



# KECK SENG INVESTMENTS (HONG KONG) LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003 (UNAUDITED)

### 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”) for the six months ended 30 June 2003, together with the comparative figures for the corresponding period in 2002. The interim results have not been audited, but have been reviewed by both the Company’s Audit Committee and the Company’s auditors.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

		Six months ended 30 June	
		2003	2002
	Note	HK\$'000	HK\$'000
Turnover	2	50,289	117,273
Cost of sales		(14,484)	(60,138)
		<u>35,805</u>	<u>57,135</u>
Other revenue		2,002	1,351
Other net income	3	8,797	416
Direct operating expenses		(5,729)	(6,798)
Marketing and selling expenses		(2,120)	(1,919)
Administrative and other operating expenses		(54,507)	(37,813)
		<u>(15,752)</u>	<u>12,372</u>
(Loss)/profit from operations			
Finance costs	4(a)	(5,748)	(5,383)
Share of profits less losses of associates		5,836	10,959
		<u>(15,664)</u>	<u>17,948</u>
(Loss)/profit from ordinary activities before taxation	4		
Taxation (charge)/credit	5	(1,832)	3,259
		<u>(17,496)</u>	<u>21,207</u>
(Loss)/profit from ordinary activities after taxation			
Minority interests		12,768	224
		<u>(4,728)</u>	<u>21,431</u>
(Loss)/profit attributable to shareholders			
Dividends attributable to the interim period:			
Interim dividend declared after the interim period end – HK1 cent (2002: HK1 cent) per share	6	3,402	3,402
		<u>3,402</u>	<u>3,402</u>
Basic (loss)/earnings per share	7	(1.4) cents	6.3 cents
		<u>(1.4) cents</u>	<u>6.3 cents</u>
(Loss)/profit for the period is retained as follows:			
By the Company and its subsidiaries		(9,341)	11,999
By associates		4,613	9,432
		<u>(4,728)</u>	<u>21,431</u>

Notes:

**1. Significant accounting policies**

*(a) Basis of preparation*

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included in the interim financial report to be sent to the shareholders shortly.

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

The financial information relating to the financial year ended 31 December 2002 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2002 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2003.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the preparation of the interim financial report except that the Company has adopted SSAP 12 (Revised) “Income taxes”. The adoption of this revised SSAP has no material effect on the Group’s financial results for the six months ended 30 June 2003.

*(b) Income tax and change of accounting policy*

The same accounting policies adopted in the 2002 annual financial statements have been applied to the preparation of the interim financial report except that the Group has adopted SSAP12 (Revised) “Income taxes” (“SSAP12”) which became effective on 1 January 2003. The adoption of SSAP12 has no material effect on the Group’s financial results for the six months ended 30 June 2003 and prior periods.

## 2. Segmental information

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.

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

	Six months ended 30 June 2002 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	88,457	17,066	4,723	797	6,230	117,273
Other revenue						
– allocated	551	–	–	–	–	551
– unallocated	–	–	–	–	800	800
	<u>89,008</u>	<u>17,066</u>	<u>4,723</u>	<u>797</u>	<u>7,030</u>	<u>118,624</u>
Total revenue						
Segment result	23,145	(10,876 )	(2,502 )	20	2,585	12,372
Finance costs	(1,371 )	(3,173 )	–	–	(839 )	(5,383 )
Share of profits less losses of associates	(6 )	3,670	4,729	2,566	–	10,959
						<u>17,948</u>
Profit from ordinary activities before taxation						17,948
Taxation credit						3,259
						<u>21,207</u>
Profit from ordinary activities after taxation						21,207
Minority interests						224
						<u>21,431</u>
Profit attributable to shareholders						<u>21,431</u>
Depreciation and amortisation	2,114	13,051	4,303	–	1	19,469

An analysis of the Group's turnover for the six months ended 30 June 2003 by business segments is as follows:

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Proceeds from sale of properties	13,224	85,395
Rental income	3,658	3,967
Hotel and club operations	30,650	25,295
Management fee received	2,757	2,616
	<u>50,289</u>	<u>117,273</u>

### 3. Other net income

Other net income for the six months ended 30 June 2003 represents net exchange gains.

### 4. (Loss)/profit from ordinary activities before taxation

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(a) Finance costs:</b>		
Interest on bank overdraft and other advances repayable within five years (net of HK\$307,508 interest capitalised into properties under development (2002: HK\$1,905,000))	3,810	3,095
Interest paid on amounts due to an affiliated company	1,573	1,934
Other borrowing costs	365	354
	<u>5,748</u>	<u>5,383</u>
<b>(b) Other items:</b>		
Staff cost (including retirement costs of HK\$553,911 (2002: HK\$360,000))	8,417	6,913
Cost of properties sold	7,469	55,621
Cost of inventories	5,553	3,135
Depreciation	28,787	19,469
Dividend income from listed investments	(12)	(7)
	<u>(12)</u>	<u>(7)</u>

### 5. Taxation

Taxation is calculated at the rate of 17.5% (2002: 16%) on Hong Kong assessable profits and at the applicable rates on overseas assessable profits. The taxation (charge)/credit is made up as follows:

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for Hong Kong profits tax for the period	–	–
Overseas taxation		
– Current period	(919)	(4,794)
– Prior periods	310	9,580
	<u>(609)</u>	<u>4,786</u>
Share of associates' taxation	(1,223)	(1,527)
	<u>(1,832)</u>	<u>3,259</u>

### 6. Dividends

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

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

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$4,728,000 (2002: profit of HK\$21,431,000) and on the 340,200,000 ordinary shares in issue during both periods.

## **REVIEW OF OPERATIONS**

### **Macau**

Turnover in Macau for the first six months of 2003 was HK\$21.3 million, a reduction of 76% as compared to the corresponding period of 2002. This is due to the fact that revenues from the successful pre-sale of Magnolia Court and Cattleya Court in Ocean Gardens will not be recognised in the Group's profit and loss account until the second half of the year upon the issuance of occupation permits by relevant authorities. At 30 June 2003, 61 out of 108 units of Magnolia Court put on the market have been pre-sold. Sales have been satisfactory despite the negative impact brought about by SARS during the period of April to June 2003. The property market in Macau is exhibiting signs of underlying strength with renewed buying interest from local as well as overseas buyers.

### **The People's Republic of China**

Turnover at Holiday Inn Riverside Wuhan was severely affected by SARS. In its wake, there was a total ban of cross-province group tours in China during the months of April to June 2003, as a result of which the hotel was prohibited from receiving group tour guests during this period. International travelers had also stayed away. Occupancy rate for the first six months of 2003 dropped to 43% as compared to 58% in 2002. Turnover dropped to HK\$12.6 million, a reduction of HK\$4.5 million as compared to the previous year. Stringent cost-control measures limited the hotel's loss after accounting for depreciation and amortization for the first six months of 2003 to HK\$13.1 million, as compared to HK\$10.9 million in the first half of 2002.

### **Vietnam**

At 30 June 2003, all of the 96 serviced apartment units, and 178 out of the total 382 hotel rooms, at the Sheraton Saigon Hotel & Towers and Executive Residences have opened. Revenue was HK\$15 million in the first half of 2003, a 3-time increase as compared to the corresponding period in 2002. Revenue from the serviced apartments was only marginally affected by SARS, with high occupancy rates being achieved throughout the first six months of 2003. Revenue expectations at the hotel were not met due to the drastically reduced number of visitor arrivals. After accounting for depreciation and amortization, the amount of loss reported was HK\$12.5 million.

Revenue and occupancy rates at Caravelle Hotel, an associate of the Group, were also negatively affected by SARS. Its share of contribution to the Group in the first half of 2003 was HK\$2.5 million, a 48% reduction as compared to the corresponding period in 2002.

### **Canada**

The International Plaza Hotel and Conference Centre in Toronto has been re-flagged to a Hilton Doubletree brand, and renamed Doubletree International Plaza Hotel in August 2003. Over the long run, re-branding to Doubletree is expected to generate additional revenue. Lower room rates and occupancy rates, however, were reported both at the Doubletree International Plaza Hotel and the Sheraton Ottawa Hotel in the first half of 2003, as a result of SARS as well as the generally sluggish economy in North America. Canadian operations reported a small loss for the first six months of the year.

## **FINANCIAL REVIEW**

The Group's turnover was HK\$50.3 million for the first six months of 2003, a decrease of 57% over the corresponding period in 2002. 26% of the Group's turnover was generated by the sale of properties in Macau (2002: 73%). During the period under review, revenue from hotel and club operations amounted to HK\$30.7 million, an increase of 21% as compared to HK\$25.3 million in the corresponding period in 2002. A loss attributable to shareholders of HK\$4.7 million was reported as compared to a profit attributable to shareholders of HK\$21.4 million in 2002 which was primarily due to the decrease in sale of properties.

The Group's net borrowings at 30 June 2003 amounted to approximately HK\$435,666,000, representing total bank loans and other borrowings of HK\$566,256,000 less cash equivalents of HK\$130,590,000. The Group's ratio of net borrowings to total assets was 20%. Of the total amount of bank borrowings of HK\$285,241,000, HK\$136,933,000 are repayable within twelve months and the remaining of HK\$148,308,000 are repayable within two to five years.

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

## **PLEDGE OF ASSETS**

At 30 June 2003, 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\$533 million.

In addition, shares in a subsidiary were pledged to a bank as part of the security given to secure a bank loan and shares in an associate were pledged to a bank by a subsidiary of the Group in return for banking facilities granted to that associate.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

For the six months ended 30 June 2003, all of the 96 serviced apartment units, and 178 out of the total 382 hotel rooms, at the Sheraton Saigon Hotel & Towers and Executive Residences have opened. Additions in hotel properties and related fixed assets amounted to HK\$48 million for the six months ended 30 June 2003.

Apart from the above, the Group had no other significant investments and acquisitions during the six months ended 30 June 2003.

## **CONTINGENT LIABILITIES**

At 30 June 2003, 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 under development amounting to HK\$6,311,000.

At 30 June 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and an associate amounted to HK\$183 million and HK\$60 million respectively.

At 30 June 2003, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$38.5 million.



To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2003, the guarantee granted by the subsidiary amounted to HK\$62.3 million.

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phases of the development project by 4 September 2005. Failure to complete the remaining phases of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in note 14(b) of the interim financial report. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The Directors are confident that the remaining phase of its development project will be completed by 4 September 2005.

## **PROSPECTS**

Pre-sale of the Magnolia and Cattleya Courts in Ocean Gardens, Macau has been successful and will contribute significantly to turnover and profits for the year. Results from the hotels on the other hand are expected to continue to disappoint, as the worldwide travel market remains preoccupied with the lingering effect of SARS, the less than robust world economy, and the spectre of terrorism acts.

Prospects for Macau continue to be positive against the backdrop of a Government, which not only remains committed to the opening of the gaming industry, but also sensibly and actively promulgates policies that place Macau in a strategic position to take advantage of the economic integration of the Pearl River Delta. Your Group expects to continue benefiting from this development.

## **EMPLOYEES INFORMATION**

The Group had a total of 1,040 (30 June 2002: 777) employees. Of the total employees, 281 (30 June 2002: 293) were located in Macau and 391 (30 June 2002: 402) in PRC. Total salaries and related costs incurred in the first half of 2003 (including directors' emoluments), amounted to HK\$8.4 million (first half of 2002: HK\$6.9 million). The salary and benefit levels of the Group's employees are maintained at market competitive levels and employees are rewarded on a performance related basis.

## **INTERIM DIVIDENDS**

The Directors have declared an interim dividend of HK\$0.01 (2002: HK\$0.01) per share in cash for the first six months ended 30 June 2003, payable on Wednesday, 5 November 2003, to shareholders whose names appear on the register of members of the Company on Friday, 31 October 2003.

## **BOOK CLOSE**

The register of members will be closed from Monday, 27 October 2003 to Friday, 31 October 2003 (both days inclusive) during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2003.



**PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE**

A detailed announcement of the Group's results for the six months ended 30 June 2003, containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange will be published on the website of the Hong Kong Stock Exchange in due course.

**HO KIAN GUAN**  
*Executive Chairman*

Hong Kong, 25 September 2003

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