



KECK SENG

INVESTMENTS (HONG KONG) LIMITED

INTERIM REPORT
2003

INTERIM RESULTS

The Directors of Keck Seng Investments (Hong Kong) Limited (the "Company") hereby announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003, together with the comparative figures for the corresponding period in 2002. The interim results have not been audited, but have been reviewed by both the Company's Audit Committee and the Company's auditors, KPMG. The independent review report of the auditors is attached.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

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

The notes on pages 5 to 13 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Six months ended 30 June | |
|--|---------------------------------|-----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Shareholders' equity at 1 January | 1,303,924 | 1,281,026 |
| (Deficit)/surplus on revaluation of non-trading investments | (36) | 144 |
| Exchange differences on translation of the financial statements of foreign entities | 8,567 | (201) |
| Net gains/(losses) not recognised in the consolidated income statement | 8,531 | (57) |
| Net (loss)/profit for the period | (4,728) | 21,431 |
| Shareholders' equity at 30 June | 1,307,727 | 1,302,400 |

The notes on pages 5 to 13 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

| | | 30 June 2003 (Unaudited) | | 31 December 2002 (Audited) | |
|--|-------|--------------------------------|------------------|----------------------------------|------------------|
| | Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Non-current assets | | | | | |
| Fixed assets | 8 | | | | |
| – Investment properties | | | 143,800 | | 143,800 |
| – Other properties and fixed assets | | | 1,037,875 | | 1,017,946 |
| | | | <u>1,181,675</u> | | <u>1,161,746</u> |
| Interest in associates | | | 347,925 | | 358,301 |
| Non-trading investments | | | 744 | | 780 |
| | | | <u>1,530,344</u> | | <u>1,520,827</u> |
| Current assets | | | | | |
| Properties under development | | 188,071 | | 165,841 | |
| Properties held for sale | | 260,061 | | 268,169 | |
| Inventories | | 1,158 | | 2,011 | |
| Trade and other receivables | 9 | 30,882 | | 33,477 | |
| Cash and cash equivalents | | 130,590 | | 162,312 | |
| | | <u>610,762</u> | | <u>631,810</u> | |
| Current liabilities | | | | | |
| Bank overdrafts | | – | | 41 | |
| Bank loans | | 136,933 | | 141,160 | |
| Trade and other payables | 10 | 56,154 | | 57,486 | |
| Amounts due to an affiliated company | 15(a) | 88,147 | | 114,204 | |
| Loans from associates | | 1,364 | | 1,364 | |
| Taxation | | 38,911 | | 31,789 | |
| | | <u>321,509</u> | | <u>346,044</u> | |
| Net current assets | | | <u>289,253</u> | | <u>285,766</u> |
| Total assets less current liabilities | | | <u>1,819,597</u> | | <u>1,806,593</u> |
| Non-current liabilities | | | | | |
| Bank loans | | 148,308 | | 129,194 | |
| Loans from minority shareholders | | 191,504 | | 182,478 | |
| | | | <u>(339,812)</u> | | <u>(311,672)</u> |
| Minority interests | | | <u>(172,058)</u> | | <u>(190,997)</u> |
| NET ASSETS | | | <u>1,307,727</u> | | <u>1,303,924</u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 11 | | 340,200 | | 340,200 |
| Reserves | 12 | | 967,527 | | 963,724 |
| | | | <u>1,307,727</u> | | <u>1,303,924</u> |

The notes on pages 5 to 13 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

| | Six months ended 30 June | |
|---|---------------------------------|-----------------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Net cash (outflow)/inflow from operating activities | (15,809) | 80,683 |
| Net cash outflow from investing activities | (27,865) | (4,422) |
| Net cash inflow/(outflow) from financing | <u>11,993</u> | <u>(30,617)</u> |
| (Decrease)/increase in cash and cash equivalents | (31,681) | 45,644 |
| Cash and cash equivalents at 1 January | <u>162,271</u> | <u>58,827</u> |
| Cash and cash equivalents at 30 June | <u><u>130,590</u></u> | <u><u>104,471</u></u> |

The notes on pages 5 to 13 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT**1. Significant accounting policies***(a) Basis of preparation*

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is included on page 22.

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

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

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

(b) Income tax

Income tax for the period comprises current and deferred tax. Except for items directly related to equity, income tax is recognised in the consolidated profit and loss account.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. The limited exceptions are temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1. Significant accounting policies (continued)

(b) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current and deferred tax assets and liabilities are offset if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- (i) in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously; or
- (ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(c) Change of accounting policy

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy is required to be applied retrospectively. However, as the adoption of the new accounting policy has no material effect on the Group's financial results for the period ended and prior to 30 June 2003, there is no adjustment relating to prior periods.

2. Segmental information

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

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

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

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

| | Six months ended 30 June 2003 (HK\$'000) | | | | | |
|--|--|---------------|---------------|------------|--------------|----------------|
| | Macau | PRC | Vietnam | Canada | Others | Total |
| Turnover | 21,313 | 12,575 | 15,077 | 811 | 513 | 50,289 |
| Other revenue | | | | | | |
| – allocated | 170 | – | – | – | – | 170 |
| – unallocated | – | – | – | – | 1,832 | 1,832 |
| Total revenue | <u>21,483</u> | <u>12,575</u> | <u>15,077</u> | <u>811</u> | <u>2,345</u> | <u>52,291</u> |
| Segment result | 6,802 | (13,103) | (12,502) | (134) | 3,185 | (15,752) |
| Finance costs | (672) | (2,604) | (1,512) | – | (960) | (5,748) |
| Share of profits less losses of associates | (16) | 3,706 | 2,464 | (318) | – | 5,836 |
| Loss from ordinary activities before taxation | | | | | | (15,664) |
| Taxation charge | | | | | | (1,832) |
| Loss from ordinary activities after taxation | | | | | | (17,496) |
| Minority interests | | | | | | 12,768 |
| Loss attributable to shareholders | | | | | | <u>(4,728)</u> |
| Depreciation and amortisation | 2,144 | 13,407 | 13,148 | – | 88 | 28,787 |

2. Segmental information (continued)

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

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

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

3. Other net income

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

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

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

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

5. Taxation

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

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

6. Dividends

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

7. Basic (loss)/earnings per share

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

8. Fixed assets

Investment properties

At 30 June 2003, the Directors have considered the carrying amount of the Group's investment properties and have estimated that the carrying amounts do not differ significantly from those at 31 December 2002. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. Trade and other receivables

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

| | At 30 June 2003 HK\$'000 | At 31 December 2002 HK\$'000 |
|-----------------------------|---|------------------------------------|
| Current | 2,975 | 3,034 |
| 1 to 3 months overdue | 4,170 | 20,186 |
| 4 to 12 months overdue | 236 | – |
| More than 12 months overdue | 166 | 7 |
| | <hr/> | <hr/> |
| Trade receivables | 7,547 | 23,227 |

Debts are due within 30 days from the date of billing. Debtors with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

10. Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

| | At 30 June 2003 HK\$'000 | At 31 December 2002 HK\$'000 |
|--|---|------------------------------------|
| Due within 1 month or on demand | 2,579 | 4,304 |
| Due after 1 month but within 3 months | 1,402 | – |
| Due after 3 months but within 6 months | 204 | – |
| | <hr/> | <hr/> |
| Trade creditors | 4,185 | 4,304 |

11. Share capital

| | No. of shares | Amount HK\$'000 |
|------------------------------------|--------------------|--------------------|
| <i>Authorised:</i> | | |
| Ordinary shares of HK\$1 each | <u>500,000,000</u> | <u>500,000</u> |
| <i>Issued and fully paid:</i> | | |
| At 1 January 2003 and 30 June 2003 | <u>340,200,000</u> | <u>340,200</u> |

12. Reserves

| | Share premium HK\$'000 | Legal reserve HK\$'000 | Exchange reserve HK\$'000 | Investment property revaluation reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Revenue reserve HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------|---------------------------------|--|--|--------------------------------|-------------------|
| At 1 January 2002 | 158,105 | 12,758 | 11,428 | 8,080 | 44 | 750,411 | 940,826 |
| Movement during the year | - | - | (2,159) | - | 144 | - | (2,015) |
| Profit for the year | - | - | - | - | - | 28,315 | 28,315 |
| Dividends | - | - | - | - | - | (3,402) | (3,402) |
| At 31 December 2002 and at 1 January 2003 | <u>158,105</u> | <u>12,758</u> | <u>9,269</u> | <u>8,080</u> | <u>188</u> | <u>775,324</u> | <u>963,724</u> |
| Movement during the period | - | - | 8,567 | - | (36) | - | 8,531 |
| Loss for the period | - | - | - | - | - | (4,728) | (4,728) |
| At 30 June 2003 | <u>158,105</u> | <u>12,758</u> | <u>17,836</u> | <u>8,080</u> | <u>152</u> | <u>770,596</u> | <u>967,527</u> |

13. Commitments

At 30 June 2003, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

| | At 30 June 2003 HK\$'000 | At 31 December 2002 HK\$'000 |
|-----------------------------------|--------------------------------|------------------------------------|
| Contracted for | 83,737 | 91,906 |
| Authorised but not contracted for | <u>-</u> | <u>93,396</u> |
| | <u>83,737</u> | <u>185,302</u> |

14. Contingent liabilities

- (a) At 30 June 2003, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000 (31 December 2002: HK\$6,311,000).
- (b) Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, Golden Crown Development Limited ("Golden Crown") is required to complete the remaining phases of the development project in Ocean Gardens by 4 September 2005. Failure to comply with the development schedule may render the subsidiary liable to a fine of HK\$4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to HK\$9,709 per day. When the delay reaches 180 days, the Macau SAR Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau SAR Government and the subsidiary shall have no right of compensation. The Directors are confident that the remaining phases of the development project will be completed by 4 September 2005.
- (c) At 30 June 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and associates amounted to HK\$183,017,000 (US\$23,515,000) (31 December 2002: HK\$183,017,000 (US\$23,515,000)) and HK\$59,976,000 (CAD\$10,330,000) (31 December 2002: HK\$51,495,000 (CAD\$10,330,000)) respectively.
- (d) At 30 June 2003, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$38,523,000 (CAD\$6,635,000) (31 December 2002: HK\$33,075,000 (CAD\$6,635,000)).
- (e) To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2003, the guarantee granted by the subsidiary amounted to HK\$62,264,000 (US\$8,000,000) (31 December 2002: HK\$Nil).

15. Material related party transactions

During the six months ended 30 June 2003, certain subsidiaries of the Company had the following transactions which were on normal commercial terms with Goodland Limited ("Goodland"), a company holding 45% of the issued shares of the Company at 30 June 2003.

- (a) Goodland maintained current accounts with certain subsidiaries of the Group. The aggregate amounts due to Goodland amounted to HK\$88,147,000 (31 December 2002: HK\$114,204,000).

The amounts due to Goodland were non-interest bearing except for amounts payable by certain subsidiaries of the Group of HK\$65,602,000 (31 December 2002: HK\$92,014,000) which are interest-bearing at market rates of interest. The interest payable by the Group for the six months ended 30 June 2003 amounted to HK\$625,000 (2002: HK\$1,075,000).

- (b) Loans from minority shareholders include an amount due to Goodland of HK\$136,990,000 (31 December 2002: HK\$128,889,000) and are non-interest bearing except for an amount of HK\$41,419,000 (31 December 2002: HK\$38,336,000) which is interest-bearing. The interest charged for the six months ended 30 June 2003 payable by the Group was HK\$948,000 (2002: HK\$859,000).

15. Material related party transactions *(continued)*

- (c) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$506,000 for the six months ended 30 June 2003 (2002: HK\$506,000).
- (d) Certain subsidiaries of the Group paid management fees to Goodland which totalled HK\$4,722,000 for the six months ended 30 June 2003 (2002: HK\$1,602,000).
- (e) Golden Crown rented certain properties from Goodland and paid rental of HK\$87,000 during the six months ended 30 June 2003 (2002: HK\$90,000).

Kansas Holdings Limited provides management services to the Company. No management fee was charged during the six months ended 30 June 2003 (2002: HK\$Nil).

Keck Seng Realty Investment Pte Limited acts as manager and sales agent for the Company's property in Singapore. No management or agency fee was charged during the six months ended 30 June 2003 (2002: HK\$Nil).

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were interested in the above arrangements as substantial shareholders and directors of Kansas Holdings Limited, Keck Seng Realty Investment Pte Limited and Goodland.

REVIEW OF OPERATIONS

Macau

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

The People's Republic of China

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

Vietnam

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

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

Canada

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

FINANCIAL REVIEW

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

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

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

PLEDGE OF ASSETS

At 30 June 2003, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties, including investment properties, other properties, a hotel property and properties held for sale with an aggregate carrying value of approximately HK\$533 million.

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

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

CONTINGENT LIABILITIES

At 30 June 2003, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000.

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

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

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

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

PROSPECTS

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

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

EMPLOYEES INFORMATION

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

INTERIM DIVIDENDS

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

BOOK CLOSE

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2003, the interests and short positions of the Directors in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

| | Shares of HK\$1 each | | | |
|--|-----------------------|---------------------|------------------------|--------------------|
| | Personal interests | Family interests | Corporate interests | Other interests |
| Keck Seng Investments (Hong Kong) Limited | | | | |
| Ho Kian Guan | 480 | – | 253,876,320 (Note 1) | – |
| Ho Kian Hock | 480 | – | 253,876,320 (Note 1) | – |
| Ho Kian Cheong | 480 | – | 253,876,320 (Note 1) | – |
| Paul Tse See Fan | 288,720 | – | – | – |
| Robin Y H Chan | 180,000 | – | 720,000 (Note 2) | – |
| Arthur Kwok Chi Shun | – | – | – | – |

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

| | |
|---|---------------------------------|
| | Shares of S\$1 each |
| | Corporate interests |
| Lam Ho Investments Pte Ltd | |
| Ho Kian Guan | 495,000 (Note 3) |
| Ho Kian Hock | 495,000 (Note 3) |
| Ho Kian Cheong | 495,000 (Note 3) |
| | Shares of HK\$1 each |
| | Corporate interests |
| Shun Seng International Limited | |
| Ho Kian Guan | 9,990 (Note 3) |
| Ho Kian Hock | 9,990 (Note 3) |
| Ho Kian Cheong | 9,990 (Note 3) |
| Arthur Kwok Chi Shun | 15,000 (Note 4) |
| | Amount of capital (US\$) |
| | Corporate interests |
| Hubei Qing Chuan Hotel Company Limited | |
| Ho Kian Guan | 5,216,000 (Note 3) |
| Ho Kian Hock | 5,216,000 (Note 3) |
| Ho Kian Cheong | 5,216,000 (Note 3) |
| Arthur Kwok Chi Shun | 489,000 (Note 5) |
| | Share of Ptc1 each |
| | Corporate interests |
| Golden Crown Development Limited | |
| Ho Kian Guan | 9,000,000 (Note 3) |
| Ho Kian Hock | 9,000,000 (Note 3) |
| Ho Kian Cheong | 9,000,000 (Note 3) |
| | Quota of Ptc1,000 each |
| | Corporate interests |
| Ocean Gardens Management Company Limited | |
| Ho Kian Guan | 1 (Note 3) |
| Ho Kian Hock | 1 (Note 3) |
| Ho Kian Cheong | 1 (Note 3) |

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

| | Shares of HK\$1 each Corporate interests | |
|--|--|--|
| Shun Cheong International Limited | | |
| Ho Kian Guan | | 999 (Note 3) |
| Ho Kian Hock | | 999 (Note 3) |
| Ho Kian Cheong | | 999 (Note 3) |
| Arthur Kwok Chi Shun | | 5,500 (Note 6) |
| | | |
| | Shares of M\$1 each Corporate interests | |
| KSF Enterprises Sdn Bhd | | |
| Ho Kian Guan | | 7,500 (Note 3) |
| Ho Kian Hock | | 7,500 (Note 3) |
| Ho Kian Cheong | | 7,500 (Note 3) |
| | | |
| | Common shares without par value Corporate interests | Preferred shares of C\$1 each Corporate interests |
| Chateau Ottawa Hotel Inc | | |
| Ho Kian Guan | 450,000 (Note 3) | 370,000 (Note 3) |
| Ho Kian Hock | 450,000 (Note 3) | 370,000 (Note 3) |
| Ho Kian Cheong | 450,000 (Note 3) | 370,000 (Note 3) |

Notes:

- At 30 June 2003, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Kansas Holdings Limited and Goodland Ltd, which together beneficially held 253,876,320 shares in the Company.
- At 30 June 2003, Dr Robin Y H Chan had a controlling interest in United Asia Enterprises Inc which held 720,000 shares in the Company.
- At 30 June 2003, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had deemed corporate interests in Lam Ho Investments Pte Limited, Shun Seng International Limited, Hubei Qing Chuan Hotel Company Limited, Golden Crown Development Limited, Ocean Gardens Management Company Limited, Shun Cheong International Limited, KSF Enterprises Sdn Bhd and Chateau Ottawa Hotel Inc which were held through companies collectively controlled by them.
- At 30 June 2003, Mr Arthur Kwok Chi Shun was a substantial shareholder of Larch Management Incorporated, which beneficially held 15,000 shares representing 15% interests in Shun Seng International Limited.
- At 30 June 2003, capital in the amount of US\$489,000, representing 3% interests in Hubei Qing Chuan Hotel Company Limited was held by AKA Project Management Limited which was wholly owned by Mr Arthur Kwok Chi Shun.
- At 30 June 2003, 5,500 shares representing 55% interests in Shun Cheong International Limited were held by Larcorp Incorporated in which Mr Arthur Kwok Chi Shun had beneficial interests.

Save as mentioned above, at 30 June 2003, none of the Directors had any interests or short positions in the shares or underlying shares of the Company or any of its Associated Corporations which had been 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 IN THE SHARE CAPITAL OF THE COMPANY

At 30 June 2003, 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 under Section 336 of the SFO were as follows:

| 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 | 253,876,320 | 74.7% |
| Pad Inc (<i>Note 1</i>) | Interests of controlled corporations | 153,006,960 | 45.0% |
| Lapford Limited (<i>Note 1</i>) | Interests of controlled corporations | 153,006,960 | 45.0% |
| Kansas Holdings Limited (<i>Note 1</i>) | Interests of controlled corporations | 153,006,960 | 45.0% |
| Kansas Holdings Limited (<i>Note 2</i>) | Beneficial owner | 100,869,360 | 29.7% |
| Goodland Limited (<i>Note 1</i>) | Beneficial owner | 153,006,960 | 45.0% |
| Kerry Group Limited (<i>Note 3</i>) | Interests of controlled corporations | 20,325,600 | 6.0% |
| Kerry Holdings Limited (<i>Note 3</i>) | Interests of controlled corporations | 20,325,600 | 6.0% |

Notes:

- Ocean Inc, Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 153,006,960 shares beneficially held by Goodland Limited.
- Ocean Inc had deemed interests in the same 100,869,360 shares beneficially held by Kansas Holdings Limited.
- Kerry Holdings Limited is a wholly owned subsidiary of Kerry Group Limited and both had deemed interests in the same 20,325,600 shares held by the subsidiaries of Kerry Holdings Limited.

Save as mentioned above, at 30 June 2003, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

No Director is aware of information which would reasonably indicate that the Company is not or was not in compliance with the Code of Best Practice, as set out by the Hong Kong Stock Exchange in Appendix 14 to the Listing Rules at any time during the six months ended 30 June 2003, except that the non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

HO KIAN GUAN
Executive Chairman

Hong Kong, 25 September 2003

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 13.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

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

Review work performed

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

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

KPMG

Certified Public Accountants

Hong Kong, 25 September 2003