



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

Stock Code : 0184

INTERIM REPORT 2017 INTERIM REPORT 2017



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

Room 2902 West Tower
 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 2017.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was HK\$24,285,000 (HK\$0.071 per share), compared to HK\$81,574,000 (HK\$0.240 per share) for the first six months of 2016.

The Board has declared an interim dividend of HK\$0.03 (2016: HK\$0.03) per share for 2017 payable on Wednesday, 25 October 2017, to equity shareholders whose names appear on the register of members of the Company on Wednesday, 11 October 2017.

REVIEW OF OPERATIONS

The Group's business is organized 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

During the first half of 2017, revenue from Macau operations increased slightly to HK\$53.2 million, as compared to HK\$53.1 million in the first half of 2016, an increase of 0.2%. This is due to an increase in rental values for high-end residential properties and mass-to-medium residential properties in the Macau property market, as compared to 2016. The occupancy rate of our properties has remained fairly stable in 2016 and in the first half of 2017. There were no sales of properties during the first six months of 2017.

Gaming revenue in Macau increased in the first half of 2017 by about 17% as compared to the same period in 2016. It is expected that there will be one additional integrated resort being completed in COTAI in the fourth quarter of 2017. Low unemployment and stable median income continue to bring stability to the Macau economy.

Data released by the Statistics and Census Service Department of Macau Government showed that 5,853 residential units were sold in the Macau residential market for the first 6 months of 2017. Total transaction volume had increased by around 40% as compared to the same period in 2016.

After reviewing the property market conditions and the state of the Macau economy, and given that market was expected to improve after the current period of adjustment, the Directors decided that the properties in Macau held for sale will be disposed of at an opportune moment in order to maximize value for the Group. Over the longer term, capital values of properties in Macau will be further enhanced after the completion of the Hong Kong-Zhuhai-Macau Bridge and the Macau light-rail transit line, with one of the stations immediately adjacent to Ocean Gardens, the Group's premier development. In the short term, the Group will therefore continue to maximize revenue by leasing out the properties held for sale.

The People's Republic of China

The Chinese economy has been undergoing a period of adjustment in the past few years. GDP in the first half in 2017 grew by 6.9%, as compared to a growth rate of 6.7% for the same period in 2016.

Holiday Inn Wuhan Riverside

During the first half of 2017, the room revenue of the hotel slightly decreased to RMB15.9 million as compared to RMB16.2 million in the first half of 2016, a reduction of 1.9%. However, the food and beverage revenue of the hotel has increased to RMB9.9 million in the first half of 2017 from RMB9.3 million in the first half of 2016, an increase of 6.5%.

For the first half of 2017, average room rate was at RMB405 per room night, as compared to RMB406 per room night during the first six months of 2016. Occupancy rate has decreased to 71.2% during the first half of 2017, as compared to 71.9% for the first half of 2016.

Vietnam

Vietnam's economy expanded at 5.64% in the first half of 2017, as compared to 5.63% 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 2017, the Group's revenue from Vietnam increased to HK\$350.3 million, as compared to HK\$339.5 million in the first half of 2016, an increase of 3.2%.

In the first half of 2017, several other hotels had completed renovations in Ho Chi Minh City. Both the Sheraton Saigon Hotel and Towers and the Caravelle Hotel had adopted a strategy of reducing their room rates in order to grow occupancy rates.

Sheraton Saigon Hotel and Towers

For the first half of 2017, average room rate was at US\$153 per room night, as compared to US\$162 per room night during the first six months of 2016. Occupancy rate has increased to 76.3% during the first half of 2017, as compared to 69.0% for the first half of 2016.

Caravelle Hotel

For the first half of 2017, average room rate was at US\$113 per room night, as compared to US\$127 per room night during the first six months of 2016. Occupancy rate has increased to 66.7% during the first half of 2017, as compared to 56.5% for the first half of 2016.

Japan

The GDP in the first half of 2017 grew by 2.63%, as compared to 0.11% for the first half of 2016.

Best Western Hotel Fino Osaka Shinsaibashi

The competition in the Osaka lodging market had increased due to a number of new hotels being launched and the increase in private lodging choices. For the first half of 2017, average room rate was at JPY11,159 per room night, as compared to JPY12,572 per room night during the first six months of 2016. Occupancy rate has decreased to 88.9% during the first half of 2017, as compared to 92.2% for the first half of 2016.

The United States ("US")

The US economy grew steadily in the first half of 2017. Gross domestic product in the first half of 2017 grew at an annualized rate of 2.04%, as compared to 1.40% annual growth rate in the first half of 2016. Consumer Spending in the United States increased by 2.6% in the second quarter of 2017 as from the second quarter of 2016. Operating performance of our two hotels being 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 2017, average room rate was at US\$343 per room night, as compared to US\$365 per room night during the first six months of 2016. Occupancy rate has slightly increased to 89.5% during the first half of 2017, as compared to 89.2% for the first half of 2016.

Sofitel New York

For the first half of 2017, average room rate was at US\$326 per room night, as compared to US\$325 per room night during the first six months of 2016. Occupancy rate has slightly dropped to 85.6% during the first half of 2017, as compared to 86.5% for the first half of 2016. The operating performance of the hotel is behind budget due to 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.

Canada

The Canadian economy expanded by 2.27% in the first quarter of 2017 (compared to 1.29% growth in the first quarter of 2016), following a 2.04% growth in the previous period of the fourth quarter in 2016. The sustained growth was due to increase in consumer spending, housing starts, and strong turnaround in the investment environment.

The Sheraton Ottawa Hotel

For the first half of 2017, average room rate was at C\$196 per room night, as compared to C\$183 per room night during the first six months of 2016. Occupancy rate has decreased to 66.0% during the first half of 2017, as compared to 77.8% for the first half of 2016.

Delta Hotels by Marriott Toronto Airport & Conference Centre (rebrand since 28 June 2017)

For the first half of 2017, average room rate was at C\$113 per room night, as compared to C\$103 per room night during the first six months of 2016. Occupancy rate has decreased to 58.3% during the first half of 2017, as compared to 75.8% for the first half of 2016.

Other net losses

Other net losses were at an amount of HK\$14.0 million, as compared to a net loss of HK\$14.6 million in the first half of 2016. It was mainly attributable to a net exchange loss for the first half of 2017 which amounted to HK\$13.9 million, as compared to a net exchange loss of HK\$15.9 million in the first half of 2016.

FINANCIAL REVIEW

The Group's revenue was HK\$925.0 million for the first six months of 2017, a decrease of 3.4% as compared to the corresponding period in 2016. The decrease was primarily due to the performance in hotel operations situation in the US being less than expected. Revenue from hotel operations amounted to HK\$871.3 million, a decrease of 3.6% as compared to HK\$903.5 million in the corresponding period in 2016. The decrease was mainly due to the slowdown of performance of W San Francisco and Sofitel New York in the US. The Group's operating profit was HK\$156.7 million for the period ended 30 June 2017, as compared to HK\$171.9 million for the corresponding period in 2016.

Profit attributable to equity shareholders was HK\$24.3 million as compared to HK\$81.6 million in the first half year of 2016. It was a decrease of approximately 70% in the profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016. The decrease in profit of the Company for the six months ended 30 June 2017 was mainly attributable to an impairment loss of approximately HK\$145.9 million on a hotel property of the Group, namely the Sofitel New York. The impairment loss reflected the impact of a weakening of the hotel market in New York in the first half of the year, such that the bidding price from hotel property investors are more conservative in recent months. In addition, there is an increase in competition with other hotels and Airbnb during the period. As a result, the operating performance of the Sofitel New York is behind budget.

PLEDGE OF ASSETS

At 30 June 2017, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,651.5 million (2016: HK\$2,771.0 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

- (a) At 30 June 2017, 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 2016: HK\$8,252,000).
- (b) At 30 June 2017, guarantees of HK\$30,035,000 (C\$5,000,000) (31 December 2016: HK\$28,865,000 (C\$5,000,000)) were given by the Company to a bank to secure banking facilities made available to a subsidiary.

At 30 June 2017, the directors do not consider it probable that a claim would be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

PROSPECTS

Recovery in the global economy continued on the back of improvements in both the advanced economies as well as emerging-market countries. A preliminary estimate for the global economy shows that GDP expanded 3.1% annually in the second quarter of 2017, as compared to a 3.0% rise in the first quarter, and represented the fastest growth in two years.

Geopolitical and economic uncertainties, however, still abound.

The Group considers 2017 as a year of consolidation. We 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 2017, the Group had approximately 1,993 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 2017, 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, internal 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 2017.

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 Directors 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 Monday, 9 October 2017 to Wednesday, 11 October 2017, 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 Friday, 6 October 2017 (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 2017.

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
Mr HO Kian Guan	Mr Ho, being the Independent Director of Parkway Trust Management Limited ("PTML"), has been appointed as Chairman of the Board of Directors on 24 April 2017. PTML is acting as Manager of Parkway Life Real Estate Investment Trust which its units are trading on Singapore Exchange Securities Trading Limited ("SGX-ST").
Dr CHAN Yau Hing Robin	Dr Chan resigned as an Executive Vice Chairman and has been appointed as an Adviser of China Overseas Chinese Entrepreneurs Association since June 2017.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The directors of the Company who held office at 30 June 2017 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	197,556,320 ⁽²⁾	197,950,800	58.19
	Ho Kian Hock	20,480	197,556,320 ⁽²⁾	197,576,800	58.08
	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	–	9,010,000 ⁽¹²⁾	9,010,000	100.00
	Ho Kian Hock	–	9,010,000 ⁽¹²⁾	9,010,000	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 100,909,360 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 2,252,500 ordinary shares (25%) directly held by the Company, 2,252,499 ordinary shares (25%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 4,505,001 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 2017, 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 2017, 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. <i>(Note 1, 2)</i>	Interests of controlled corporations	197,556,320	58.1
Pad Inc <i>(Note 1)</i>	Interests of controlled corporations	96,646,960	28.4
Lapford Limited <i>(Note 1)</i>	Interests of controlled corporations	96,646,960	28.4
Kansas Holdings Limited <i>(Note 1)</i>	Interests of controlled corporations	96,646,960	28.4
Kansas Holdings Limited <i>(Note 2)</i>	Beneficial owner	100,909,360	29.7
Goodland Limited <i>(Note 1)</i>	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 100,909,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, at 30 June 2017, 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, 25 August 2017



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 32 which comprises the consolidated statement of financial position of Keck Seng Investments (Hong Kong) Limited (the "Company") as of 30 June 2017 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 2017 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

25 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the six months ended 30 June 2017 – unaudited*

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	3	925,036	957,130
Cost of sales		(95,602)	(90,682)
		829,434	866,448
Other revenue	4(a)	21,564	14,115
Other net losses	4(b)	(14,017)	(14,567)
Direct costs and operating expenses		(374,465)	(373,465)
Marketing and selling expenses		(31,585)	(44,887)
Depreciation		(70,655)	(66,523)
Administrative and other operating expenses		(203,543)	(209,270)
Operating profit		156,733	171,851
Increase/(decrease) in fair value of investment properties	8(a)	24,000	(14,000)
Impairment loss on a hotel property	8(b)	(145,872)	–
		34,861	157,851
Finance costs	5(a)	(23,410)	(16,522)
Share of profits less losses of associates		5,075	5,632
Profit before taxation	5	16,526	146,961
Income tax	6	56,348	(28,274)
Profit for the period		72,874	118,687
Attributable to:			
Equity shareholders of the Company		24,285	81,574
Non-controlling interests		48,589	37,113
Profit for the period		72,874	118,687
Earnings per share, basic and diluted (cents)	7	7.1	24.0

Details of dividends payable to equity shareholders of the Company are set out in note 14(a). The notes on pages 19 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 – unaudited

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period	72,874	118,687
<hr style="border-top: 1px dashed black;"/>		
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries and associates	21,931	20,350
Available-for-sale securities:		
– changes in fair value recognised during the period	339	323
Other comprehensive income for the period	22,270	20,673
<hr style="border-top: 1px dashed black;"/>		
Total comprehensive income for the period	95,144	139,360
<hr/>		
Attributable to:		
Equity shareholders of the Company	40,963	100,414
Non-controlling interests	54,181	38,946
Total comprehensive income for the period	95,144	139,360
<hr/>		

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

The notes on pages 19 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 30 June 2017 – unaudited*

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Non-current assets			
Investment properties		821,000	797,000
Property, plant and equipment		2,374,154	2,512,343
Land		834,908	827,428
		4,030,062	4,136,771
Interest in associates	8	135,492	145,817
Derivative financial assets		3,228	6,501
Available-for-sale securities		4,071	3,732
Deferred tax assets		6,486	6,119
		4,179,339	4,298,940
Current assets			
Trading securities		9,482	9,609
Properties held for sale		280,658	280,658
Inventories		6,058	5,911
Trade and other receivables	9	101,328	95,289
Derivative financial assets		–	26,388
Deposits and cash	10	1,997,156	1,942,549
Taxation recoverable		25,629	–
		2,420,311	2,360,404
Current liabilities			
Bank loans, secured	11	1,707,261	1,706,837
Trade and other payables	12	351,999	336,591
Loan from an associate		464	464
Loans from non-controlling shareholders	13	30,955	30,774
Derivative financial liabilities		1,542	–
Taxation payable		18,347	19,500
		2,110,568	2,094,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**at 30 June 2017 – unaudited*

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Net current assets		309,743	266,238
Total assets less current liabilities		4,489,082	4,565,178
Non-current liabilities			
Bank loans, secured	11	–	25,199
Deferred revenue		6,193	6,557
Loans from non-controlling shareholders	13	86,116	80,858
Deferred tax liabilities		117,066	182,410
		209,375	295,024
NET ASSETS		4,279,707	4,270,154
CAPITAL AND RESERVES	14		
Share capital		498,305	498,305
Reserves		3,112,825	3,112,686
Total equity attributable to equity shareholders of the Company		3,611,130	3,610,991
Non-controlling interests		668,577	659,163
TOTAL EQUITY		4,279,707	4,270,154

The notes on pages 19 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017 – unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Legal reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000			
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 14(a))	-	-	-	-	(40,824)	(40,824)	-	(40,824)	
Dividends paid by the subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(44,767)	(44,767)	
At 30 June 2017	498,305	12,758	18,267	3,480	3,078,320	3,611,130	668,577	4,279,707	
At 1 January 2016	498,305	12,758	11,044	3,128	2,920,544	3,445,779	659,661	4,105,440	
Profit for the period	-	-	-	-	81,574	81,574	37,113	118,687	
Other comprehensive income	-	-	18,517	323	-	18,840	1,833	20,673	
Total comprehensive income for the period	-	-	18,517	323	81,574	100,414	38,946	139,360	
Dividends approved in respect of the previous year (note 14(a))	-	-	-	-	(40,824)	(40,824)	-	(40,824)	
Dividends paid by the subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(47,547)	(47,547)	
At 30 June 2016	498,305	12,758	29,561	3,451	2,961,294	3,505,369	651,060	4,156,429	

The notes on pages 19 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30 June 2017 – unaudited*

		Six months ended 30 June	
		2017	2016
	Note	HK\$'000	HK\$'000
Operating activities			
Cash generated from operations		232,833	199,520
Overseas tax paid		(36,256)	(18,542)
Net cash generated from operating activities		196,577	180,978
Investing activities			
Increase in pledged deposits		–	(9,925)
Decrease/(increase) in bank deposits with original maturity more than three months		11,700	(2,684)
Other cash flows arising from investing activities		(20,713)	(3,831)
Net cash used in investing activities		(9,013)	(16,440)
Financing activities			
Dividends paid to equity shareholders of the Company		(40,824)	(40,824)
Repayment of bank loans		(37,146)	(37,032)
Dividends paid to non-controlling shareholders		(44,767)	(47,547)
Other cash flows arising from financing activities		(20,920)	(16,531)
Net cash used in financing activities		(143,657)	(141,934)
Increase in cash and cash equivalents		43,907	22,604
Cash and cash equivalents at 1 January	10	1,914,759	1,761,410
Effect of foreign exchange rate changes		22,400	14,422
Cash and cash equivalents at 30 June	10	1,981,066	1,798,436

The notes on pages 19 to 32 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 25 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 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 2016 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

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effects on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (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, available-for-sale and trading securities, financial instruments and other treasury operations.

(a) *Segment results, assets and liabilities*

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

Revenue and expenses are allocated to the reportable segments with reference to revenue 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 Segment reporting (continued)

(b) 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 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
For the six months ended 30 June 2016									
Hotel	903,460	-	903,460	(64,003)	-	(16,455)	5,632	(26,143)	113,566
- Vietnam	339,498	-	339,498	(13,611)	-	-	5,034	(16,705)	75,363
- United States	457,219	-	457,219	(39,553)	-	(13,621)	-	(3,487)	22,789
- The People's Republic of China	33,392	-	33,392	(6,231)	-	(2,460)	-	-	(1,961)
- Canada	46,099	-	46,099	(2,869)	-	(374)	598	(2,242)	6,803
- Japan	27,252	-	27,252	(1,739)	-	-	-	(3,709)	10,572
Property - Macau [#]	52,314	802	53,116	(2,477)	-	(8)	-	(2,116)	11,701
Investment and corporate	1,356	-	1,356	(43)	-	(59)	-	(15)	(6,580)
Inter-segment elimination	-	(802)	(802)	-	-	-	-	-	-
Total	957,130	-	957,130	(66,523)	-	(16,522)	5,632	(28,274)	118,687

[#] External revenue from property segment in Macau includes rental income from investment properties of HK\$16,592,000 (2016: HK\$14,993,000), rental income from properties held for sale of HK\$29,012,000 (2016: HK\$29,834,000) and club operations and others of HK\$6,786,000 (2016: HK\$7,487,000).

Contribution to profit from property segment in Macau included the increase in fair value of investment properties of HK\$24,000,000 (2016: decrease of HK\$14,000,000).

3 Segment reporting (continued)

(c) 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 2017				
Hotel				
– Vietnam	403,165	96,709	499,874	7,411
– United States	2,916,095	–	2,916,095	21,660
– The People's Republic of China	216,036	–	216,036	427
– Canada	134,268	34,628	168,896	23,343
– Japan	112,347	–	112,347	292
Property				
– Macau	1,748,257	–	1,748,257	71
Investment and corporate	933,990	4,155	938,145	–
Total	6,464,158	135,492	6,599,650	53,204
At 31 December 2016				
Hotel				
– Vietnam	424,021	114,515	538,536	53,090
– United States	2,884,780	–	2,884,780	31,340
– The People's Republic of China	206,620	–	206,620	1,597
– Canada	126,063	27,171	153,234	13,400
– Japan	108,507	–	108,507	72
Property				
– Macau	1,723,950	–	1,723,950	637
Investment and corporate	1,039,586	4,131	1,043,717	9
Total	6,513,527	145,817	6,659,344	100,145

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 Segment reporting (continued)

(d) Analysis of total liabilities of the Group

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
At 30 June 2017			
Hotel			
– Vietnam	119,619	–	119,619
– United States	141,921	1,680,124	1,822,045
– The People's Republic of China	101,350	–	101,350
– Canada	12,327	27,137	39,464
– Japan	1,965	–	1,965
Property			
– Macau	169,292	–	169,292
Investment and corporate	66,208	–	66,208
Total	612,682	1,707,261	2,319,943
At 31 December 2016			
Hotel			
– Vietnam	134,803	–	134,803
– United States	184,599	1,705,105	1,889,704
– The People's Republic of China	94,142	–	94,142
– Canada	12,461	26,931	39,392
– Japan	2,550	–	2,550
Property			
– Macau	160,769	–	160,769
Investment and corporate	67,830	–	67,830
Total	657,154	1,732,036	2,389,190

4 Other revenue and other net losses

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
(a) Other revenue		
Interest income from bank deposits	14,856	10,595
Dividend income from listed available-for-sale and trading securities	241	278
Other revenue from hotel and club operations	6,467	3,242
	21,564	14,115
(b) Other net losses		
Loss on disposal of property, plant and equipment	(20)	(20)
Net exchange losses	(13,870)	(15,883)
Net unrealised (losses)/gains on trading securities	(127)	1,336
	(14,017)	(14,567)

5 Profit before taxation

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

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
(a) Finance costs		
Interest on bank loans wholly repayable within five years	20,920	14,054
Interest expenses on loans from non controlling shareholders	2,465	2,460
Other interest expenses	25	8
	23,410	16,522
(b) Staff costs		
Salaries, wages and other benefits	281,002	304,491
Contributions to defined contribution retirement plans	2,275	2,372
	283,277	306,863
(c) Other items		
Cost of inventories	35,808	37,729
Rentals receivable from investment properties less direct outgoings of HK\$266,000 (2016: HK\$551,000)	(16,326)	(14,442)
Rentals receivable from properties held for sale and other rental income less direct outgoings of HK\$630,000 (2016: HK\$1,235,000)	(29,563)	(30,346)

6 Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax – Overseas		
Provision for the period	9,476	31,778
Deferred taxation		
Origination and reversal of other temporary differences	(65,824)	(3,504)
	(56,348)	28,274

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 2017 and 30 June 2016.
- (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% (2016: 20%) for the period.
- (d) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2016: 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 2017 and 30 June 2016.
- (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 34% (2016: 34%) and 12.89% (2016: 10.01%) respectively determined by income ranges.
- (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% (2016: 20%) on all gross profit distributions from the subsidiary.
- (g) Provision for Macau, Complementary Tax is calculated at 12% (2016: 12%) of the estimated assessable profits for the six months ended 30 June 2017. Macau Property Tax is calculated at 10% (2016: 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% (2016: 26.5%).
- (i) Share of associates' tax for the six months ended 30 June 2017 of HK\$1,932,000 (2016: HK\$1,779,000) 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 ordinary equity shareholders of the Company of HK\$24,285,000 (2016: HK\$81,574,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2017 and 30 June 2016.

There is no potential dilutive ordinary share during the six months ended 30 June 2017 and 30 June 2016.

8 Investment properties, property, plant and equipment and land

(a) *Fair value measurement of investment properties*

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\$24,000,000 (2016: decrease of HK\$14,000,000) in profit or loss for the six months period ended 30 June 2017.

(b) *Impairment loss on a hotel property*

The value of hotel properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. These indications include continuing adverse changes in the local market conditions in which the hotel operates, particularly when the hotel continues to operate at a loss and when its operating performance is behind budget. The valuations assess the recoverable amount of each hotel property being higher of its fair value less costs of disposal using the market comparison approach and value in use using the income approach.

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, is 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 estimated that the carrying amount of this hotel property at 30 June 2017 exceeded its estimated recoverable amount by HK\$145,872,000. Accordingly, 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. These calculations use cash flow projections based on the latest financial budgets approved by management with estimated average revenue growth rates of 1% to 6% from 2018 to 2021 and 3.7% from 2022 to 2027 and terminal capitalisation rate of 5.05%. The cash flows are discounted using a pre-tax discount rate of 6.75%. These key estimates and assumptions adopted by management are based on past performance and management's expectations for the market development with reference to publicly available market data. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future periods. No impairment loss on a hotel property was recognised at 31 December 2016.

9 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 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one month	30,817	34,813
One to three months	9,392	7,021
Three to twelve months	840	–
	41,049	41,834

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.

10 Deposits and cash

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Deposits with banks and other financial institutions	1,630,127	1,632,820
Cash at bank	367,029	309,729
Cash and cash equivalents in the consolidated statement of financial position	1,997,156	1,942,549
Less: Deposits with original maturity greater than three months	(16,090)	(27,790)
Cash and cash equivalents in the condensed consolidated cash flow statement	1,981,066	1,914,759

11 Bank loans, secured

(a) At 30 June 2017 and 31 December 2016, the secured bank loans were repayable as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one year or on demand	1,707,261	1,706,837
After one year but within two years	–	25,199
	1,707,261	1,732,036

All bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2017, 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 2016: HK\$63,898,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,587,650,000 (31 December 2016: HK\$2,706,970,000).

Such banking facilities amounted to HK\$1,970,918,000 (31 December 2016: HK\$1,993,277,000) and were utilised to the extent of HK\$1,707,261,000 at 30 June 2017 (31 December 2016: HK\$1,732,036,000).

12 Trade and other payables

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one month	37,350	49,594
After one month but within three months	28,847	14,546
After three months	16,713	3,872
	82,910	68,012

13 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\$86,116,000 (31 December 2016: HK\$80,858,000) which are repayable on 30 April 2020 and classified as non-current liabilities.

14 Capital and dividends

(a) Dividends

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

	2017 HK\$'000	2016 HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.03 (2016: HK\$0.03) per share	10,206	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	
	2017 HK\$'000	2016 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 2016: HK\$0.12 per share) per share	40,824	40,824

(b) Share capital

	At 30 June 2017		At 31 December 2016	
	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

15 Fair value measurement of financial instruments**(a) Financial assets and liabilities measured at fair value**

The Group's available-for-sale 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. All derivative financial instruments carried at fair value are categorised as falling under Level 2 of the fair value hierarchy.

The Group's derivative financial instruments are measured by discounting the contractual forward price and deducting the current spot rate. The discounting rate is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread and therefore fall within the Level 2 fair value hierarchy as defined in HKFRS 13.

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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.

(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 2017, was HK\$86,116,000 (31 December 2016: HK\$80,858,000), 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.

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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Contracted for	67,969	87,015
Authorised but not contracted for	150,674	135,108
	218,643	222,123

17 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 2017. Goodland holds 28% of the equity interest in the Company at 30 June 2017. 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.

	Note	Six months ended 30 June 2017 HK\$'000	2016 HK\$'000
(a) Transactions with Goodland			
Rental income receivable	(i)	704	599
Management fee payable	(ii)	1,602	1,602
Interest expense payable	(iv)	30	8
		At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
(b) Balances with Goodland			
Loan from Goodland	(iii)	44,671	41,829
Amount due to Goodland	(iv)	24,574	20,833
(c) Balances with KC Ho			
Loan from KC Ho	(iii)	10,821	10,983
Amounts due to KC Ho	(v)	4,080	4,053

Notes:

- (i) A subsidiary of the Company rented certain of its properties to Goodland and received rental income.
- (ii) Certain subsidiaries of the Company paid management fees to Goodland.
- (iii) At 30 June 2017, loans from non-controlling shareholders (note 13) included (i) loan from Goodland with carrying amount of HK\$44,671,000 (31 December 2016: HK\$41,829,000) and (ii) loan from KC Ho with carrying amount of HK\$10,821,000 (31 December 2016: HK\$10,983,000). The balances were unsecured, interest-free and repayable on 30 April 2020.

17 Material related party transactions *(continued)*

Notes: *(continued)*

- (iv) At 30 June 2017, trade and other payables included amount due to Goodland of HK\$24,574,000 (31 December 2016: HK\$20,833,000) comprising of:
- interest bearing accounts with certain subsidiaries of the Company amounting to HK\$7,836,000 (31 December 2016: HK\$3,523,000). Interest payable by the subsidiaries amounted to HK\$30,000 for the six months ended 30 June 2017 (2016: HK\$8,000).
 - non-interest bearing accounts with certain subsidiaries of the Company amounted to HK\$16,738,000 (31 December 2016: HK\$17,310,000).

The balances are unsecured and repayable on demand.

- (v) As at 30 June 2017, 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.

18 Contingent liabilities

- (a) At 30 June 2017, 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 2016: HK\$8,252,000).
- (b) At 30 June 2017, guarantees of HK\$30,035,000 (C\$5,000,000) (31 December 2016: HK\$28,865,000 (C\$5,000,000)) were given by the Company to a bank to secure banking facilities made available to a subsidiary.

At 30 June 2017, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.