



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

*Stock Code : 184*



**INTERIM REPORT 2019 INTERIM REPORT 2019**

## CORPORATE INFORMATION

### DIRECTORS

HO Kim Swee @ HO Kian Guan

– *Executive Chairman*

HO Cheng Chong @ 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 Eng Chong @ HO Kian Cheong

\*\* CHAN Yau Hing Robin

(retired w.e.f. 6 June 2019)

\*\* KWOK Chi Shun Arthur

\*\* WANG Poey Foon Angela

\*\* YU Hon To David

\*\* Stephen TAN

(appointed w.e.f. 6 June 2019)

HO Chung Kain @ HE Chongjing

(Alternate to HO Chung Hui)

\* HO Chung Kiat Sydney @ HE Chongjie Sydney

(Alternate to HO Kian Cheong)

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

### AUDIT COMMITTEE

YU Hon To David – *Chairman*

KWOK Chi Shun Arthur

WANG Poey Foon Angela

Stephen TAN

### REMUNERATION COMMITTEE

WANG Poey Foon Angela – *Chairman*

KWOK Chi Shun Arthur

YU Hon To David

Stephen TAN

TSE See Fan Paul

YU Yuet Chu Evelyn

### NOMINATION COMMITTEE

KWOK Chi Shun Arthur – *Chairman*

WANG Poey Foon Angela

YU Hon To David

Stephen TAN

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 54, 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](http://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 2019.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was HK\$73,262,000 (HK\$0.215 per share), compared to HK\$91,340,000 (HK\$0.268 per share) for the first six months of 2018.

The Board has declared an interim dividend of HK\$0.035 (2018: HK\$0.04) per share for 2019 payable on Friday, 25 October 2019, to equity shareholders whose names appear on the register of members of the Company on Friday, 11 October 2019.

## REVIEW OF OPERATIONS

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

A summary and analysis of the operations are as follows.

### Macau

Gaming revenue in Macau recorded a year-on-year fall of 0.5% in the first half of 2019 after growing for 29 consecutive months since August 2016. Macau's GDP was MOP 108.3 billion in the first quarter of 2019, down 0.1% y-o-y. Benefited from the opening of the Hong Kong-Zhuhai-Macau Bridge, Macau's total visitor arrivals increased to over 20 million in the first half of 2019, up 20.6% from the previous year. Unemployment remained low at 1.7% whilst median annual income rose to MOP17,000 for Macau residents.

Despite the fall of the gaming revenue in the first half of 2019, the opening of the Hong Kong-Zhuhai-Macau Bridge further stimulated Macau's tourist industry and provided stability to the Macau economy. Property values remained steady but transaction volumes have declined significantly due to the continuing effects of extra stamp duty and weakening investment sentiment globally.

During the first half of 2019, rental revenue from Macau operations increased to HK\$46.0 million, as compared to HK\$43.1 million in the first half of 2018, an increase of 6.7%. This is mainly due to an increase in rental income for residential properties. Occupancy rate for office building units in the property portfolio was close to 100%. Occupancy rate for residential buildings has also been improving, with increase in rental rates upon reversion.

The sale of properties by the Group in Macau was HK\$4.6 million during the period.

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

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

The Chinese economy has been undergoing a period of adjustment in the past year. GDP in the first half in 2019 grew by 6.3%, as compared to a growth rate of 6.8% for the same period in 2018.

### ***Holiday Inn Wuhan Riverside***

During the first half of 2019, room revenue of the hotel slightly increased to RMB16.5 million as compared to RMB16.0 million in the first half of 2018, an increase of 3.1%. However, the food and beverage revenue of the hotel has decreased to RMB8.4 million in the first half of 2019 from RMB9.6 million in the first half of 2018, a reduction of 12.5%.

For the first half of 2019, average room rate was at RMB426 per room night, as compared to RMB418 per room night during the first six months of 2018. Occupancy rate has increased to 70.3% during the first half of 2019, as compared to 69.3% for the first half of 2018.

## **Vietnam**

Vietnam's economy expanded at 6.8% in the first half of 2019, which is approximately the same as in the corresponding period last year. The economy is still highly dependent on the manufacturing and agricultural sectors as the main drivers of economic growth.

During the first six months of 2019, the Group's revenue from Vietnam decreased to HK\$374.7 million, as compared to HK\$392.8 million in the first half of 2018, a decrease of 4.6%. This is mainly due to the renovation program at Sheraton Saigon Hotel and Towers which has resulted in the reduction of rooms available.

### ***Sheraton Saigon Hotel and Towers***

For the first half of 2019, average room rate was at US\$187 per room night, as compared to US\$165 per room night during the first six months of 2018. Occupancy rate has decreased to 64.8% during the first half of 2019, as compared to 74.9% for the first half of 2018.

### ***Caravelle Hotel***

For the first half of 2019, average room rate was at US\$147 per room night, as compared to US\$125 per room night during the first six months of 2018. Occupancy rate has increased to 74.5% during the first half of 2019, as compared to 62.8% for the first half of 2018.

## **Japan**

Japan's GDP in the first half of 2019 is grew by 1.37%, as compared to 1.39% for the first half of 2018.

### ***Best Western Hotel Fino Osaka Shinsaibashi***

The competition in the Osaka lodging market had increased due to a number of new hotels being completed and the increase in private lodging choices. For the first half of 2019, average room rate was at JPY8,894 per room night, as compared to JPY10,041 per room night during the first six months of 2018. Occupancy rate has slightly increased to 89.7% during the first half of 2019, as compared to 89.1% for the first half of 2018.

## **The United States ("US")**

The US economy slowed down slightly in the first half of 2019. GDP in the first half of 2019 grew at an annualised rate of 2.5%, as compared to 3.0% annual growth rate in the first half of 2018. Operating performance of our two hotels was not as robust as in the previous year. This is primarily due to the ongoing renovation program at W San Francisco, which has resulted in the reduction of rooms available, as well as increased competition both in San Francisco and New York, and the continuing impact of Airbnb.

### ***W San Francisco***

For the first half of 2019, average room rate was at US\$381 per room night, as compared to US\$354 per room night during the first six months of 2018. Occupancy rate has decreased to 61.2% during the first half of 2019 due to the renovation project, as compared to 86.0% for the first half of 2018.

### ***Sofitel New York***

For the first half of 2019, average room rate was at US\$325 per room night, as compared to US\$332 per room night during the first six months of 2018. Occupancy rate has increased to 85.8% during the first half of 2019, as compared to 82.6% for the first half of 2018.

## **Canada**

The Canadian economy expanded by 1.3% in the first quarter of 2019, compared to 2.0% growth in the first quarter of 2018.

### ***The Sheraton Ottawa Hotel***

For the first half of 2019, average room rate was at C\$186 per room night, as compared to C\$195 per room night during the first six months of 2018. Occupancy rate has increased to 75.7% during the first half of 2019, as compared to 74.8% for the first half of 2018.

### ***Delta Hotels by Marriott Toronto Airport & Conference Centre***

For the first half of 2019, average room rate was at C\$143 per room night, as compared to C\$138 per room night during the first six months of 2018. Occupancy rate has slightly decreased to 70.4% during the first half of 2019, as compared to 73.7% for the first half of 2018.

## **Other net gains**

Other net gains were at an amount of HK\$17.4 million, as compared to net gains of HK\$2.1 million in the first half of 2018. It was mainly attributable to net unrealised gains on other non-current financial assets for the first half of 2019 which amounted to HK\$25.1 million.

## FINANCIAL REVIEW

The Group's revenue was HK\$916.1 million for the first six months of 2019, a decrease of 7.1% as compared to the corresponding period in 2018. The decrease was primarily due to hotel business has declined. Revenue from hotel operations amounted to HK\$861.6 million, a reduction of 7.9% as compared to HK\$935.2 million in the corresponding period in 2018. The reduction was primarily attributable to the operations of W San Francisco and Sheraton Saigon Hotel and Towers which were under renovation. The Group's operating profit was HK\$151.0 million for the period ended 30 June 2019, as compared to HK\$163.4 million for the corresponding period in 2018.

Profit attributable to equity shareholders was HK\$73.3 million as compared to HK\$91.3 million in the first half year of 2018. This represents a decrease of approximately 20% in profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 as compared to the six months ended 30 June 2018. The decrease in profit of the Group for the six months ended 30 June 2019 was mainly attributable to decrease in hotel business.

## PLEDGE OF ASSETS

As at 30 June 2019, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,761.0 million (31 December 2018: HK\$2,686.9 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

## CONTINGENT LIABILITIES

As at 30 June 2019, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favor of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (31 December 2018: HK\$8,252,000).

As at 30 June 2019, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group has 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

The trade war between US and China continue to contribute an element of uncertainty to the global economy. Continuation and possible escalation of this conflict is likely to result in significant slowdown in trade with consequential negative impact on the level of commercial activity. Worldwide and regional tourism growth is also likely to be more subdued. Economic growth on a global basis will be negatively affected.

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

## PERSONNEL AND RETIREMENT SCHEMES

As at 30 June 2019, the Group had approximately 1,856 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 and 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 2019, 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 formalise functions reserved to the Board and those delegated to management and did not conduct review periodically;

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

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has not appointed a Chief Executive Officer, since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the Executive Directors. In respect of the management of the Board, the role was undertaken by Mr. HO Kian Guan, Executive Chairman of the Company. The Board is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

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

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Board of the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries of all Directors who have confirmed compliance with the required standards set out in the Model Code during the period under review.

## **AUDIT COMMITTEE**

The Audit Committee presently comprises four Independent Non-executive Directors. The Audit Committee meets with the Group's senior management and internal auditors regularly to review the effectiveness of the internal control system and the interim and annual reports, including the Group's unaudited consolidated financial statements for the six months ended 30 June 2019.



## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## BOOK CLOSE

The register of members will be closed from Wednesday, 9 October 2019 to Friday, 11 October 2019, 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 and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 October 2019 (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 2019.

## 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:

<b>Name of Director</b>	<b>Details of changes</b>
Mr. TSE See Fan Paul	Mr. Tse has been appointed as a director of Macau Urban Renewal Limited with effect from 30 May 2019.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The Directors of the Company who held office as at 30 June 2019 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 Stock Exchange pursuant to the Model Code:

### Number of ordinary shares (unless otherwise specified)

#### Long Positions:

Name of Company	Name of Directors	Personal Interests <sup>(1)</sup>	Corporate Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Limited	HO Kian Guan	486,480	197,806,320 <sup>(2)</sup>	198,292,800	58.29
	HO Kian Hock	20,480	197,806,320 <sup>(2)</sup>	197,826,800	58.15
	HO Kian Cheong	55,160,480	–	55,160,480	16.21
	TSE See Fan Paul	288,720	–	288,720	0.08
Lam Ho Investments Pte Ltd	HO Kian Guan	–	32,410,774 <sup>(3)</sup>	32,410,774	99.70
	HO Kian Hock	–	32,410,774 <sup>(3)</sup>	32,410,774	99.70
	HO Kian Cheong	96,525	–	96,525	0.30
Shun Seng International Limited	HO Kian Guan	–	83,052 <sup>(4)</sup>	83,052	83.05
	HO Kian Hock	–	83,052 <sup>(4)</sup>	83,052	83.05
	HO Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel Company Limited – paid in registered capital in US\$	HO Kian Guan	–	13,163,880 <sup>(5)</sup>	13,163,880	80.76
	HO Kian Hock	–	13,163,880 <sup>(5)</sup>	13,163,880	80.76
	HO Kian Cheong	1,017,120	–	1,017,120	6.24
	KWOK Chi Shun Arthur	–	489,000 <sup>(6)</sup>	489,000	3.00
Golden Crown Development Limited – common shares	HO Kian Guan	–	56,675,000 <sup>(7)</sup>	56,675,000	80.96
	HO Kian Hock	–	56,675,000 <sup>(7)</sup>	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 Company Limited	HO Kian Guan	–	100,000 <sup>(8)</sup>	100,000	100.00
	HO Kian Hock	–	100,000 <sup>(8)</sup>	100,000	100.00
Shun Cheong International Limited	HO Kian Guan	–	4,305 <sup>(9)</sup>	4,305	43.05
	HO Kian Hock	–	4,305 <sup>(9)</sup>	4,305	43.05
	HO Kian Cheong	195	–	195	1.95
	KWOK Chi Shun Arthur	–	5,500 <sup>(10)</sup>	5,500	55.00
KSF Enterprises Sdn Bhd – ordinary shares	HO Kian Guan	–	28,405,000 <sup>(11)</sup>	28,405,000	100.00
	HO Kian Hock	–	28,405,000 <sup>(11)</sup>	28,405,000	100.00
KSF Enterprises Sdn Bhd – preferred shares	HO Kian Guan	–	24,000,000 <sup>(12)</sup>	24,000,000	100.00
	HO Kian Hock	–	24,000,000 <sup>(12)</sup>	24,000,000	100.00
Chateau Ottawa Hotel Inc. – common shares	HO Kian Guan	–	4,950,000 <sup>(13)</sup>	4,950,000	55.00
	HO Kian Hock	–	4,950,000 <sup>(13)</sup>	4,950,000	55.00
Chateau Ottawa Hotel Inc. – preferred shares	HO Kian Guan	–	1,485,000 <sup>(14)</sup>	1,485,000	55.00
	HO Kian Hock	–	1,485,000 <sup>(14)</sup>	1,485,000	55.00

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

Notes:

- (1) This represents interests held by the relevant Directors as beneficial owners.
- (2) This represents 101,159,360 shares (29.74%) held by Kansas Holdings Limited and 96,646,960 shares (28.41%) held by Goodland Limited, in which companies each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (3) This represents 29,776,951 shares (91.60%) indirectly held by the Company and 2,633,823 shares (8.10%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (4) 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.
- (5) This represents US\$8,965,000 (55.00%) 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.
- (6) This represents interests held by AKA Project Management International Limited which was wholly owned by KWOK Chi Shun Arthur.
- (7) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (8) This represents 1 quota of Ptc99,000 (99.00%) indirectly held by the Company and 1 quota of Ptc1,000 (1.00%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (9) 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.
- (10) This represents interests held by Ample Star Enterprise Limited in which KWOK Chi Shun Arthur had a controlling interest.
- (11) This represents 7,101,250 ordinary shares (25.00%) directly held by the Company, 7,101,249 ordinary shares (25.00%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly and 14,202,501 ordinary shares (50.00%) held by Keck Seng (Malaysia) Berhad in which each of HO Kian Guan and HO Kian Hock was a substantial shareholder and a director.
- (12) This represents 6,000,000 preferred shares (25.00%) directly held by the Company, 6,000,000 preferred shares (25.00%) 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 (50.00%) held by Keck Seng (Malaysia) Berhad in which each of HO Kian Guan and HO Kian Hock was a substantial shareholder and a director.
- (13) This represents 4,500,000 common shares (50.00%) indirectly held by the Company and 450,000 common shares (5.00%) held by Allied Pacific Investments Inc. in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (14) This represents 1,350,000 preferred shares (50.00%) indirectly held by the Company and 135,000 preferred shares (5.00%) 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, as at 30 June 2019, 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 Stock Exchange pursuant to the Model Code.

**SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES**

As at 30 June 2019, 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:*

<b>Name</b>	<b>Capacity in which shares were held</b>	<b>Number of ordinary shares held</b>	<b>% of total issued share capital of the Company</b>
KS Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,806,320	58.14
Pad Inc. (Note 1)	Interests of controlled corporations	96,646,960	28.41
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.41
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.41
Kansas Holdings Limited (Note 2)	Beneficial owner	101,159,360	29.74
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.41

## Notes:

- (1) KS 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) KS Ocean Inc. had deemed interests in the same 101,159,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, as at 30 June 2019, 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, 26 August 2019



## **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 36 which comprises the consolidated statement of financial position of Keck Seng Investments (Hong Kong) Limited (the "Company") as of 30 June 2019 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 2019 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

26 August 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	3	<b>916,123</b>	986,448
Cost of sales		<b>(99,371)</b>	(106,786)
		<b>816,752</b>	879,662
Other revenue	4(a)	<b>39,508</b>	26,265
Other net gains	4(b)	<b>17,447</b>	2,125
Direct costs and operating expenses		<b>(399,802)</b>	(422,284)
Marketing and selling expenses		<b>(30,919)</b>	(32,912)
Depreciation		<b>(79,027)</b>	(75,198)
Administrative and other operating expenses		<b>(212,914)</b>	(214,213)
<b>Operating profit</b>		<b>151,045</b>	163,445
Net increase in fair value of investment properties	8	<b>12,400</b>	19,500
		<b>163,445</b>	182,945
Finance costs	5(a)	<b>(30,890)</b>	(25,288)
Share of profits less losses of associates		<b>2,630</b>	6,886
<b>Profit before taxation</b>	5	<b>135,185</b>	164,543
Income tax	6	<b>(12,476)</b>	(21,623)
<b>Profit for the period</b>		<b>122,709</b>	142,920
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>73,262</b>	91,340
Non-controlling interests		<b>49,447</b>	51,580
<b>Profit for the period</b>		<b>122,709</b>	142,920
<b>Earnings per share, basic and diluted (cents)</b>	7	<b>21.5</b>	26.8

Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

The notes on pages 19 to 36 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>122,709</b>	142,920
<hr style="border-top: 1px dashed black;"/>		
<b>Other comprehensive income for the period</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<b>(16)</b>	(122)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of: – financial statements of overseas subsidiaries and associates	<b>(526)</b>	(4,974)
<b>Other comprehensive income for the period</b>	<b>(542)</b>	(5,096)
<hr style="border-top: 1px dashed black;"/>		
<b>Total comprehensive income for the period</b>	<b>122,167</b>	137,824
<hr/>		
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>71,282</b>	93,025
Non-controlling interests	<b>50,885</b>	44,799
<b>Total comprehensive income for the period</b>	<b>122,167</b>	137,824
<hr/>		

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

The notes on pages 19 to 36 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2019 – unaudited*

	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
<b>Non-current assets</b>			
Investment properties	8	<b>847,100</b>	834,700
Property, plant and equipment		<b>2,482,905</b>	2,376,187
Land		<b>829,627</b>	831,326
		<b>4,159,632</b>	4,042,213
Interest in associates		<b>117,946</b>	114,587
Derivative financial assets		<b>820</b>	5,267
Other non-current financial assets	9	<b>246,511</b>	223,295
Deferred tax assets		<b>26,214</b>	8,350
		<b>4,551,123</b>	4,393,712
<b>Current assets</b>			
Trading securities		<b>10,684</b>	8,940
Properties held for sale		<b>279,987</b>	280,040
Inventories		<b>5,358</b>	5,744
Trade and other receivables	10	<b>99,055</b>	91,825
Deposits and cash	11	<b>1,914,827</b>	1,821,089
Taxation recoverable		<b>2,029</b>	2,452
		<b>2,311,940</b>	2,210,090
<b>Current liabilities</b>			
Bank loans	12	<b>352,521</b>	144,689
Trade and other payables	13	<b>447,856</b>	398,007
Loan from an associate		<b>464</b>	464
Loans from non-controlling shareholders	14	<b>112,303</b>	27,855
Taxation payable		<b>52,625</b>	19,630
		<b>965,769</b>	590,645



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**At 30 June 2019 – unaudited*

	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
<b>Net current assets</b>		<b>1,346,171</b>	1,619,445
<b>Total assets less current liabilities</b>		<b>5,897,294</b>	6,013,157
<b>Non-current liabilities</b>			
Bank loans	12	<b>1,357,958</b>	1,410,122
Deferred revenue		<b>5,063</b>	5,436
Loans from non-controlling shareholders	14	–	82,055
Deferred tax liabilities		<b>95,474</b>	95,328
		<b>1,458,495</b>	1,592,941
<b>NET ASSETS</b>		<b>4,438,799</b>	4,420,216
<b>CAPITAL AND RESERVES</b>	15		
Share capital		<b>498,305</b>	498,305
Reserves		<b>3,282,441</b>	3,251,983
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,780,746</b>	3,750,288
Non-controlling interests		<b>658,053</b>	669,928
<b>TOTAL EQUITY</b>		<b>4,438,799</b>	4,420,216

The notes on pages 19 to 36 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company							
	Share capital HK\$'000	Legal reserve HK\$'000	Exchange reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
<b>Balance at 1 January 2019</b>	498,305	12,758	9,595	3,605	3,226,025	3,750,288	669,928	4,420,216
Profit for the period	-	-	-	-	73,262	73,262	49,447	122,709
Other comprehensive income	-	-	(1,964)	(16)	-	(1,980)	1,438	(542)
Total comprehensive income for the period	-	-	(1,964)	(16)	73,262	71,282	50,885	122,167
Transfer from retained profits to legal reserve	-	6,311	-	-	(6,311)	-	-	-
Dividends approved in respect of the previous year (note 15(a))	-	-	-	-	(40,824)	(40,824)	-	(40,824)
Dividends paid by the subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(62,760)	(62,760)
<b>Balance at 30 June 2019</b>	498,305	19,069	7,631	3,589	3,252,152	3,780,746	658,053	4,438,799
<b>Balance at 1 January 2018</b>	498,305	12,758	20,856	3,754	3,174,834	3,710,507	678,571	4,389,078
Profit for the period	-	-	-	-	91,340	91,340	51,580	142,920
Other comprehensive income	-	-	1,807	(122)	-	1,685	(6,781)	(5,096)
Total comprehensive income for the period	-	-	1,807	(122)	91,340	93,025	44,799	137,824
Dividends approved in respect of the previous year (note 15(a))	-	-	-	-	(40,824)	(40,824)	-	(40,824)
Dividends paid by the subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(62,894)	(62,894)
Acquisition of non-controlling interests (note 15(c)(iii))	-	-	-	-	(90,956)	(90,956)	(5,976)	(96,932)
<b>Balance at 30 June 2018</b>	498,305	12,758	22,663	3,632	3,134,394	3,671,752	654,500	4,326,252

The notes on pages 19 to 36 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2019 – unaudited*

	Note	Six months ended 30 June 2019 HK\$'000	2018 HK\$'000
<b>Operating activities</b>			
Cash generated from operations		<b>191,002</b>	201,290
Overseas tax refunded/(paid)		<b>3,285</b>	(33,499)
<b>Net cash generated from operating activities</b>		<b>194,287</b>	167,791
<b>Investing activities</b>			
Increase in bank deposits with original maturity more than three months		<b>(240,839)</b>	(5,104)
Interest received		<b>23,103</b>	16,419
Dividends received from associates		–	19,220
Dividends received from securities		<b>5,059</b>	267
Payment for the purchase of property, plant and equipment		<b>(194,347)</b>	(83,724)
Proceeds from sale of property, plant and equipment		<b>438</b>	17,956
Payment for purchase of other non-current financial assets		–	(230,241)
Payment for acquisition of non-controlling interests		–	(96,932)
<b>Net cash used in investing activities</b>		<b>(406,586)</b>	(362,139)
<b>Financing activities</b>			
Dividends paid to equity shareholders of the Company		–	(40,824)
Proceeds from new bank loans		<b>192,625</b>	29,423
Repayment of bank loans		<b>(33,237)</b>	(33,371)
Interest paid		<b>(28,300)</b>	(22,701)
Dividends paid to non-controlling shareholders		<b>(62,760)</b>	(62,894)
<b>Net cash generated from/(used in) financing activities</b>		<b>68,328</b>	(130,367)
<b>Decrease in cash and cash equivalents</b>		<b>(143,971)</b>	(324,715)
<b>Cash and cash equivalents at 1 January</b>	11	<b>1,802,056</b>	1,956,684
<b>Effect of foreign exchange rate changes</b>		<b>(3,130)</b>	4,912
<b>Cash and cash equivalents at 30 June</b>	11	<b>1,654,955</b>	1,636,881

The notes on pages 19 to 36 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 issue on 26 August 2019.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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”).

This 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 2018 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 2018 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 a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Further details of the impact are summarised below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

### ***As a lessee***

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

On transition to HKFRS 16, the Group has assessed the amount of the right-of-use assets and lease liabilities as at 1 January 2019 to be insignificant, and therefore there was no impact on the opening balance of equity.

### ***As a lessor***

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

## 3 Revenue and segment reporting

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

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

### 3 Revenue and segment reporting *(continued)*

#### *(a) Revenue*

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Hotel and club operations	<b>861,560</b>	935,164
Proceeds from sales of properties	<b>4,580</b>	4,750
Rental income	<b>46,861</b>	43,116
Management fee income	<b>3,122</b>	3,418
	<b>916,123</b>	986,448

#### *(b) Segment results, assets and liabilities*

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

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

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

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

## 3 Revenue and segment reporting (continued)

## (c) Analysis of segment results of the Group

	Revenue HK\$'000	Inter- segment revenue HK\$'000	Total HK\$'000	Depreciation 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 2019								
Hotel	857,787	-	857,787	(76,604)	(30,761)	2,630	(2,368)	47,465
- Vietnam	374,665	-	374,665	(19,987)	-	418	(19,386)	72,943
- United States	386,034	-	386,034	(44,750)	(27,884)	-	20,445	(38,121)
- The People's Republic of China	32,736	-	32,736	(5,104)	(2,470)	-	-	(100)
- Canada	45,078	-	45,078	(4,911)	(407)	2,212	(2,011)	7,788
- Japan	19,274	-	19,274	(1,852)	-	-	(1,416)	4,955
Property								
- Macau <sup>#</sup>	56,895	1,453	58,348	(2,376)	(129)	-	(5,587)	46,859
Investment and corporate	1,441	-	1,441	(47)	-	-	(4,521)	28,385
Inter-segment elimination	-	(1,453)	(1,453)	-	-	-	-	-
Total	916,123	-	916,123	(79,027)	(30,890)	2,630	(12,476)	122,709

	Revenue HK\$'000	Inter- segment revenue HK\$'000	Total HK\$'000	Depreciation HK\$'000	Finance costs HK\$'000	Share of profits less losses of associates HK\$'000	Income tax HK\$'000	Contribution to profit HK\$'000
For the six months ended 30 June 2018								
Hotel	930,981	-	930,981	(72,737)	(25,220)	6,886	(14,266)	94,853
- Vietnam	392,789	-	392,789	(21,099)	-	6,767	(21,351)	87,807
- United States	431,994	-	431,994	(39,138)	(22,302)	-	8,316	(8,432)
- The People's Republic of China	35,064	-	35,064	(6,056)	(2,520)	-	-	(1,703)
- Canada	49,252	-	49,252	(4,999)	(398)	119	(2,127)	6,020
- Japan	21,882	-	21,882	(1,445)	-	-	896	11,161
Property								
- Macau <sup>#</sup>	53,891	1,060	54,951	(2,419)	(68)	-	(6,953)	49,453
Investment and corporate	1,576	-	1,576	(42)	-	-	(404)	(1,386)
Inter-segment elimination	-	(1,060)	(1,060)	-	-	-	-	-
Total	986,448	-	986,448	(75,198)	(25,288)	6,886	(21,623)	142,920

<sup>#</sup> Revenue from property segment in Macau included sale of properties of HK\$4,580,000 (2018: HK\$4,750,000), rental income from investment properties of HK\$13,715,000 (2018: HK\$13,549,000), rental income from properties held for sale of HK\$32,278,000 (2018: HK\$28,622,000) and club operations and others of HK\$6,322,000 (2018: HK\$6,970,000).

Contribution to profit from property segment in Macau included the increase in fair value of investment properties of HK\$12,400,000 (2018: HK\$19,500,000).

### 3 Revenue and segment reporting (continued)

#### (d) Analysis of total assets of the Group

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>At 30 June 2019</b>				
Hotel				
– Vietnam	444,932	79,073	524,005	68,151
– United States	2,771,681	–	2,771,681	119,078
– The People's Republic of China	184,248	–	184,248	880
– Canada	147,751	34,690	182,441	6,015
– Japan	108,645	–	108,645	–
Property				
– Macau	1,874,837	–	1,874,837	217
Investment and corporate	1,213,023	4,183	1,217,206	6
<b>Total</b>	<b>6,745,117</b>	<b>117,946</b>	<b>6,863,063</b>	<b>194,347</b>
	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>At 31 December 2018</b>				
Hotel				
– Vietnam	434,420	78,655	513,075	50,646
– United States	2,698,833	–	2,698,833	133,996
– The People's Republic of China	180,583	–	180,583	2,452
– Canada	137,003	31,740	168,743	4,027
– Japan	120,430	–	120,430	645
Property				
– Macau	1,845,833	–	1,845,833	306
Investment and corporate	1,072,113	4,192	1,076,305	41
<b>Total</b>	<b>6,489,215</b>	<b>114,587</b>	<b>6,603,802</b>	<b>192,113</b>

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



## 3 Revenue and segment reporting (continued)

## (e) Analysis of total liabilities of the Group

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
<b>At 30 June 2019</b>			
Hotel			
– Vietnam	159,922	86,296	246,218
– United States	140,261	1,600,862	1,741,123
– The People's Republic of China	100,151	–	100,151
– Canada	11,114	23,321	34,435
– Japan	2,874	–	2,874
Property			
– Macau	187,343	–	187,343
Investment and corporate	112,120	–	112,120
<b>Total</b>	<b>713,785</b>	<b>1,710,479</b>	<b>2,424,264</b>
	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
<b>At 31 December 2018</b>			
Hotel			
– Vietnam	138,752	51,274	190,026
– United States	133,056	1,480,232	1,613,288
– The People's Republic of China	95,643	–	95,643
– Canada	9,895	23,305	33,200
– Japan	2,302	–	2,302
Property			
– Macau	180,913	–	180,913
Investment and corporate	68,214	–	68,214
<b>Total</b>	<b>628,775</b>	<b>1,554,811</b>	<b>2,183,586</b>

## 4 Other revenue and other net gains

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<b>(a) Other revenue</b>		
Interest income from bank deposits	<b>23,103</b>	16,419
Dividend income from securities	<b>5,059</b>	267
Other revenue from hotel and club operations	<b>11,346</b>	9,579
	<b>39,508</b>	26,265
<b>(b) Other net gains</b>		
Net exchange (losses)/gains	<b>(2,604)</b>	2,050
Net unrealised (losses)/gains on derivative financial instruments	<b>(4,450)</b>	1,158
Net unrealised gains on other non-current financial assets	<b>25,066</b>	–
Net unrealised gains/(losses) on trading securities	<b>1,744</b>	(214)
Loss on disposal of property, plant and equipment	<b>(2,309)</b>	(869)
	<b>17,447</b>	2,125

**5 Profit before taxation**

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank loans wholly repayable within five years	<b>28,301</b>	22,700
Interest expenses on loans from non-controlling shareholders	<b>2,470</b>	2,520
Other interest expenses	<b>119</b>	68
	<b>30,890</b>	25,288
<b>(b) Staff costs</b>		
Salaries, wages and other benefits	<b>302,947</b>	305,001
Contributions to defined contribution retirement plans	<b>4,839</b>	4,581
	<b>307,786</b>	309,582
<b>(c) Other items</b>		
Cost of inventories	<b>34,895</b>	38,073
Rentals receivable from properties less direct outgoings of HK\$1,262,000 (2018: HK\$1,413,000)	<b>(45,599)</b>	(41,703)

## 6 Income tax

Taxation in the consolidated statement of profit or loss represents:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax – Overseas</b>		
Provision for the period	<b>30,006</b>	32,873
<b>Deferred taxation</b>		
Origination and reversal of other temporary differences	<b>(17,530)</b>	(11,250)
	<b>12,476</b>	21,623

Notes:

- (i) 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 2019 and 30 June 2018.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2018: 20%) for the six months ended 30 June 2019 and 30 June 2018.
- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2018: 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 for the six months ended 30 June 2019 and 30 June 2018.
- (v) Pursuant to the income tax rules and regulations of the United States, the applicable Federal and State Income Tax in respect of the subsidiaries operating in the United States are calculated at a rate of 21% (2018: 21%) and 12.64% (2018: 12.64%) respectively for the six months ended 30 June 2019.
- (vi) Under the Japanese domestic law, the subsidiary established in Japan under the Tokumei-Kumiai arrangement is subject to Japanese withholding tax at the rate of 20.42% (2018: 20.42%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau, Complementary Tax is calculated at 12% (2018: 12%) of the estimated assessable profits for the six months ended 30 June 2019. Macau Property Tax is calculated at 8% (2018: 10%) of the assessable rental income in Macau.
- (viii) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2018: 26.5%).
- (ix) Share of associates' tax for the six months ended 30 June 2019 of HK\$421,000 (2018: HK\$1,840,000) is included in the share of profits less losses of associates.

## 7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$73,262,000 (2018: HK\$91,340,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2019 and 30 June 2018.

There is no potential dilutive ordinary share during the six months ended 30 June 2019 and 30 June 2018.

## 8 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\$12,400,000 (2018: HK\$19,500,000) in profit or loss for the six months period ended 30 June 2019.

## 9 Other non-current financial assets

	Note	<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
<b>Equity securities designated at FVOCI (non-recycling)</b>			
– Listed outside Hong Kong		<b>4,180</b>	4,196
<b>Financial assets measured at FVPL</b>			
– Unlisted securities	(i)	<b>242,331</b>	219,099
		<b>246,511</b>	223,295

Note:

- (i) In May 2018, the Group purchased 10.87% interest of A2I Holdings S.A.R.L. at a cash consideration of EUR 25 million (equivalent to HK\$230 million). A2I Holdings S.A.R.L. is a private limited liability company incorporated in Luxembourg which owns 6.39% equity shares of AccorInvest Group S.A..

## 10 Trade and other receivables

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

	<b>At 30 June 2019 HK\$'000</b>	At 31 December 2018 HK\$'000
Within one month	<b>23,762</b>	26,496
One to three months	<b>13,968</b>	12,201
Three to twelve months	<b>1,594</b>	227
	<b>39,324</b>	38,924

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

## 11 Deposits and cash

	<b>At 30 June 2019 HK\$'000</b>	At 31 December 2018 HK\$'000
Deposits with banks and other financial institutions	<b>1,693,187</b>	1,580,525
Cash at bank	<b>221,640</b>	240,564
Deposits and cash in the consolidated statement of financial position	<b>1,914,827</b>	1,821,089
Less: Deposits with original maturity more than three months	<b>(259,872)</b>	(19,033)
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>1,654,955</b>	1,802,056

**12 Bank loans**

- (a) At 30 June 2019 and 31 December 2018, the bank loans were repayable as follows:

	<b>At 30 June 2019 HK\$'000</b>	At 31 December 2018 HK\$'000
Within 1 year or on demand	<b>352,521</b>	144,689
After 1 year but within 2 years	<b>1,305,671</b>	1,363,499
After 2 years but within 5 years	<b>52,287</b>	46,623
	<b>1,357,958</b>	1,410,122
	<b>1,710,479</b>	1,554,811

At 30 June 2019 and 31 December 2018, the bank loans were secured and unsecured as follows:

	<b>At 30 June 2019 HK\$'000</b>	At 31 December 2018 HK\$'000
Bank loans		
– Secured (note 12(b))	<b>1,624,183</b>	1,503,537
– Unsecured	<b>86,296</b>	51,274
	<b>1,710,479</b>	1,554,811

At 30 June 2019 and 31 December 2018, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

- (b) At 30 June 2019, 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 2018: HK\$63,898,000); and
  - (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,697,151,000 (31 December 2018: HK\$2,623,048,000).

Such banking facilities amounted to HK\$1,709,263,000 (31 December 2018: HK\$1,588,624,000) and were utilised to the extent of HK\$1,624,183,000 as at 30 June 2019 (31 December 2018: HK\$1,503,537,000).

- (c) As at 30 June 2019, the covenant ratio of a subsidiary deviated from the requirement as stated in the relevant loan agreement. Management has obtained a waiver from the bank to waive the breach in the relevant covenant ratio prior to the end of the interim period.

### 13 Trade and other payables

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within one month or on demand	53,441	69,835
One to three months	47,054	31,409
More than three months	560	8,063
	<b>101,055</b>	109,307

### 14 Loans from non-controlling shareholders

Loans from non-controlling shareholders are unsecured, interest-free and repayable on demand except for amounts of HK\$84,500,000 (31 December 2018: HK\$82,055,000) which are repayable on 30 April 2020.

### 15 Capital, reserves and dividends

#### (a) Dividends

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

	Six months ended 30 June 2019 HK\$'000	2018 HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.035 (2018: HK\$0.04) per ordinary share	<b>11,907</b>	13,608

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 payable/paid during the interim period*

	Six months ended 30 June 2019 HK\$'000	2018 HK\$'000
Final dividend in respect of the previous financial year, approved and payable/paid during the following interim period, of HK\$0.12 (six months ended 30 June 2018: HK\$0.12 per ordinary share) per ordinary share	<b>40,824</b>	40,824



**15 Capital, reserves and dividends** *(continued)***(b) Share capital**

	At 30 June 2019		At 31 December 2018	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and at 30 June/31 December	<b>340,200</b>	<b>498,305</b>	340,200	498,305

**(c) Reserves***(i) Fair value reserve (non-recycling)*

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

*(ii) Acquisition of non-controlling interests*

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

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

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

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

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

16 Fair value measurement of financial instruments (continued)

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity to changes in significant unobservable inputs
Unlisted securities	Adjusted net asset value	Underlying assets' value	N/A	The estimated fair value would increase if the underlying assets' value is higher; or the discount for marketability is lower.
		Discount for marketability	15% to 25%	
	(2018: Market approach)	(2018: N/A)		

The fair value of unlisted securities is determined using adjusted net asset value, which is positively correlated to the underlying assets' values and negatively correlated to the discount for marketability. The following table indicates instantaneous changes in the Group's profit if there is an increase/decrease in these two significant unobservable inputs, assuming all other variables remain constant.

Significant unobservable inputs	Increase/ (decrease) in significant unobservable inputs %	Effect on the Group's profit HK\$'000
Underlying assets' value	5	12,117
	(5)	(12,117)
Discount for marketability	1	(2,906)
	(1)	2,906

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

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

	<b>At 30 June 2019 HK\$'000</b>	At 30 June 2018 HK\$'000
<i>Financial assets measured at FVPL:</i>		
<i>– Unlisted securities:</i>		
At 1 January	<b>219,099</b>	–
Payment for purchase	–	230,241
Changes in fair value recognised in profit or loss	<b>25,066</b>	–
Unrealised exchange loss	<b>(1,834)</b>	–
At 30 June	<b>242,331</b>	230,241

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

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 30 June 2019.

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

	<b>At 30 June 2019 HK\$'000</b>	At 31 December 2018 HK\$'000
Contracted for	<b>133,770</b>	252,073
Authorised but not contracted for	<b>95,836</b>	34,397
	<b>229,606</b>	286,470

## 18 Material related party transactions

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

KC Ho is a Non-executive Director and a substantial shareholder of the Company at 30 June 2019. Goodland holds 28% of the equity interest in the Company at 30 June 2019. Mr. HO Kian Guan and Mr. 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	<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
		<b>HK\$'000</b>	HK\$'000
<b>(a) Transactions with Goodland</b>			
Rental income receivable	(i)	<b>821</b>	821
Management fee payable	(ii)	<b>1,650</b>	1,602
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2019</b>	2018
		<b>HK\$'000</b>	HK\$'000
<b>(b) Balances with Goodland</b>			
Loan from Goodland	(iii)	<b>43,852</b>	42,557
Amount due to Goodland	(iv)	<b>28,307</b>	25,854
<b>(c) Balances with KC Ho</b>			
Loan from KC Ho	(iii)	<b>10,622</b>	10,309
Amounts due to KC Ho	(iii)	<b>3,719</b>	3,724

## 18 Material related party transactions *(continued)*

Notes:

- (i) A subsidiary of the Company rented certain of its properties to Goodland and received rental income.
- (ii) Certain subsidiaries of the Company paid management fees to Goodland.
- (iii) Loan from Goodland of HK\$43,852,000 (31 December 2018: HK\$42,557,000) and loan from KC Ho of HK\$10,622,000 (31 December 2018: HK\$10,309,000) were unsecured, interest-free and repayable on 30 April 2020. Amount due to KC Ho of HK\$3,719,000 (31 December 2018: HK\$3,724,000) is interest-free, unsecured and repayable on demand.

The above three items are included in loans from non-controlling shareholders (note 14).

- (iv) At 30 June 2019, trade and other payables included amount due to Goodland of HK\$28,307,000 (31 December 2018: HK\$25,854,000) comprising:
  - interest-bearing accounts with certain subsidiaries of the Company amounting to HK\$13,170,000 (31 December 2018: HK\$10,092,000).
  - non-interest bearing accounts with certain subsidiaries of the Company amounted to HK\$15,137,000 (31 December 2018: HK\$15,762,000).

The balances are unsecured and repayable on demand.

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

## 19 Contingent liabilities

At 30 June 2019, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau Special Administrative Region Government in respect of properties held for sale amounted to HK\$8,252,000 (31 December 2018: HK\$8,252,000).

At 30 June 2019, the directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group has 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.