



KECK SENG INVESTMENTS (HONG KONG) LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00184)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004 (UNAUDITED)

INTERIM RESULTS

The Directors of Keck Seng Investments (Hong Kong) Limited (the “Company”) are pleased to announce the unaudited consolidated interim results of the Company, its subsidiaries and associated companies (the “Group”) for the six months ended 30 June 2004, together with the comparative figures for the corresponding period in 2003. The interim results have not been audited, but have been reviewed by both the Company’s Audit Committee and the Company’s auditors.

The Group’s consolidated profit attributable to shareholders for the six months ended 30 June 2004 was HK\$32.3 million (2003: loss attributable to shareholders of HK\$4.7 million). The profit for the current period represents a significant improvement of approximately 7.9 times when compared with the loss for the corresponding period in 2003.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover	2	183,415	50,289
Cost of sales		(51,505)	(14,484)
		<u>131,910</u>	<u>35,805</u>
Other revenue		3,055	2,002
Other net (loss)/income	3	(3,973)	8,797
Direct operating expenses		(7,753)	(5,729)
Marketing and selling expenses		(7,001)	(2,120)
Administrative and other operating expenses		(80,152)	(54,507)
		<u>36,086</u>	<u>(15,752)</u>
Profit/(loss) from operations			
Finance costs	4(a)	(3,590)	(5,748)
Share of profits less losses of associates		8,725	5,836
		<u>41,221</u>	<u>(15,664)</u>
Profit/(loss) from ordinary activities before taxation	4		
Income tax credit/(charge)	5	4,126	(1,832)
		<u>45,347</u>	<u>(17,496)</u>
Profit/(loss) from ordinary activities after taxation			
Minority interests		(13,060)	12,768
		<u>32,287</u>	<u>(4,728)</u>
Profit/(loss) attributable to shareholders			
Dividend attributable to the interim period:			
Interim dividend declared after the interim period end			
– HK\$ 1.5cents (2003: HK\$ 1cent) per share	6	5,103	3,402
		<u>9.5 cents</u>	<u>(1.4) cents</u>
Basic earnings/(loss) per share	7		
Profit/(loss) for the period is retained as follows:			
By the Company and its subsidiaries		24,513	(9,341)
By associates		7,774	4,613
		<u>32,287</u>	<u>(4,728)</u>

Notes:

1. Significant accounting policies

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 Institute of Certified Public Accountants (“HKICPA”) (previously named Hong Kong Society of Accountants). 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 HKICPA.

The financial information relating to the financial year ended 31 December 2003 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 2003 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 April 2004.

The same accounting policies adopted in the 2003 annual financial statements have been applied to the preparation of the interim financial report.

The notes on the interim financial report 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 2003 statutory financial statements.

2. Segmental information

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

	Six months ended 30 June 2004 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	92,767	17,833	72,097	406	312	183,415
Other revenue						
– allocated	2,209	186	118	–	–	2,513
– unallocated	–	–	–	–	542	542
Total revenue	94,976	18,019	72,215	406	854	186,470
Segment result	47,411	(3,590)	(7,063)	(67)	(605)	36,086
Finance costs	(83)	(813)	–	–	(2,694)	(3,590)
Share of profits less losses of associates	(1)	2,753	3,750	2,223	–	8,725
Profit from ordinary activities before taxation						41,221
Income tax credit						4,126
Profit from ordinary activities after taxation						45,347
Minority interests						(13,060)
Profit attributable to shareholders						32,287
Depreciation and amortisation	2,041	6,094	38,521	–	88	46,744
	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
Total revenue	21,483	12,575	15,077	811	2,345	52,291
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)
Income tax 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

An analysis of the Group's turnover for the six months ended 30 June 2004 by business segments is as follows:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Proceeds from sale of properties	84,979	13,224
Hotel and club operations	92,089	30,650
Rental income	3,914	3,658
Management fee received	2,433	2,757
	<u>183,415</u>	<u>50,289</u>

3. Other net (loss)/income

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

4. Profit/(loss) from ordinary activities before taxation

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank overdraft and other advances repayable within five years (net of interest capitalised into properties under development HK\$Nil (2003: HK\$308,000))	2,630	2,500
Interest on bank advances repayable after five years	905	1,310
Interest paid on amounts due to an affiliated company	55	1,573
Other borrowing costs	–	365
	<u>3,590</u>	<u>5,748</u>

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
(b) Other items:		
Staff costs (including retirement costs of HK\$361,000 (2003: HK\$554,000))	11,498	8,417
Cost of properties sold	27,171	7,469
Cost of inventories	10,198	5,553
Depreciation	46,744	28,787
Dividend income from listed investments	(16)	(12)
Provisions for construction costs released to cost of sales (<i>Note</i>)	<u>(16,866)</u>	<u>–</u>

Note: The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the Directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the period ended 30 June 2004, the Directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK\$16,866,000 have been released to cost of sales in the consolidated income statement for the six months ended 30 June 2004.

5. Income tax

Taxation is calculated at the rate of 17.5% (2003: 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	
	2004 HK\$'000	2003 HK\$'000
Provision for Hong Kong Profits Tax for the period	-	-
Overseas taxation		
– Current period	(8,205)	(919)
– Prior periods	13,282	310
	<u>5,077</u>	<u>(609)</u>
Share of associates' taxation	(951)	(1,223)
	<u>4,126</u>	<u>(1,832)</u>
Income tax credit/(charge)		

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

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/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$32,287,000 (2003: loss of HK\$4,728,000) and 340,200,000 ordinary shares in issue during both periods.

REVIEW OF OPERATIONS

(i) Overall Results

The Group put in a strong performance during the first half of 2004. Turnover of the Group for the first six months ended 30 June 2004 was HK\$183.4 million, an increase of 265% over the corresponding period in 2003. Turnover comprised primarily of proceeds from sale of properties, revenue from hotel operations and rental.

(ii) Macau

Strong sales at Magnolia and Cattleya Courts, the two luxurious residential apartment blocks in Ocean Gardens completed in 2003, continued in the first half of 2004. The Macau turnover of HK\$92.7 million represents a 335% increase in turnover in the first six months of 2004 as compared to the corresponding period in 2003.

(iii) Vietnam

The Sheraton Saigon Hotel and Towers, which only partially opened 100 rooms in May 2003, was fully opened by November 2003. As compared to the corresponding period in 2003 which was impacted by SARS, the first half of 2004 saw significantly increased turnover to HK\$72.1 million, an increase of 378%.

(iv) PRC

There was an increase in turnover of 42% to HK\$17.8 million at the Holiday Inn Riverside Wuhan in the first six months of 2004 as compared to 2003 turnover, the latter of which was impacted by SARS as well.

(v) Canada

Despite the weakness of the Canadian travel market in 2004, the Canadian hotels as a whole were able to turn in a small profit in 2004 as compared to the loss in 2003. This was due to the conversion of the Toronto hotel to Doubletree brand which has allowed it to take advantage of a well-known worldwide distribution network and the premium product image, as well as the absence of SARS in 2004.

FINANCIAL REVIEW

The Group's turnover was HK\$183.4 million for the first six months of 2004, an increase of 265% over the corresponding period in 2003. 46% of the Group's turnover was generated by the sale of properties in Macau (2003: 26%). During the period under review, revenue from hotel and club operations amounted to HK\$92.1 million, an increase of 200% as compared to HK\$30.7 million in the corresponding period in 2003. A profit attributable to shareholders of HK\$32.3 million was reported as compared to a loss attributable to shareholders of HK\$4.7 million in 2003.

The Group's net borrowings as at 30 June 2004 amounted to approximately HK\$161,040,000, representing total bank loans and other borrowings of HK\$493,662,000 less cash equivalents of HK\$332,622,000. The Group's ratio of net borrowings to total assets was 7%. Of the total amount of bank borrowings of HK\$260,085,000, HK\$120,296,000 are repayable within twelve months and the remaining amounts of HK\$64,469,000 and HK\$75,320,000 are repayable within two to five years and after five years respectively.

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

PLEDGE OF ASSETS

As at 30 June 2004, 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\$501 million.

In addition, shares in an associate were pledged to a bank by a subsidiary of the Group in return for banking facilities granted to that associate.

CONTINGENT LIABILITIES

At 30 June 2004, 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 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$134,624,000 and HK\$59,945,000 respectively.

At 30 June 2004, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$36,269,000.

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 2004, the guarantee granted by the subsidiary amounted to HK\$62,200,000.

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phase of the development project in Ocean Gardens by 4 September 2005. Failure to complete the remaining phase of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in Note 15(c) on the interim financial report. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The Directors are confident that the remaining phase of its development project will be completed by 4 September 2005.

PROSPECTS

The Macau SAR Government has displayed leadership and foresight. The successful opening of the two new gaming establishments in Macau in the first half of 2004 heralds a new era. The economy reported GDP growth rates of over 20% in the first quarter of 2004. International investors are beginning to focus on the gaming, hotel, property, construction, service and other sectors in Macau. We expect the property market to continue to exhibit strong growth in the short to medium term.

Post-SARS, all hotel operations are reporting generally improved room rates, or occupancy rates, or both. This will continue to contribute to Group turnover.

Your Group expects to continue to benefit from these trends.

EMPLOYEES INFORMATION

The Group had a total of approximately 1,300 employees as at 30 June 2004 (30 June 2003: approximately 1,040). Salaries and benefits are maintained at competitive levels commensurate with human resources market conditions. Rewards are given on the basis of performance.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not during the course of the six months ended 30 June 2004, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), other than that the Directors of the Company are not appointed for specific terms, as they are all subject to retirement by rotation and re-election at annual general meetings of the Company in compliance with the Articles of the Company.

The Directors have also adopted the "Model Code For Securities Transactions By Directors of Listed Issuers" as per Appendix 10 of the Listing Rules.

INTERIM DIVIDENDS

The Directors have declared an interim dividend of HK\$ 1.5cents per share for the six months ended 30 June 2004 (2003: HK\$ 1cent per share) payable on Wednesday, 13 October 2004, to shareholders whose names appear on the register of members of the Company on 30 September 2004.

BOOK CLOSE

The register of members will be closed from Monday, 27 September 2004 to Thursday, 30 September 2004, 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 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 2004.

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 2004, containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Hong Kong Stock Exchange in due course.

HO KIAN GUAN
Executive Chairman

Hong Kong, 8 September 2004

As at the date of this announcement, Mr. Ho Kian Guan, Mr. Ho Kian Hock and Mr. Paul Tse See Fan are executive Directors, Mr. Ho Kian Cheong is a non-executive Director, Dr. Robin Y.H. Chan and Mr. Arthur Kwok Chi Shun are independent non-executive Directors of the Company.

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