bhd – preferred shares	Ho Kian Guan	–	24,000,000 ⁽¹³⁾	24,000,000	100.00
	Ho Kian Hock	–	24,000,000 ⁽¹³⁾	24,000,000	100.00
Chateau Ottawa Hotel Inc – common shares	Ho Kian Guan	–	4,950,000 ⁽¹⁴⁾	4,950,000	55.00
	Ho Kian Hock	–	4,950,000 ⁽¹⁴⁾	4,950,000	55.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	1,485,000 ⁽¹⁵⁾	1,485,000	55.00
	Ho Kian Hock	–	1,485,000 ⁽¹⁵⁾	1,485,000	55.00

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES *(continued)*

Notes:

- (1) This represents interests held by the relevant directors as beneficial owners.
- (2) This represents 101,159,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by Dr Chan Yau Hing Robin by virtue of the fact that United Asia Enterprises Inc or its directors were accustomed to act in accordance with the directions of Dr Chan.
- (4) This represents 29,776,951 shares (91.6%) indirectly held by the Company and 2,633,823 shares (8.1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (5) This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (6) This represents US\$8,965,000 (55%) indirectly contributed by the Company and US\$4,198,880 (25.76%) contributed by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (7) This represents interests held by AKA Project Management International Limited which was wholly owned by Kwok Chi Shun Arthur.
- (8) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by various companies in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (9) This represents 1 quota of Ptc99,000 (99%) indirectly held by the Company and 1 quota of Ptc1,000 (1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (10) This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (11) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.
- (12) This represents 7,101,250 ordinary shares (25%) directly held by the Company, 7,101,249 ordinary shares (25%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 14,202,501 ordinary shares (50%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (13) This represents 6,000,000 preferred shares (25%) directly held by the Company, 6,000,000 preferred shares (25%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 12,000,000 preferred shares (50%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (14) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (15) This represents 1,350,000 preferred shares (50%) indirectly held by the Company and 135,000 preferred shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES *(continued)*

Save as mentioned above, at 30 June 2018, none of the directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 30 June 2018, the interests and short positions of those persons (other than the Directors) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,806,320	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	101,159,360	29.7
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4

Notes:

- (1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland Limited.
- (2) Ocean Inc had deemed interests in the same 101,159,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, at 30 June 2018, 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.

Ho Kian Guan
Executive Chairman

Hong Kong, 24 August 2018



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

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 38 which comprises the consolidated statement of financial position of Keck Seng Investments (Hong Kong) Limited (the "Company") as of 30 June 2018 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. 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 directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the six months ended 30 June 2018 – unaudited*

	Note	Six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000
Revenue	3	986,448	925,036
Cost of sales		(106,786)	(95,602)
		879,662	829,434
Other revenue	4(a)	26,265	21,564
Other net gains/(losses)	4(b)	2,125	(14,017)
Direct costs and operating expenses		(422,284)	(374,465)
Marketing and selling expenses		(32,912)	(31,585)
Depreciation		(75,198)	(70,655)
Administrative and other operating expenses		(214,213)	(203,543)
Operating profit		163,445	156,733
Increase in fair value of investment properties	8	19,500	24,000
Impairment loss on a hotel property	8	–	(145,872)
		182,945	34,861
Finance costs	5(a)	(25,288)	(23,410)
Share of profits less losses of associates		6,886	5,075
Profit before taxation	5	164,543	16,526
Income tax	6	(21,623)	56,348
Profit for the period		142,920	72,874
Attributable to:			
Equity shareholders of the Company		91,340	24,285
Non-controlling interests		51,580	48,589
Profit for the period		142,920	72,874
Earnings per share, basic and diluted (cents)	7	26.8	7.1

Details of dividends payable to equity shareholders of the Company are set out in note 15(a). The notes on pages 19 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018 – unaudited

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Profit for the period	142,920	72,874
<hr style="border-top: 1px dashed black;"/>		
Other comprehensive income for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(122)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of: – financial statements of overseas subsidiaries and associates	(4,974)	21,931
Available-for-sale securities: – changes in fair value recognised during the period	–	339
Other comprehensive income for the period	(5,096)	22,270
<hr style="border-top: 1px dashed black;"/>		
Total comprehensive income for the period	137,824	95,144
<hr/>		
Attributable to:		
Equity shareholders of the Company	93,025	40,963
Non-controlling interests	44,799	54,181
<hr/>		
Total comprehensive income for the period	137,824	95,144
<hr/>		

There is no tax effect relating to the above components of other comprehensive income.

The notes on pages 19 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 30 June 2018 – unaudited*

	Note	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Non-current assets			
Investment properties		822,000	802,500
Property, plant and equipment		2,348,690	2,353,861
Land		837,106	836,515
		4,007,796	3,992,876
Interest in associates	8	115,523	128,409
Derivative financial assets		6,533	5,351
Other non-current financial assets	9	234,464	4,345
Deferred tax assets		8,093	8,258
		4,372,409	4,139,239
Current assets			
Trading securities		8,813	9,027
Properties held for sale		280,134	280,250
Inventories		5,718	6,046
Trade and other receivables	10	98,130	82,462
Deposits and cash	11	1,656,405	1,971,104
Taxation recoverable		8,385	7,170
		2,057,585	2,356,059
Current liabilities			
Bank loans	12	104,508	66,355
Trade and other payables	13	378,276	370,113
Loan from an associate		464	464
Loans from non-controlling shareholders	14	27,900	30,981
Taxation payable		17,521	16,964
		528,669	484,877

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**at 30 June 2018 – unaudited*

	Note	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Net current assets		1,528,916	1,871,182
Total assets less current liabilities		5,901,325	6,010,421
Non-current liabilities			
Bank loans	12	1,389,920	1,426,912
Deferred revenue		5,809	6,177
Loans from non-controlling shareholders	14	80,886	78,986
Deferred tax liabilities		98,458	109,268
		1,575,073	1,621,343
NET ASSETS		4,326,252	4,389,078
CAPITAL AND RESERVES	15		
Share capital		498,305	498,305
Reserves		3,173,447	3,212,202
Total equity attributable to equity shareholders of the Company		3,671,752	3,710,507
Non-controlling interests		654,500	678,571
TOTAL EQUITY		4,326,252	4,389,078

The notes on pages 19 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 – unaudited

	Attributable to equity shareholders of the Company								
	Share capital HK\$'000	Legal reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 31 December 2017	498,305	12,758	20,856	3,754	–	3,174,834	3,710,507	678,571	4,389,078
Impact on initial application of HKFRS 9 (note 2)	–	–	–	(3,754)	3,754	–	–	–	–
Adjusted balance at 1 January 2018	498,305	12,758	20,856	–	3,754	3,174,834	3,710,507	678,571	4,389,078
Profit for the period	–	–	–	–	–	91,340	91,340	51,580	142,920
Other comprehensive income	–	–	1,807	–	(122)	–	1,685	(6,781)	(5,096)
Total comprehensive income for the period	–	–	1,807	–	(122)	91,340	93,025	44,799	137,824
Dividends approved in respect of the previous year (note 15(a))	–	–	–	–	–	(40,824)	(40,824)	–	(40,824)
Dividends paid by the subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(62,894)	(62,894)
Acquisition of non-controlling interests (note 15(c)(iii))	–	–	–	–	–	(90,956)	(90,956)	(5,976)	(96,932)
Balance at 30 June 2018	498,305	12,758	22,663	–	3,632	3,134,394	3,671,752	654,500	4,326,252
Balance at 1 January 2017	498,305	12,758	1,928	3,141	–	3,094,859	3,610,991	659,163	4,270,154
Profit for the period	–	–	–	–	–	24,285	24,285	48,589	72,874
Other comprehensive income	–	–	16,339	339	–	–	16,678	5,592	22,270
Total comprehensive income for the period	–	–	16,339	339	–	24,285	40,963	54,181	95,144
Dividends approved in respect of the previous year (note 15(a))	–	–	–	–	–	(40,824)	(40,824)	–	(40,824)
Dividends paid by the subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	(44,767)	(44,767)
Balance at 30 June 2017	498,305	12,758	18,267	3,480	–	3,078,320	3,611,130	668,577	4,279,707

The notes on pages 19 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30 June 2018 – unaudited*

	Note	Six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Operating activities			
Cash generated from operations		201,290	232,833
Overseas tax paid		(33,499)	(36,256)
Net cash generated from operating activities		167,791	196,577
Investing activities			
(Increase)/decrease in bank deposits with original maturity more than three months		(5,104)	11,700
Payment for purchase of other non-current financial assets		(230,241)	–
Payment for acquisition of non-controlling interests		(96,932)	–
Other cash flows arising from investing activities		(29,862)	(20,713)
Net cash used in investing activities		(362,139)	(9,013)
Financing activities			
Dividends paid to equity shareholders of the Company		(40,824)	(40,824)
Proceeds from new bank loans		29,423	–
Repayment of bank loans		(33,371)	(37,146)
Dividends paid to non-controlling shareholders		(62,894)	(44,767)
Other cash flows arising from financing activities		(22,701)	(20,920)
Net cash used in financing activities		(130,367)	(143,657)
(Decrease)/increase in cash and cash equivalents		(324,715)	43,907
Cash and cash equivalents at 1 January	11	1,956,684	1,914,759
Effect of foreign exchange rate changes		4,912	22,400
Cash and cash equivalents at 30 June	11	1,636,881	1,981,066

The notes on pages 19 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 Basis of preparation

This 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 issued on 24 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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.

This 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 2017 annual financial statements. The condensed consolidated interim financial statements 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 Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 12. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition in respect of revenue from sales of properties. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 January 2018.

	HK\$'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) related to equity securities now measured at FVOCI and decrease in fair value reserve (recycling) as 1 January 2018	(3,754)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) related to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	3,754

2 Changes in accounting policies *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other revenue.

2 Changes in accounting policies (continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK\$'000	Reclassification HK\$'000	HKFRS 9 carrying amount at 1 January 2018 HK\$'000
Financial assets measured at FVOCI (non-recyclable)			
Equity securities (note (i))	–	4,345	4,345
Financial assets carried at FVPL			
Trading securities (note (ii))	9,027	–	9,027
Derivative financial assets (note (ii))	5,351	–	5,351
	14,378	–	14,378
Financial assets classified as available-for-sale under HKAS 39 (notes (i))	4,345	(4,345)	–

Notes:

- (i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Kuala Lumpur Kepong Bhd at FVOCI (non-recycling), as the investment is held for strategic purposes.
- (ii) Trading securities and derivative financial assets were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2 Changes in accounting policies *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit losses (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loan to associates). Financial assets measured at fair value, including listed equity securities, unlisted securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment. The adoption of the ECL model has no significant impact to the financial assets of the Group.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;
- B. When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

2 Changes in accounting policies *(continued)*

(c) **HKFRS 15, Revenue from contracts with customers** *(continued)*

(i) *Timing of revenue recognition (continued)*

- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Sales of properties: the Group's property development activities are carried out in Macau only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Macau, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the buyers obtain the right to access and physical use, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

3 Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical locations. The Group has identified the following three reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

- (i) Hotel segment is primarily engaged in the businesses of hotel room accommodation, provision of food and beverage at hotel restaurant outlets and operation of slot machines at one of the Group's hotels.
- (ii) Property segment is primarily engaged in the businesses of leasing of the Group's investment properties, which mainly consist of retail, commercial and office properties in Macau and of development, sales and marketing of the Group's trading properties in Macau.
- (iii) Investment and corporate segment is primarily engaged in the businesses of management of the Group's corporate assets and liabilities, listed equity securities and unlisted securities and trading securities, financial instruments and other treasury operations.

3 Revenue and segment reporting *(continued)*

(a) Revenue

Revenue represents income from hotel and club operations, proceeds from sales of properties, rental income and the provision of management services. The amount of each significant category of revenue recognised in revenue during the period is as follows:

	Six months ended 30 June	
	2018	2017 (Note)
	HK\$'000	HK\$'000
Hotel and club operations	935,164	874,930
Rental income	43,116	46,785
Proceeds from sales of properties	4,750	–
Management fee income	3,418	3,321
	986,448	925,036

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2(c)).

(b) Segment results, assets and liabilities

Information regarding the Group's reportable segments is provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Segment assets principally comprise all tangible assets, other non-current assets and current assets directly attributable to each segment with the exception of interest in associates.

Segment liabilities include all trade and other payables attributable to the individual segments and other borrowings managed directly by the segments with the exception of bank borrowings.

3 Revenue and segment reporting (continued)

(c) Analysis of segment results of the Group

	External revenue HK\$'000	Inter- segment revenue HK\$'000	Total revenue HK\$'000	Depreciation HK\$'000	Impairment loss on a hotel property HK\$'000	Finance costs HK\$'000	Share of profits less losses of associates HK\$'000	Income tax HK\$'000	Contribution to profit HK\$'000
For the six months ended 30 June 2018									
Hotel	930,981	-	930,981	(72,737)	-	(25,220)	6,886	(14,266)	94,853
- Vietnam	392,789	-	392,789	(21,099)	-	-	6,767	(21,351)	87,807
- United States	431,994	-	431,994	(39,138)	-	(22,302)	-	8,316	(8,432)
- The People's Republic of China	35,064	-	35,064	(6,056)	-	(2,520)	-	-	(1,703)
- Canada	49,252	-	49,252	(4,999)	-	(398)	119	(2,127)	6,020
- Japan	21,882	-	21,882	(1,445)	-	-	-	896	11,161
Property									
- Macau [#]	53,891	1,060	54,951	(2,419)	-	(68)	-	(6,953)	49,453
Investment and corporate	1,576	-	1,576	(42)	-	-	-	(404)	(1,386)
Inter-segment elimination	-	(1,060)	(1,060)	-	-	-	-	-	-
Total	986,448	-	986,448	(75,198)	-	(25,288)	6,886	(21,623)	142,920
For the six months ended 30 June 2017									
Hotel	871,277	-	871,277	(68,190)	(145,872)	(23,385)	5,075	63,540	2,962
- Vietnam	350,293	-	350,293	(17,634)	-	-	6,694	(18,874)	83,535
- United States	423,433	-	423,433	(40,315)	(145,872)	(20,570)	-	88,216	(89,268)
- The People's Republic of China	32,475	-	32,475	(6,004)	-	(2,465)	-	-	(1,849)
- Canada	41,782	-	41,782	(2,661)	-	(350)	(1,619)	(2,339)	2,742
- Japan	23,294	-	23,294	(1,576)	-	-	-	(3,463)	7,802
Property									
- Macau [#]	52,390	834	53,224	(2,426)	-	(25)	-	(7,147)	53,282
Investment and corporate	1,369	-	1,369	(39)	-	-	-	(45)	16,630
Inter-segment elimination	-	(834)	(834)	-	-	-	-	-	-
Total	925,036	-	925,036	(70,655)	(145,872)	(23,410)	5,075	56,348	72,874

[#] External revenue from property segment in Macau included sale of properties of HK\$4,750,000 (2017: Nil), rental income from investment properties of HK\$13,549,000 (2017: HK\$16,592,000), rental income from properties held for sale of HK\$28,622,000 (2017: HK\$29,012,000) and club operations and others of HK\$6,970,000 (2017: HK\$6,786,000).

Contribution to profit from property segment in Macau included the increase in fair value of investment properties of HK\$19,500,000 (2017: increase of HK\$24,000,000).

3 Revenue and segment reporting *(continued)*

(d) Analysis of total assets of the Group

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
At 30 June 2018				
Hotel				
– Vietnam	401,588	77,940	479,528	27,758
– United States	2,668,226	–	2,668,226	53,181
– The People's Republic of China	188,345	–	188,345	1,493
– Canada	138,625	33,383	172,008	808
– Japan	112,710	–	112,710	352
Property				
– Macau	1,814,428	–	1,814,428	132
Investment and corporate	990,549	4,200	994,749	–
Total	6,314,471	115,523	6,429,994	83,724
At 31 December 2017				
Hotel				
– Vietnam	394,719	90,393	485,112	26,214
– United States	2,709,537	–	2,709,537	41,600
– The People's Republic of China	192,584	–	192,584	1,428
– Canada	140,625	33,859	174,484	27,430
– Japan	115,466	–	115,466	294
Property				
– Macau	1,774,874	–	1,774,874	159
Investment and corporate	1,039,084	4,157	1,043,241	36
Total	6,366,889	128,409	6,495,298	97,161

Investment and corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the Group treasury function.

3 Revenue and segment reporting (continued)

(e) Analysis of total liabilities of the Group

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
At 30 June 2018			
Hotel			
– Vietnam	123,536	32,320	155,856
– United States	144,380	1,436,984	1,581,364
– The People's Republic of China	95,255	–	95,255
– Canada	10,262	25,124	35,386
– Japan	1,386	–	1,386
Property			
– Macau	178,156	–	178,156
Investment and corporate	56,339	–	56,339
Total	609,314	1,494,428	2,103,742
At 31 December 2017			
Hotel			
– Vietnam	127,830	3,076	130,906
– United States	143,345	1,463,000	1,606,345
– The People's Republic of China	96,330	–	96,330
– Canada	11,966	27,191	39,157
– Japan	2,029	–	2,029
Property			
– Macau	163,876	–	163,876
Investment and corporate	67,577	–	67,577
Total	612,953	1,493,267	2,106,220

4 Other revenue and other net gains/(losses)

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
(a) Other revenue		
Interest income from bank deposits	16,419	14,856
Dividend income from listed securities	267	241
Other revenue from hotel and club operations	9,579	6,467
	26,265	21,564
(b) Other net gains/(losses)		
Loss on disposal of property, plant and equipment	(869)	(20)
Net exchange gains/(losses)	3,208	(13,870)
Net unrealised losses on trading securities	(214)	(127)
	2,125	(14,017)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
(a) Finance costs		
Interest on bank loans wholly repayable within five years	22,700	20,920
Interest expenses on loans from non controlling shareholders	2,520	2,465
Other interest expenses	68	25
	25,288	23,410
(b) Staff costs		
Salaries, wages and other benefits	305,001	281,002
Contributions to defined contribution retirement plans	4,581	2,275
	309,582	283,277
(c) Other items		
Cost of inventories	38,073	35,808
Rentals receivable from properties less direct outgoings of HK\$1,413,000 (2017: HK\$896,000)	(41,703)	(45,889)

6 Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Current tax – Overseas		
Provision for the period	32,873	9,476
Deferred taxation		
Origination and reversal of other temporary differences	(11,250)	(65,824)
	21,623	(56,348)

Notes:

- (a) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2018 and 30 June 2017.
- (b) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (c) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2017: 20%) for the six months ended 30 June 2018 and 30 June 2017.
- (d) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2017: 25%) of the estimated taxable profits for the period. No provision has been made for PRC Enterprise Income Tax as the subsidiary sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2018 and 30 June 2017.
- (e) Pursuant to the income tax rules and regulations of the United States, the applicable Federal and State Income Tax in respect of the subsidiaries operating in the United States are calculated at a rate of 21% (2017: 34%) and 12.64% (2017: 12.89%) respectively for the six months ended 30 June 2018.
- (f) Under the Japanese domestic law, the subsidiary established in Japan under the Tokumei-Kumiai arrangement is subject to Japanese withholding tax at the rate of 20.42% (2017: 20.42%) on all gross profit distributions from the subsidiary.
- (g) Provision for Macau, Complementary Tax is calculated at 12% (2017: 12%) of the estimated assessable profits for the six months ended 30 June 2018. Macau Property Tax is calculated at 10% (2017: 10%) of the assessable rental income in Macau.
- (h) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2017: 26.5%).
- (i) Share of associates' tax for the six months ended 30 June 2018 of HK\$1,840,000 (2017: HK\$1,932,000) is included in the share of profits less losses of associates.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$91,340,000 (2017: HK\$24,285,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2018 and 30 June 2017.

There is no potential dilutive ordinary share during the six months ended 30 June 2018 and 30 June 2017.

8 Investment properties, property, plant and equipment and land

The Group's investment properties were valued by Jones Lang LaSalle Limited, an independent firm of professional surveyors with the appropriate qualifications and experience in the location and category of property being valued, using the income capitalisation approach and with reference to sales evidence as available in the market.

The Group recorded an increase in fair value of investment properties of HK\$19,500,000 (2017: increase of HK\$24,000,000) in profit or loss for the six months period ended 30 June 2018.

During the six months ended 30 June 2017, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, was behind budget. The hotel market in New York has weakened as compared to prior years and the competition has become more fierce due to new entrants in the market. The Group assessed the recoverable amount of this hotel property and as a result the carrying amount of the hotel property was written down to its recoverable amount of HK\$1,232,872,000. Impairment loss of HK\$145,872,000 was recognised as a separate line item in the Group's consolidated statement of profit or loss. The estimated recoverable amount of this hotel was determined based on value in use calculations. No impairment loss on a hotel property is recognised during the six months ended 30 June 2018.

9 Other non-current financial assets

	Note	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Equity securities designated at FVOCI (non-recycling)			
– Listed outside Hong Kong	(i)	4,223	–
Financial assets measured at FVPL			
– Unlisted securities	(ii)	230,241	–
Available-for-sale securities			
– Equity securities listed outside Hong Kong	(i)	–	4,345
		234,464	4,345

9 Other non-current financial assets (continued)

Notes:

- (i) Available-for-sale securities were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018.
- (ii) In May 2018, the Group has purchased 10.87% interest of A2I Holdings S.A.R.L. at a cash consideration of EUR 25 million (equivalent to HK\$230 million). A2I Holdings S.A.R.L. is a private limited liability company incorporated in Luxembourg which owns 6.39% equity shares of AccorInvest Group S.A..

At 30 June 2018, the Group was committed to an amount up to EUR750,000 for the final fee adjustment of the purchase of the securities of A2I Holdings S.A.R.L..

10 Trade and other receivables

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis (by invoice date) as of the end of the reporting period:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within one month	28,622	34,877
One to three months	8,812	14,261
Three to twelve months	85	–
	37,519	49,138

Trade receivables mainly comprise rental receivables from lease of properties and hotel operations. The Group's credit risk is primarily attributable to trade and other receivables. The Group has a defined credit policy. The general credit terms allowed range from 0 – 30 days. Trade customers with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

11 Deposits and cash

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Deposits with banks and other financial institutions	1,472,842	1,758,516
Cash at bank	183,563	212,588
Deposits and cash in the consolidated statement of financial position	1,656,405	1,971,104
Less: Deposits with original maturity greater than three months	(19,524)	(14,420)
Cash and cash equivalents in the condensed consolidated cash flow statement	1,636,881	1,956,684

12 Bank loans

- (a) At 30 June 2018 and 31 December 2017, the bank loans were repayable as follows:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 year or on demand	104,508	66,355
After 1 year but within 2 years	66,562	66,355
After 2 years but within 5 years	1,323,358	1,360,557
	1,389,920	1,426,912
	1,494,428	1,493,267

At 30 June 2018 and 31 December 2017, the bank loans were secured and unsecured as follows:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Bank loans		
– Secured (note 12(b))	1,462,108	1,490,191
– Unsecured	32,320	3,076
	1,494,428	1,493,267

At 30 June 2018 and 31 December 2017, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

- (b) At 30 June 2018, the banking facilities available to the Company and certain subsidiaries of the Group were secured by:
- (i) Properties held for sale with a carrying value of HK\$63,898,000 (31 December 2017: HK\$63,898,000), and
 - (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,608,497,690 (31 December 2017: HK\$2,570,598,000).

Such banking facilities amounted to HK\$1,547,207,000 (31 December 2017: HK\$1,755,164,000) and were utilised to the extent of HK\$1,462,108,000 as at 30 June 2018 (31 December 2017: HK\$1,490,191,000).

- (c) As at 30 June 2018, the covenant ratio of a bank loan entered by one of the Group's subsidiaries deviates from the requirement as stated in the loan agreement. The Group has reclassified a portion of the loan amounted to HK\$37,946,000 from non-current liabilities to current liabilities that may be repayable upon the bank's demand, if any, in accordance with the loan agreement.

13 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 month or on demand	88,584	44,996
After 1 month but within 3 months	19,754	31,062
After 3 months	367	6,363
	108,705	82,421

14 Loans from non-controlling shareholders

Loans from non-controlling shareholders are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost. Loans from non-controlling shareholders are unsecured, interest-free and repayable on demand except for loans with carrying amount of HK\$80,886,000 (31 December 2017: HK\$78,986,000) which are repayable on 30 April 2020 and classified as non-current liabilities.

15 Capital, reserves and dividends**(a) Dividends**

- (i) *Dividends payable to equity shareholders attributable to the interim period*

	2018 HK\$'000	2017 HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.04 (2017: HK\$0.03) per share	13,608	10,206

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (ii) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.12 (six months ended 30 June 2017: HK\$0.12 per share) per share	40,824	40,824

15 Capital, reserves and dividends *(continued)*

(b) *Share capital*

	At 30 June 2018		At 31 December 2017	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January and at 30 June/ 31 December	340,200	498,305	340,200	498,305

(c) *Reserves*

(i) *Fair value reserve (recycling)*

Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to fair value reserve (non-recycling) upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 2(b)).

(ii) *Fair value reserve (non-recycling)*

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2(b)(i)).

(iii) *Acquisition of non-controlling interests*

During the six months ended 30 June 2018, the Group has paid HK\$96,932,000 to acquire non-controlling interests in respect of the Group's interest in a hotel property situated in Japan.

16 Fair value measurement of financial instruments

(a) *Financial assets and liabilities measured at fair value*

- (i) The Group's listed equity securities and trading securities are measured using market quoted price and therefore fall within the Level 1 fair value hierarchy as defined in HKFRS 13. The derivative financial assets carried at fair value are categorised as falling under Level 2 of the fair value hierarchy. The unlisted securities carried at fair value are categorised as falling under Level 3 of the fair value hierarchy.

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Valuation techniques and inputs used in Level 2 fair value measurements*

The Group's derivative financial instruments of interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties. These derivative financial instruments fall within the Level 2 fair value hierarchy as defined in HKFRS 13.

16 Fair value measurement of financial instruments *(continued)***(a) Financial assets and liabilities measured at fair value** *(continued)**(iii) Information about Level 3 fair value measurements*

	Valuation techniques	Significant unobservable inputs
Unlisted securities	Market approach	N/A

Under market approach, the fair value of the unlisted securities is determined on market basis by reference to the sale evidence as available in the recent market.

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	2018 HK\$'000
<i>Financial assets measured at FVPL:</i>	
<i>– Unlisted securities:</i>	
At 1 January	–
Payment for purchase	230,241
At 30 June	230,241

(b) Fair values of financial assets and liabilities carried at other than fair value

Fair values of debtors, bank balances and other liquid funds, creditors, accruals, current borrowings, and current provisions are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities, except for the interest-free loans due to non-controlling shareholders with a repayment date at 30 April 2020, the carrying amount of which at 30 June 2018, was HK\$80,886,000 (31 December 2017: HK\$78,986,000), approximating its fair value. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

17 Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Contracted for	142,540	29,703
Authorised but not contracted for	68,595	129,763
	211,135	159,466

18 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions, which were on commercial terms, with Mr Ho Kian Cheong ("KC Ho"), and Goodland Limited ("Goodland").

KC Ho is a non-executive director and a substantial shareholder of the Company at 30 June 2018. Goodland holds 28% of the equity interest in the Company at 30 June 2018. Mr Ho Kian Guan and Ho Kian Hock, executive directors of the Company, each had 1/3 indirect interest in Goodland and are also directors of Goodland. They are deemed to be interested in the following transactions.

		Six months ended 30 June	
	Note	2018 HK\$'000	2017 HK\$'000
(a) Transactions with Goodland			
Rental income receivable	(i)	821	704
Management fee receivable	(ii)	241	–
Management fee payable	(iii)	1,602	1,602
Interest expense payable	(v)	70	30
		At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
(b) Balances with Goodland			
Loan from Goodland	(iv)	41,402	40,245
Amount due to Goodland	(v)	27,238	22,273
(c) Balances with KC Ho			
Loan from KC Ho	(iv)	10,029	9,749
Amounts due to KC Ho	(vi)	3,730	4,085

18 Material related party transactions *(continued)*

Notes:

- (i) A subsidiary of the Company rented certain of its properties to Goodland and received rental income.
- (ii) Goodland paid management fees to a subsidiary of the Company.
- (iii) Certain subsidiaries of the Company paid management fees to Goodland.
- (iv) At 30 June 2018, loans from non-controlling shareholders (note 14) included (i) loan from Goodland with carrying amount of HK\$41,402,000 (31 December 2017: HK\$40,245,000) and (ii) loan from KC Ho with carrying amount of HK\$10,029,000 (31 December 2017: HK\$9,749,000). The balance, which were renewed on 30 April 2015, were unsecured, interest-free and repayable on 30 April 2020.
- (v) At 30 June 2018, trade and other payables included amount due to Goodland of HK\$27,238,000 (31 December 2017: HK\$22,273,000) comprising:
 - interest bearing accounts with certain subsidiaries of the Company amounting to HK\$12,014,000 (31 December 2017: HK\$5,030,000). Interest payable by the subsidiaries amounted to HK\$70,000 for the six months ended 30 June 2018 (2017: HK\$30,000).
 - non-interest bearing accounts with certain subsidiaries of the Company amounted to HK\$15,224,000 (31 December 2017: HK\$17,243,000).

The balances are unsecured and repayable on demand.

- (vi) As at 30 June 2018, loans from non-controlling shareholders included amounts due to KC Ho which were non-interest bearing, unsecured and repayable on demand.

The related party transactions above constitute connected transactions as defined in Chapter 14A of the Listing Rules.

19 Contingent liabilities

At 30 June 2018, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (31 December 2017: HK\$8,252,000).

At 30 June 2018, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees.