

Interim Report
2006



KECK SENG
Investments (Hong Kong) Limited

(Stock Code : 0184)

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 Kian Cheong

** CHAN Yau Hing, Robin

** KWOK Chi Shun, Arthur

** WANG Poey Foon, Angela

* *Non-executive Director*

** *Independent Non-executive Director*

AUDIT COMMITTEE

CHAN Yau Hing, Robin – *Chairman*

KWOK Chi Shun, Arthur

WANG Poey Foon, Angela

REMUNERATION COMMITTEE

TSE See Fan, Paul – *Chairman*

CHAN Yau Hing, Robin

KWOK Chi Shun, Arthur

WANG Poey Foon, Angela

SECRETARY

YUEN Chiu Yuk, Ida

AUDITORS

KPMG

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

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REGISTERED OFFICE

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Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

INTERIM RESULTS

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 review report of the auditors is included on page 24.

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>	HK\$'000	HK\$'000
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	4	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	6	10,206	13,608
Basic earnings per share	7	18.7 cents	26.8 cents

The notes on pages 6 to 15 form part of this interim financial report.

INTERIM RESULTS

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CONSOLIDATED BALANCE SHEET

	Note	(Unaudited)		(Audited)	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets	8				
– Investment properties			191,500		173,000
– Other properties and fixed assets			692,995		730,388
Interest in leasehold land held for own use under operating leases			120,634		121,671
			<u>1,005,129</u>		<u>1,025,059</u>
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	9	130,478		126,255	
Properties held for sale		211,835		207,428	
Inventories		3,096		2,815	
Trade and other receivables	10	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	11	144,000		–	
		<u>1,181,812</u>		<u>995,938</u>	
Current liabilities					
Bank loans		26,251		46,279	
Trade and other payables	12	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	
Loan 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	13	340,200		340,200	
Reserves	13	1,259,762		1,205,071	
Total equity attributable to equity holders of the Company	13	<u>1,599,962</u>		<u>1,545,271</u>	
Minority interests	13	228,882		230,149	
TOTAL EQUITY		<u>1,828,844</u>		<u>1,775,420</u>	

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Note	Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
Total equity at 1 January:			
Attributable to equity holders of the Company		<u>1,775,420</u>	<u>1,610,341</u>
Gain on revaluation of available-for-sales securities		162	4
Exchange differences on translation of the financial statements of foreign entities		<u>6,942</u>	<u>37</u>
Net gains not recognised in the consolidated income statement		<u>7,104</u>	<u>41</u>
Net profit for the period:			
Attributable to equity holders of the Company		63,497	91,205
Minority interests		<u>14,163</u>	<u>29,960</u>
Net profit for the period		<u>77,660</u>	<u>121,165</u>
Movement of other capital reserve	13	<u>(2,302)</u>	<u>–</u>
Minority interests' share of dividends paid by subsidiaries	13	<u>(15,430)</u>	<u>(12,344)</u>
Final dividend paid in respect of previous financial year		<u>(13,608)</u>	<u>–</u>
Total equity at 30 June		<u><u>1,828,844</u></u>	<u><u>1,719,203</u></u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Net cash generated from operating activities	53,545	47,191
Net cash generated from investing activities	5,761	9,996
Net cash (used in)/generated from financing	(48,221)	3,469
Increase in cash and cash equivalents	11,085	60,656
Cash and cash equivalents at 1 January	639,303	444,755
Effect of foreign exchanges rate changes	16,093	(21,793)
Cash and cash equivalents at 30 June	<u>666,481</u>	<u>483,618</u>

The notes on pages 6 to 15 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim financial report 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 issue on 15 September 2006.

The interim financial report has 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 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 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”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 24.

The financial information relating to the financial year ended 31 December 2005 included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 April 2006.

2 SEGMENTAL INFORMATION

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

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

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

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

	Six months ended 30 June 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 interest						14,163
Depreciation and amortisation	2,162	4,816	38,926	–	88	45,992
Impairment of interest in associates (note 11)	–	5,910	–	–	–	5,910

2 SEGMENTAL INFORMATION (Continued)

	Six months ended 30 June 2005 (HK\$'000)					Total (restated)
	Macau	PRC	Vietnam (restated)	Canada	Others	
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	<u>168,558</u>	<u>19,312</u>	<u>141,141</u>	<u>474</u>	<u>7,241</u>	<u>336,726</u>
Other net loss (note 3)	<u>(18,859)</u>	<u>(308)</u>	<u>(22)</u>	<u>–</u>	<u>(8,180)</u>	<u>(27,369)</u>
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						<u>121,165</u>
Profit attributable to equity holders of the Company						<u>91,205</u>
Minority interests						<u>29,960</u>
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
	<u>246,964</u>	<u>330,546</u>

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.

3 OTHER REVENUE AND NET INCOME/(LOSS)

(a) Other revenue

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest income from bank deposits	10,638	4,964
Sundry income	660	1,216
	<u>11,298</u>	<u>6,180</u>

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

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank overdraft and other advances wholly repayable within five years	1,001	2,527
Interest on other loans	3,420	2,375
Interest paid on amounts due to an affiliated company	42	33
	<u>4,463</u>	<u>4,935</u>
(b) Other items:		
Staff costs (including retirement costs of HK\$854,000 (2005 (restated): HK\$552,000))	23,730	23,171
Cost of properties sold	243	31,044
Cost of inventories	12,439	12,555
Dividend income from listed investments	(31)	(21)
Impairment of interest in associates (<i>note 11</i>)	5,910	-
	<u>5,910</u>	<u>-</u>

5 INCOME TAX

Taxation is calculated at the rate of 17.5% (2005: 17.5%) on Hong Kong assessable profits and at the applicable rates on overseas assessable profits. The taxation credit/(charge) is made up as follows:

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax	–	–
Overseas taxation		
– Current period	(2,904)	(17,554)
– Prior periods	6,951	817
Deferred taxation	(2,220)	(1,680)
Income tax	<u>1,827</u>	<u>(18,417)</u>

In prior years, the Directors provided for overseas taxation in respect of certain subsidiaries of the Group based on the information available to the Group at that time. During the six months ended 30 June 2006, the Directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for overseas taxation totalling HK\$6,951,000 (2005: HK\$817,000) have been released into the consolidated income statement for the six months ended 30 June 2006.

As at 30 June 2006, the Group had deferred tax liabilities in the amount of HK\$6,748,000 (31 December 2005: HK\$4,528,000), arising from revaluation of investment properties.

The major component of unprovided deferred taxation of the Group is the future benefit of tax losses, which have been agreed with the relevant tax authorities, of HK\$13,178,000 (31 December 2005: HK\$13,178,000). The future benefits of tax losses, which are subject to agreement by the relevant tax authorities, as at 30 June 2006 amount to HK\$20,814,000 (31 December 2005: HK\$20,814,000). The future benefit of tax losses is not recognised as it is not probable that there will be sufficient appropriate taxable profits before expiry of tax losses in the respective tax jurisdictions.

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

6 DIVIDEND

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

7 BASIC EARNINGS PER SHARE

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

8 FIXED ASSETS

Investment properties carried at fair value were revalued at 30 June 2006 by an independent firm of professional surveyors, Infinity Property Development and Planning Limited, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential. As a result of the valuation, a gain of HK\$18,500,000 (2005: HK\$14,000,000), and deferred tax thereon of HK\$2,220,000 (2005: HK\$1,680,000), have been included in the consolidated income statement.

As at 30 June 2006, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of HK\$983,021,000 (31 December 2005: HK\$1,019,553,000) were mortgaged to various banks to secure banking facilities granted to the Group.

9 PROPERTIES UNDER DEVELOPMENT

Certain of properties under development with a carrying value of HK\$130,478,000 (31 December 2005: HK\$126,255,000) have been mortgaged to secure banking facilities granted to a subsidiary.

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June	At 31 December
	2006	2005
	HK\$'000	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	—	—
	<hr/>	<hr/>
Trade receivables	<u>19,265</u>	<u>12,586</u>

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.

11 ASSETS CLASSIFIED AS HELD FOR SALE

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. The transaction was completed on 31 July 2006.

12 TRADE AND OTHER PAYABLES

Included in trade and other payables 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
	<u>9,248</u>	<u>19,266</u>
Trade creditors	<u>9,248</u>	<u>19,266</u>

13 CAPITAL AND RESERVES

Attributable to equity holders of the Company

	Share capital	Share premium	Legal reserve	Other capital reserve	Exchange reserve	Fair value reserve	Revenue reserve	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	340,200	158,105	12,758	–	17,954	226	894,865	1,424,108	186,233	1,610,341
Movement during the period	–	–	–	–	37	4	–	41	–	41
Profit for the period	–	–	–	–	–	–	91,205	91,205	29,960	121,165
Dividends	–	–	–	–	–	–	–	–	(12,344)	(12,344)
At 30 June 2005	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>–</u>	<u>17,991</u>	<u>230</u>	<u>986,070</u>	<u>1,515,354</u>	<u>203,849</u>	<u>1,719,203</u>
At 1 July 2005	340,200	158,105	12,758	–	17,991	230	986,070	1,515,354	203,849	1,719,203
Movement during the period	–	–	–	22,048	339	186	–	22,573	–	22,573
Profit for the period	–	–	–	–	–	–	31,158	31,158	27,162	58,320
Dividends	–	–	–	–	–	–	(23,814)	(23,814)	(862)	(24,676)
At 31 December 2005	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>22,048</u>	<u>18,330</u>	<u>416</u>	<u>993,414</u>	<u>1,545,271</u>	<u>230,149</u>	<u>1,775,420</u>
At 1 January 2006	340,200	158,105	12,758	22,048	18,330	416	993,414	1,545,271	230,149	1,775,420
Movement during the period	–	–	–	(2,302)	6,942*	162	–	4,802	–	4,802
Profit for the period	–	–	–	–	–	–	63,497	63,497	14,163	77,660
Dividends	–	–	–	–	–	–	(13,608)	(13,608)	(15,430)	(29,038)
At 30 June 2006	<u>340,200</u>	<u>158,105</u>	<u>12,758</u>	<u>19,746</u>	<u>25,272</u>	<u>578</u>	<u>1,043,303</u>	<u>1,599,962</u>	<u>228,882</u>	<u>1,828,844</u>

* 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 (note 11).

13 CAPITAL AND RESERVES (Continued)

	No. of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1 each	<u>500,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2006 and 30 June 2006	<u>340,200,000</u>	<u>340,200</u>

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

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

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

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

Other capital reserve represents the credit balance arising from discounting, at a market related rate, the nominal value of the interest-free loans due to minority shareholders which are used to finance a subsidiary's operations.

Six months ended 30 June	
2006	2005
HK\$'000	HK\$'000

Profit for the period is retained as follows:

By the Company and its subsidiaries	54,725	76,778
By associates	<u>8,772</u>	<u>14,427</u>
	<u>63,497</u>	<u>91,205</u>

14 COMMITMENTS

At 30 June 2006, the Group had commitments in respect of development expenditure not provided for as follows:

	At 30 June 2006 HK\$'000	At 31 December 2005 HK\$'000
Contracted for	8,309	7,688
Authorised but not contracted for	—	—
	<u>8,309</u>	<u>7,688</u>

15 CONTINGENT LIABILITIES

- (a) At 30 June 2006, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (31 December 2005: HK\$8,252,000).
- (b) At 30 June 2006, guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries and an associate amounted to HK\$134,347,000 (31 December 2005: HK\$134,347,000) and HK\$72,527,000 (31 December 2005: HK\$69,077,000) respectively.
- (c) At 30 June 2006, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK\$35,105,000 (CA\$5,000,000) (31 December 2005: HK\$33,435,000 (CA\$5,000,000)).

16 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.

During the period, certain subsidiaries of the Company had the following transactions, which were on normal commercial terms, with Goodland Limited ("Goodland"), an affiliated company which held 28% of the issued shares of the Company at 30 June 2006:

- (i) Amounts due to an affiliated company represent the amounts due to Goodland of HK\$21,991,000 at 30 June 2006 (2005: HK\$26,339,000) which comprise:
- interest bearing current accounts with certain subsidiaries amounting to HK\$894,000 at 30 June 2006 (31 December 2005: HK\$1,552,000). The interest charge for the period ended 30 June 2006 payable by the subsidiaries was HK\$42,000 (2005: HK\$33,000).
 - non-interest bearing accounts with certain subsidiaries amounting to HK\$21,097,000 at 30 June 2006 (31 December 2005: HK\$24,787,000).
- (ii) Loan from an affiliated company represents an interest-free loan to a subsidiary made by Goodland during the period ended 30 June 2006 amounting to HK\$28,766,000 (31 December 2005: HK\$43,161,000), which is unsecured and payable on demand.

16 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (iii) Loans from minority shareholders classified under non-current liabilities at 30 June 2006 include amounts due to Goodland of HK\$55,276,000 in nominal value (31 December 2005: HK\$67,923,000), which are unsecured, non-interest bearing, and payable on 30 April 2010.
- (iv) A subsidiary of the Company rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$337,841 for the period ended 30 June 2006 (2005: HK\$506,000).
- (v) Certain subsidiaries of the Company paid to Goodland management fees amounting to HK\$1,602,000 (2005: HK\$1,836,000) for the period ended 30 June 2006.
- (vi) A subsidiary of the Company incurred building construction costs payable to Goodland in respect of the development of certain Ocean Gardens projects amounting to HK\$2,000,000 for the period ended 30 June 2006 (2005: HK\$20,000,000).
- (vii) The Company, Goodland, Larch Management Incorporated and AKAA Project Management International Limited provided a guarantee, on a joint and several basis, to a bank in connection with a term loan facility obtained by a subsidiary of the Company.

A term loan facility of up to an aggregate principal amount of US\$3,800,000 (approximately HK\$29,484,000) was made available by the bank for a period of three years subject to the terms and conditions of a facility agreement between the subsidiary and the bank entered into on 26 March 2004. The interest rate shall be the sum of 1.46% per annum and 3 or 6 months' LIBOR at the subsidiary's option. It is intended that the subsidiary will choose whichever the lower interest rate is on an interest payment date.

Messrs Ho Kian Guan and Ho Kian Hock, also directors of Goodland, each have a 1/3 indirect interest in Goodland and they are deemed to be interested in the aforesaid transactions.

17 COMPARATIVE FIGURES

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.

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.

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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.

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CORPORATE GOVERNANCE *(Continued)*

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.

CORPORATE GOVERNANCE *(Continued)*

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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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The Directors of the Company who held office at 30 June 2006 had the following interests in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Number of ordinary shares (unless otherwise specified)*Long Positions:*

Name of Company	Name of Directors	Personal Interests⁽¹⁾	Corporate Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Ltd	Ho Kian Guan	480	197,516,320 ⁽²⁾	197,516,800	58.06
	Ho Kian Hock	480	197,516,320 ⁽²⁾	197,516,800	58.06
	Ho Kian Cheong	55,160,480	-	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	-	4,903,475 ⁽⁴⁾	4,903,475	98.07
	Ho Kian Hock	-	4,903,475 ⁽⁴⁾	4,903,475	98.07
	Ho Kian Cheong	96,525	-	96,525	1.93
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	Ho Kian Guan	-	13,163,880 ⁽⁶⁾	13,163,880	80.76
	Ho Kian Hock	-	13,163,880 ⁽⁶⁾	13,163,880	80.76
	- paid in registered capital in US\$	1,017,120	-	1,017,120	6.24
	Kwok Chi Shun Arthur	-	489,000 ⁽⁷⁾	489,000	3.00
Golden Crown Development Ltd	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	Ho Kian Guan	-	10,000 ⁽¹²⁾	10,000	100.00
	Ho Kian Hock	-	10,000 ⁽¹²⁾	10,000	100.00
Chateau Ottawa Hotel Inc	Ho Kian Guan	-	4,950,000 ⁽¹³⁾	4,950,000	55.00
	Ho Kian Hock	-	4,950,000 ⁽¹³⁾	4,950,000	55.00
Chateau Ottawa Hotel Inc	Ho Kian Guan	-	4,070,000 ⁽¹⁴⁾	4,070,000	55.00
	Ho Kian Hock	-	4,070,000 ⁽¹⁴⁾	4,070,000	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 100,869,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by 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 who had a 24% interest in United Asia Enterprises Inc.
- (4) This represents 4,505,000 shares (90.1%) indirectly held by the Company and 398,475 shares (7.97%) 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 shares (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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

- (11) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.
- (12) This represents 2,500 shares (25%) directly held by the Company, 2,499 shares (24.99%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 5,001 shares (50.01%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (13) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (14) This represents 3,700,000 preferred shares (50%) indirectly held by the Company and 370,000 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.

Save as mentioned above, at 30 June 2006, none of the Directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 30 June 2006, the interests and short positions of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,516,320	58.1%
Pad Inc (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 2)	Beneficial owner	100,869,360	29.7%
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (Continued)

- (11) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.
- (12) This represents 2,500 shares (25%) directly held by the Company, 2,499 shares (24.99%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 5,001 shares (50.01%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (13) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (14) This represents 3,700,000 preferred shares (50%) indirectly held by the Company and 370,000 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.

Save as mentioned above, at 30 June 2006, none of the Directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 30 June 2006, the interests and short positions of those persons (other than the directors) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,516,320	58.1%
Pad Inc (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4%
Kansas Holdings Limited (Note 2)	Beneficial owner	100,869,360	29.7%
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4%

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES *(Continued)*

Notes:

- (1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland Limited.
- (2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, at 30 June 2006, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

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.

HO Kian Guan
Executive Chairman

Hong Kong, 15 September 2006

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES *(Continued)*

Notes:

- (1) Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland Limited.
- (2) Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, at 30 June 2006, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

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.

HO Kian Guan
Executive Chairman

Hong Kong, 15 September 2006

INDEPENDENT REVIEW REPORT to the board of directors of Keck Seng Investments (Hong Kong) Limited

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 1 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

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

REVIEW WORK PERFORMED

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

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

KPMG

Certified Public Accountants

Hong Kong, 15 September 2006