KECK SENG INVESTMENTS (HONG KONG) LIMITED

激成投資（香港）有限公司

(Incorporated in Hong Kong with limited liability)
Website: www.keckseng.com.hk
(Stock Code: 184)

2018 INTERIM RESULTS ANNOUNCEMENT (UNAUDITED)

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 2018.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 was HK$91,340,000 (HK$0.268 per share), compared to HK$24,285,000 (HK$0.071 per share) for the first six months of 2017.

The Board has declared an interim dividend of HK$0.04 (2017: HK$0.03) per share for 2018 payable on Thursday, 25 October 2018, to equity shareholders whose names appear on the register of members of the Company on Thursday, 11 October 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

		Six months ended 30 June	
		2018	2017
	Note	**HK$'000**	HK$'000
Revenue	*3*	**986,448**	925,036
Cost of sales		**(106,786)**	(95,602)
		879,662	829,434
Other revenue	*4(a)*	**26,265**	21,564
Other net gains/(losses)	*4(b)*	**2,125**	(14,017)
Direct costs and operating expenses		**(422,284)**	(374,465)
Marketing and selling expenses		**(32,912)**	(31,585)
Depreciation		**(75,198)**	(70,655)
Administrative and other operating expenses		**(214,213)**	(203,543)
Operating profit		**163,445**	156,733
Increase in fair value of investment properties		**19,500**	24,000
Impairment loss on a hotel property		**-**	(145,872)
		182,945	34,861
Finance costs	*5(a)*	**(25,288)**	(23,410)
Share of profits less losses of associates		**6,886**	5,075
Profit before taxation	*5*	**164,543**	16,526
Income tax	*6*	**(21,623)**	56,348
Profit for the period		**142,920**	72,874
Attributable to:			
Equity shareholders of the Company		**91,340**	24,285
Non-controlling interests		**51,580**	48,589
Profit for the period		**142,920**	72,874
Earnings per share, basic and diluted (cents)	*7*	**26.8**	7.1

Details of dividends payable to equity shareholders of the Company are set out in note 11(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**142,920**	72,874
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(122)**	-
Items that may be reclassified subsequently to profit or loss :		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	**(4,974)**	21,931
Available-for-sale securities:		
- changes in fair value recognised during the period	**-**	339
Other comprehensive income for the period	**(5,096)**	22,270
Total comprehensive income for the period	**137,824**	95,144
Attributable to:		
Equity shareholders of the Company	**93,025**	40,963
Non-controlling interests	**44,799**	54,181
Total comprehensive income for the period	**137,824**	95,144

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**(Unaudited) At 30 June 2018 HK$'000**	(Audited) At 31 December 2017 HK$'000
Non-current assets			
Investment properties		**822,000**	802,500
Property, plant and equipment		**2,348,690**	2,353,861
Land		**837,106**	836,515
		4,007,796	3,992,876
Interest in associates		**115,523**	128,409
Derivative financial assets		**6,533**	5,351
Other non-current financial assets		**234,464**	4,345
Deferred tax assets		**8,093**	8,258
		4,372,409	4,139,239
Current assets			
Trading securities		**8,813**	9,027
Properties held for sale		**280,134**	280,250
Inventories		**5,718**	6,046
Trade and other receivables	*8*	**98,130**	82,462
Deposits and cash		**1,656,405**	1,971,104
Taxation recoverable		**8,385**	7,170
		2,057,585	2,356,059
Current liabilities			
Bank loans	*9*	**104,508**	66,355
Trade and other payables	*10*	**378,276**	370,113
Loan from an associate		**464**	464
Loans from non-controlling shareholders		**27,900**	30,981
Taxation payable		**17,521**	16,964
		528,669	484,877
Net current assets		**1,528,916**	1,871,182
Total assets less current liabilities		**5,901,325**	6,010,421
Non-current liabilities			
Bank loans	*9*	**1,389,920**	1,426,912
Deferred revenue		**5,809**	6,177
Loans from non-controlling shareholders		**80,886**	78,986
Deferred tax liabilities		**98,458**	109,268
		1,575,073	1,621,343
NET ASSETS		**4,326,252**	4,389,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	**(Unaudited) At 30 June 2018 HK$'000**	(Audited) At 31 December 2017 HK$'000
Capital and reserves			
Share capital	*12*	**498,305**	498,305
Reserves		**3,173,447**	3,212,202
Total equity attributable to equity shareholders of the Company		**3,671,752**	3,710,507
Non-controlling interests		**654,500**	678,571
TOTAL EQUITY		**4,326,252**	4,389,078

Notes:

1. Basis of preparation

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2018 but are extracted from the report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issued on 24 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. 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 2017 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 2017 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

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition in respect of revenue from sales of properties. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 January 2018.

	HK$'000
Fair value reserve (recycling)	
Transferred to fair value reserve (non-recycling) related to equity securities now measured at FVOCI and decrease in fair value reserve (recycling) as 1 January 2018	(3,754)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) related to equity securities now measured at FVOCI and increase in fair value reserve (non-recycling) at 1 January 2018	3,754

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	*Reclassification*	*HKFRS 9 carrying amount at 1 January 2018*
	HK$'000	HK$'000	HK$'000
Financial assets measured at FVOCI (non-recyclable)			
Equity securities (note (i))	-	4,345	4,345
Financial assets carried at FVPL			
Trading securities (note (ii))	9,027	-	9,027
Derivative financial assets (note (ii))	5,351	-	5,351
	14,378	-	14,378
Financial assets classified as available-for-sale under HKAS 39 (notes (i))	4,345	(4,345)	-

Notes:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in Kuala Lumpur Kepong Bhd at FVOCI (non-recycling), as the investment is held for strategic purposes.

(ii) Trading securities and derivative financial assets were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loan to associates). Financial assets measured at fair value, including listed equity securities, unlisted securities measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment. The adoption of the ECL model has no significant impact to the financial assets of the Group.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Sales of properties: the Group's property development activities are carried out in Macau only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Macau, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the buyers obtain the right to access and physical use, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

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, listed equity securities and unlisted securities and trading securities, financial instruments and other treasury operations.

(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:

	Six months ended 30 June	
	2018	*2017*
		(Note)
	HK$'000	HK$'000
Hotel and club operations	**935,164**	874,930
Rental income	**43,116**	46,785
Proceeds from sales of properties	**4,750**	-
Management fee income	**3,418**	3,321
	986,448	925,036

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2(c)).

(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.

Analysis of segment results of the Group

	External revenue	*Inter-segment revenue*	*Total revenue*	*Depreciation*	*Impairment loss on a hotel property*	*Finance costs*	*Share of profits less losses of associates*	*Income tax*	*Contribution to profit*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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 #	**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**
For the six months ended 30 June 2017									
Hotel	871,277	-	871,277	(68,190)	(145,872)	(23,385)	5,075	63,540	2,962
- Vietnam	350,293	-	350,293	(17,634)	-	-	6,694	(18,874)	83,535
- United States	423,433	-	423,433	(40,315)	(145,872)	(20,570)	-	88,216	(89,268)
- The People's Republic of China	32,475	-	32,475	(6,004)	-	(2,465)	-	-	(1,849)
- Canada	41,782	-	41,782	(2,661)	-	(350)	(1,619)	(2,339)	2,742
- Japan	23,294	-	23,294	(1,576)	-	-	-	(3,463)	7,802
Property									
- Macau #	52,390	834	53,224	(2,426)	-	(25)	-	(7,147)	53,282
Investment and corporate	1,369	-	1,369	(39)	-	-	-	(45)	16,630
Inter-segment elimination	-	(834)	(834)	-	-	-	-	-	-
Total	925,036	-	925,036	(70,655)	(145,872)	(23,410)	5,075	56,348	72,874

External revenue from property segment in Macau included sale of properties of HK$4,750,000 (2017: Nil), rental income from investment properties of HK$13,549,000 (2017: HK$16,592,000), rental income from properties held for sale of HK$28,622,000 (2017: HK$29,012,000) and club operations and others of HK$6,970,000 (2017: HK$6,786,000).

Contribution to profit from property segment in Macau included the increase in fair value of investment properties of HK$19,500,000 (2017: increase of HK$24,000,000).

Analysis of total assets of the Group

	Segment assets HK$'000	*Interest in associates* HK$'000	*Total assets* HK$'000	*Capital expenditure* HK$'000
At 30 June 2018				
Hotel				
- Vietnam	**401,588**	**77,940**	**479,528**	**27,758**
- United States	**2,668,226**	**-**	**2,668,226**	**53,181**
- The People's Republic of China	**188,345**	**-**	**188,345**	**1,493**
- Canada	**138,625**	**33,383**	**172,008**	**808**
- Japan	**112,710**	**-**	**112,710**	**352**
Property				
- Macau	**1,814,428**	**-**	**1,814,428**	**132**
Investment and corporate	**990,549**	**4,200**	**994,749**	**-**
Total	**6,314,471**	**115,523**	**6,429,994**	**83,724**

At 31 December 2017				
Hotel				
- Vietnam	394,719	90,393	485,112	26,214
- United States	2,709,537	-	2,709,537	41,600
- The People's Republic of China	192,584	-	192,584	1,428
- Canada	140,625	33,859	174,484	27,430
- Japan	115,466	-	115,466	294
Property				
- Macau	1,774,874	-	1,774,874	159
Investment and corporate	1,039,084	4,157	1,043,241	36
Total	6,366,889	128,409	6,495,298	97,161

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.

Analysis of total liabilities of the Group

	Segment liabilities HK$'000	*Bank borrowings* HK$'000	*Total liabilities* HK$'000
At 30 June 2018			
Hotel			
- Vietnam	**123,536**	**32,320**	**155,856**
- United States	**144,380**	**1,436,984**	**1,581,364**
- The People's Republic of China	**95,255**	**-**	**95,255**
- Canada	**10,262**	**25,124**	**35,386**
- Japan	**1,386**	**-**	**1,386**
Property			
- Macau	**178,156**	**-**	**178,156**
Investment and corporate	**56,339**	**-**	**56,339**
Total	**609,314**	**1,494,428**	**2,103,742**

	Segment liabilities HK$'000	*Bank borrowings* HK$'000	*Total liabilities* HK$'000
At 31 December 2017			
Hotel			
- Vietnam	127,830	3,076	130,906
- United States	143,345	1,463,000	1,606,345
- The People's Republic of China	96,330	-	96,330
- Canada	11,966	27,191	39,157
- Japan	2,029	-	2,029
Property			
- Macau	163,876	-	163,876
Investment and corporate	67,577	-	67,577
Total	612,953	1,493,267	2,106,220

4. Other revenue and other net gains/(losses)

		Six months ended 30 June	
		2018	2017
		HK$'000	HK$'000
(a)	*Other revenue*		
	Interest income from bank deposits	**16,419**	14,856
	Dividend income from listed securities	**267**	241
	Other revenue from hotel and club operations	**9,579**	6,467
		26,265	21,564
(b)	*Other net gains/(losses)*		
	Loss on disposal of property, plant and equipment	**(869)**	(20)
	Net exchange gains/(losses)	**3,208**	(13,870)
	Net unrealised losses on trading securities	**(214)**	(127)
		2,125	(14,017)

5. Profit before taxation

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

		Six months ended 30 June	
		2018	2017
		HK$'000	HK$'000
(a)	*Finance costs*		
	Interest on bank loans wholly repayable within five years	**22,700**	20,920
	Interest expenses on loans from non-controlling shareholders	**2,520**	2,465
	Other interest expenses	**68**	25
		25,288	23,410
(b)	*Staff costs*		
	Salaries, wages and other benefits	**305,001**	281,002
	Contributions to defined contribution retirement plans	**4,581**	2,275
		309,582	283,277
(c)	*Other items*		
	Cost of inventories	**38,073**	35,808
	Rentals receivable from properties less direct outgoings of HK$1,413,000 (2017: HK$896,000)	**(41,703)**	(45,889)

6. Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current tax - Overseas		
Provision for the period	**32,873**	9,476
Deferred taxation		
Origination and reversal of other temporary differences	**(11,250)**	(65,824)
	21,623	(56,348)

Notes:

(a) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2018 and 30 June 2017.

(b) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(c) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2017: 20%) for the six months ended 30 June 2018 and 30 June 2017.

(d) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2017: 25%) of the estimated taxable profits for the period. No provision has been made for PRC Enterprise Income Tax as the subsidiary sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2018 and 30 June 2017.

(e) Pursuant to the income tax rules and regulations of the United States, the applicable Federal and State Income Tax in respect of the subsidiaries operating in the United States are calculated at a rate of 21% (2017: 34%) and 12.64% (2017: 12.89%) respectively for the six months ended 30 June 2018.

(f) Under the Japanese domestic law, the subsidiary established in Japan under the Tokumei-Kumiai arrangement is subject to Japanese withholding tax at the rate of 20.42% (2017: 20.42%) on all gross profit distributions from the subsidiary.

(g) Provision for Macau, Complementary Tax is calculated at 12% (2017: 12%) of the estimated assessable profits for the six months ended 30 June 2018. Macau Property Tax is calculated at 10% (2017: 10%) of the assessable rental income in Macau.

(h) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2017: 26.5%).

(i) Share of associates' tax for the six months ended 30 June 2018 of HK$1,840,000 (2017: HK$1,932,000) 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$91,340,000 (2017: HK$24,285,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2018 and 30 June 2017.

There is no potential dilutive ordinary share during the six months ended 30 June 2018 and 30 June 2017.

8. Trade and other receivables

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

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Within one month	**28,622**	34,877
One to three months	**8,812**	14,261
Three to twelve months	**85**	-
	37,519	49,138

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.

9. Bank loans

(a) At 30 June 2018 and 31 December 2017, the bank loans were repayable as follows:

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Within 1 year or on demand	**104,508**	66,355
After 1 year but within 2 years	**66,562**	66,355
After 2 years but within 5 years	**1,323,358**	1,360,557
	1,389,920	1,426,912
	1,494,428	1,493,267

At 30 June 2018 and 31 December 2017, the bank loans were secured and unsecured as follows:

Bank loans		
- Secured (note 9(b))	**1,462,108**	1,490,191
- Unsecured	**32,320**	3,076
	1,494,428	1,493,267

At 30 June 2018 and 31 December 2017, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2018, 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 2017: HK$63,898,000), and

(ii) Hotel properties, including land, of the Group with aggregate carrying value of HK$2,608,497,690 (31 December 2017: HK$2,570,598,000).

Such banking facilities amounted to HK$1,547,207,000 (31 December 2017: HK$1,755,164,000) and were utilised to the extent of HK$1,462,108,000 as at 30 June 2018 (31 December 2017: HK$1,490,191,000).

(c) As at 30 June 2018, the covenant ratio of a bank loan entered by one of the Group's subsidiaries deviates from the requirement as stated in the loan agreement. The Group has reclassified a portion of the loan amounted to HK$37,946,000 from non-current liabilities to current liabilities that may be repayable upon bank's demand, if any, in accordance with the loan agreement.

10. 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 2018 HK$'000	At 31 December 2017 HK$'000
Within 1 month or on demand	**88,584**	44,996
After 1 month but within 3 months	**19,754**	31,062
After 3 months	**367**	6,363
	108,705	82,421

11. Dividends

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

	2018	2017
	HK$'000	HK$'000
Interim dividend declared and paid after the interim period of HK$0.04 (2017: HK$0.03) per share	**13,608**	10,206

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$0.12 (six month ended 30 June 2017: HK$0.12) per share	**40,824**	40,824

12. Share capital

	At 30 June 2018		At 31 December 2017	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and at 30 June/31 December	**340,200**	**498,305**	340,200	498,305

13. Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2018	At 31 December 2017
	HK$'000	HK$'000
Contracted for	**142,540**	29,703
Authorised but not contracted for	**68,595**	129,763
	211,135	159,466

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 was MOP150.2 billion, recording an increase in the first half of 2018. Macau's GDP was MOP107.4 billion in the first quarter of 2018, representing a year-on-year growth of 12.9%. Unemployment remained low at 1.9% whilst median income rose to MOP20,000 for Macau residents.

During the first half of 2018, rental revenue from Macau operations decreased slightly to HK$43.1 million, as compared to HK$46.8 million in the first half of 2017, a decrease of 7.9%. This is due to a slight decrease in rental rates for residential properties. However, occupancy rate for office building units in the property portfolio was close to 100%, with increases in rental rates upon reversion. Occupancy rate for residential buildings have also been improving during the year of 2018.

The sale of properties by the Group in Macau was HK$4.8 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 Macau light-rail transit system. 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 years. GDP in the first half of 2018 grew by 6.8%, as compared to a growth rate of 6.9% for the same period in 2017.

Holiday Inn Wuhan Riverside

During the first half of 2018, room revenue of the hotel slightly increased to RMB16.0 million, as compared to RMB15.9 million in the first half of 2017, an increase of 0.6%. However, the food and beverage revenue of the hotel has decreased to RMB9.6 million in the first half of 2018 from RMB9.9 million in the first half of 2017, a reduction of 3.0%.

For the first half of 2018, average room rate was at RMB418 per room per night, as compared to RMB405 per room per night during the first six months of 2017. Occupancy rate has decreased to 69.3% during the first half of 2018, as compared to 71.2% for the first half of 2017.

Vietnam

Vietnam's economy expanded at 7.1% in the first half of 2018, 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 2018, the Group's revenue from Vietnam increased to HK$392.8 million, as compared to HK$350.3 million in the first half of 2017, an increase of 12.1%.

Sheraton Saigon Hotel and Towers

For the first half of 2018, average room rate was at US$165 per room per night, as compared to US$153 per room per night during the first six months of 2017. Occupancy rate has decreased to 74.9% during the first half of 2018, as compared to 76.3% for the first half of 2017.

Caravelle Hotel

For the first half of 2018, average room rate was at US$119 per room per night, as compared to US$113 per room per night during the first six months of 2017. Occupancy rate has decreased to 62.8% during the first half of 2018, as compared to 66.7% for the first half of 2017.

Japan

Japan's GDP in the first half of 2018 grew by 1.1%, as compared to 1.4% for the first half of 2017.

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 2018, average room rate was at JPY10,041 per room per night, as compared to JPY11,159 per room per night during the first six months of 2017. Occupancy rate has increased to 89.1% during the first half of 2018, as compared to 88.9% for the first half of 2017.

The United States ("US")

The US economy grew steadily in the first half of 2018. Gross domestic product in the first half of 2018 grew at 2.7%, as compared to 2.1% for the first half of 2017. Operating performance of our two hotels was not as robust as expected due to increasing market competition in San Francisco and New York, and the continuing impact of Airbnb.

W San Francisco

For the first half of 2018, average room rate was at US$354 per room per night, as compared to US$343 per room per night during the first six months of 2017. Occupancy rate has slightly decreased to 86.0% during the first half of 2018, as compared to 89.5% for the first half of 2017.

Sofitel New York

For the first half of 2018, average room rate was at US$332 per room per night, as compared to US$326 per room per night during the first six months of 2017. Occupancy rate has slightly dropped to 82.7% during the first half of 2018, as compared to 85.6% for the first half of 2017. The operating performance of the hotel is still affected by an increase in competition in the market as a result of new room supply entering the city as well as continuing pressure from the Airbnb segment. During this period, hotel operations and income was negatively impacted by labour union disruption.

Canada

The Canadian economy expanded by 2.3% in the first quarter of 2018, compared to 2.4% growth in the first quarter of 2017. The sustained growth was due to increase in consumer spending, housing starts, and an improvement in the investment environment.

The Sheraton Ottawa Hotel

For the first half of 2018, average room rate was at C$195 per room per night, as compared to C$196 per room per night during the first six months of 2017. Occupancy rate has increased to 74.8% during the first half of 2018, as compared to 66.0% for the first half of 2017.

Delta Hotels by Marriott Toronto Airport & Conference Centre (formerly known as the "International Plaza Hotel" and rebranded since 28 June 2017)

For the first half of 2018, average room rate was at C$138 per room per night, as compared to C$113 per room per night during the first six months of 2017. Occupancy rate has increased to 73.7% during the first half of 2018, as compared to 58.3% for the first half of 2017.

Other net gains/(losses)

Other net gains were at an amount of HK$2.1 million, as compared to net losses of HK$14.0 million in the first half of 2017. It was mainly attributable to net exchange gains for the first half of 2018 which amounted to HK$3.2 million, as compared to net exchange losses of HK$13.9 million in the first half of 2017.

FINANCIAL REVIEW

The Group's revenue was HK$986.0 million for the first six months of 2018, an increase of 6.6% as compared to the corresponding period in 2017. The increase was primarily due to better performance in hotel operations. Revenue from hotel operations amounted to HK$931.0 million, an increase of 6.9% as compared to HK$871.3 million in the corresponding period in 2017. The increase was primarily attributable to contribution from operations of W San Francisco, as well as Sheraton Saigon Hotel and Towers. The Group's operating profit was HK$163.4 million for the period ended 30 June 2018, as compared to HK$156.7 million for the corresponding period in 2017.

Profit attributable to equity shareholders was HK$91.3 million as compared to HK$24.3 million in the first half year of 2017. This represents an increase of approximately 275.7% in profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017. The increase in profit of the Group for the six months ended 30 June 2018 was mainly attributable to an impairment loss in 2017 of approximately HK$145.9 million on a hotel property of the Group, namely the Sofitel New York. No further provision of impairment loss for this hotel was required in this period.

During the period, the Group has paid HK$96.9 million to acquire the remaining non-controlling interests in respect of the Group's interest in a hotel property situated in Japan.

In May 2018, the Group has also purchased approximately 0.7% of equity in AccorInvest at a cash consideration of EUR 25 million (equivalent to HK$230 million). AccorInvest is expected to provide an opportunity for the Group to gain exposure to a diversified portfolio of hotels mainly located in Europe with resilient income stream and opportunities for value creation.

PLEDGE OF ASSETS

At 30 June 2018, hotel properties including land, and certain properties held for sale with an aggregate value of HK$2,672.4 million (31 December 2017: HK$2,634.5 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 30 June 2018, 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 2017: HK$8,252,000).

At 30 June 2018, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees.

PROSPECTS

The recent trade war between the US and China has introduced an element of uncertainly 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 and economic growth in China and the rest of Asia. It has also been reported that there has been a slowdown in Chinese tourists visiting the US.

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

PERSONNEL AND RETIREMENT SCHEMES

At 30 June 2018, the Group had approximately 1,941 employees. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions in the different countries in which the Company and its subsidiaries operate. The Group has defined contribution schemes in Hong Kong, Macau, the People's Republic of China, Vietnam, the United States, Canada and Japan.

CORPORATE GOVERNANCE

The board of directors (the "Board") of the Company has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles, code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company has complied with the principles set out in the CG Code during the period from 1 January to 30 June 2018, save and except for the deviations as explained below.

1. Code Provision A.2.1, as the role of chairman and chief executive officer of the Company is not segregated;
2. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term;
3. Code Provision D.1.2, as the Company did not formalize functions reserved to the Board and those delegated to management and did not conduct review periodically;
4. Code Provision D.1.3, as the Company did not disclose the respective responsibilities, accountabilities and contributions of the Board and management; and
5. Code Provision D.1.4, as the Company did not have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee presently comprises four Independent Non-executive Directors. The Audit Committee meets with the Group's senior management 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 2018.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

BOOK CLOSE

The register of members will be closed from Tuesday, 9 October 2018 to Thursday, 11 October 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 October 2018 (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 2018.

By Order of the Board
Keck Seng Investments (Hong Kong) Limited
HO Kian Guan
Executive Chairman

Hong Kong, 24 August 2018

As at the date of this announcement, the Board of the Company comprises Mr HO Kian Guan, Mr HO Kian Hock, Mr TSE See Fan Paul, Mr CHAN Lui Ming Ivan, Ms YU Yuet Chu Evelyn, Mr HO Chung Tao and Mr HO Chung Hui (whose alternate is Mr HO Chung Kain) as executive directors, Mr HO Kian Cheong as non-executive director, and Dr CHAN Yau Hing Robin, Mr KWOK Chi Shun Arthur, Ms WANG Poey Foon Angela and Mr YU Hon To David as independent non-executive directors.