

*Interim Report*

**2001**



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

## **Interim Results**

The Directors of Keck Seng Investments (Hong Kong) Limited ("the Company") are pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2001, together with the comparative figures for the corresponding period in 2000. 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**

		<b>Six months ended 30 June</b>	
		<b>2001</b>	<b>2000</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	2	<b>123,713</b>	51,056
Cost of sales		<b>(73,738)</b>	(19,732)
		<b>49,975</b>	31,324
Other revenue		<b>2,012</b>	2,897
Other net expenses	3	<b>(8,840)</b>	(5,965)
Direct operating expenses		<b>(6,763)</b>	(6,348)
Marketing and selling expenses		<b>(6,183)</b>	(1,976)
Administrative and other operating expenses		<b>(33,098)</b>	(31,551)
Loss from operations		<b>(2,897)</b>	(11,619)
Finance costs		<b>(11,849)</b>	(17,265)
Share of profits less losses of associates		<b>13,137</b>	7,993
Loss from ordinary activities before taxation	4	<b>(1,609)</b>	(20,891)
Taxation credit	5	<b>5,710</b>	9,076
Profit / (loss) from ordinary activities after taxation		<b>4,101</b>	(11,815)
Minority interests		<b>4,136</b>	8,108
Profit / (loss) attributable to shareholders		<b>8,237</b>	(3,707)
Dividends attributable to the interim period:			
Interim dividend declared after the interim period end	6(a)	-	-
Basic earnings / (loss) per share	7	<b>2.4 cents</b>	(1.1 cents)
Profit / (loss) for the period is retained as follows:			
By the Company and its subsidiaries		<b>(4,095)</b>	(11,539)
By associates		<b>12,332</b>	7,832
		<b>8,237</b>	(3,707)

***Consolidated Statement of Recognised Gains and Losses***

		<b>Six months ended 30 June</b>	
		<b>2001</b>	<b>2000</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Surplus on revaluation of non-trading investments	12	<b>43</b>	102
Exchange differences on translation of the financial statements of foreign subsidiaries and associates	12	<b>1,483</b>	(564)
Net gains / (losses) not recognised in the profit and loss account		<b>1,526</b>	(462)
Profit / (loss) attributable to shareholders		<b>8,237</b>	(3,707)
Total recognised gains and (losses)		<b>9,763</b>	(4,169)

## Consolidated Balance Sheet

		30 June 2001		31 December 2000	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Fixed assets					
- Investment properties	8		133,800		133,800
- Properties under development			737,158		718,536
- Other properties and fixed assets			327,152		339,158
			<u>1,198,110</u>		<u>1,191,494</u>
Interest in associates			369,855		370,367
Non-trading investments			610		567
			<u>1,568,575</u>		<u>1,562,428</u>
<b>Current assets</b>					
Properties under development		139,577		164,269	
Properties held for sale		434,158		497,044	
Inventories		581		2,084	
Trade and other receivables	9	15,204		14,517	
Cash and cash equivalents		131,084		77,493	
			<u>720,604</u>		<u>755,407</u>
<b>TOTAL ASSETS</b>			<u><u>2,289,179</u></u>		<u><u>2,317,835</u></u>
<b>CAPITAL AND RESERVES</b>					
Share capital	11	340,200		340,200	
Reserves	12	913,517		903,754	
			<u>1,253,717</u>		<u>1,243,954</u>
<b>Minority interests</b>			232,224		245,020
<b>Non-current liabilities</b>					
Bank loans		195,484		186,522	
Loans from minority shareholders		157,552		142,190	
			<u>353,036</u>		<u>328,712</u>
<b>Current liabilities</b>					
Bank overdrafts		84		17	
Bank loans		54,138		86,098	
Trade and other payables	10	118,293		131,149	
Amounts due to an affiliated company		225,516		224,151	
Loans from associates		1,364		1,364	
Taxation		50,807		57,370	
			<u>450,202</u>		<u>500,149</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			<u><u>2,289,179</u></u>		<u><u>2,317,835</u></u>

**Condensed Consolidated Cash Flow Statement**

	Six months ended 30 June 2001 HK\$'000
Net cash inflow from operating activities	86,194
Net cash outflow from returns on investments and servicing of finance	(23,065)
Net tax paid	(48)
Net cash outflow from investing activities	<u>(1,921)</u>
Net cash inflow before financing	61,160
Net cash outflow from financing	<u>(7,636)</u>
Increase in cash and cash equivalents	53,524
Cash and cash equivalents at 1 January	<u>77,476</u>
Cash and cash equivalents at 30 June	<u><u>131,000</u></u>



Notes:

## **1. 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 24.

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 25 “Interim financial reporting” issued by the HKSA except that comparative figures for the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The financial information relating to the financial year ended 31 December 2000 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2000 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 11 April 2001.

The same accounting policies adopted in the 2000 annual accounts have been applied to the interim financial report except that the Company has adopted Statement of Standard Accounting Practice 26 “Segmental reporting” which is mandatory for accounting periods beginning on or after 1 January 2001. Segment revenue and result as defined under SSAP26 have been disclosed in note 2 of the interim financial report.

## **2. Segmental information**

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 is mainly sub-divided into the Macau, PRC, Vietnam, Canada and other markets classified by the location of assets. 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.



2. Segmental information (Continued)

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 principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial period are as follows:

	Six months ended 30 June 2001 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	107,675	14,435	-	956	647	123,713
Other revenue						
- allocated	209	30	-	-	-	239
- unallocated	-	-	-	-	1,773	1,773
Total revenue	<u>107,884</u>	<u>14,465</u>	<u>-</u>	<u>956</u>	<u>2,420</u>	<u>125,725</u>
Segment result	18,849	(13,456)	(75)	(211)	(8,004)	(2,897)
Finance costs						(11,849)
Share of profits less losses of associates	(4)	3,843	5,526	3,772	-	<u>13,137</u>
Loss from ordinary activities before taxation						(1,609)
Taxation credit						<u>5,710</u>
Profit from ordinary activities after taxation						4,101
Minority interests						<u>4,136</u>
Profit attributable to shareholders						<u>8,237</u>
Depreciation and amortisation	2,834	7,298	16	-	2	

Segment result of the "others" segment included a loss on disposal of freehold land of HK\$8,402,000 during the six months ended 30 June 2001.



**2. Segmental information (Continued)**

	Six months ended 30 June 2000 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	39,642	10,205	-	693	516	51,056
Other revenue						
– allocated	298	-	-	-	-	298
– unallocated	-	-	-	-	2,599	2,599
<b>Total revenue</b>	<b>39,940</b>	<b>10,205</b>	<b>-</b>	<b>693</b>	<b>3,115</b>	<b>53,953</b>
Segment result	754	(13,204)	(597)	(244)	1,672	(11,619)
Finance costs						(17,265)
Share of profits less losses of associates	(5)	726	2,546	4,726	-	7,993
Loss from ordinary activities before taxation						(20,891)
Taxation credit						9,076
Loss from ordinary activities after taxation						(11,815)
Minority interests						8,108
Loss attributable to shareholders						(3,707)
Depreciation and amortisation	2,926	6,873	61	-	2	

An analysis of the Group's turnover for the six months ended 30 June 2001 by business segments is as follows:

	Group turnover	
	2001	2000
	HK\$'000	HK\$'000
Proceeds on sale of properties	101,370	34,210
Rental income	3,043	2,743
Hotel and club operations	16,604	11,790
Management fee received	2,696	2,313
	<b>123,713</b>	<b>51,056</b>





**3. Other net expenses**

Other net expenses for the six months ended 30 June 2001, included a loss on disposal of freehold land situated in Portugal of HK\$8,402,000.

**4. Loss from ordinary activities before taxation**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Loss from ordinary activities before taxation is arrived at after charging / (crediting):		
Interest on bank overdraft and other advances repayable within five years (net of interest capitalised into properties under development)	7,056	10,884
Interests paid on amounts due to an affiliated company	<u>4,793</u>	<u>6,381</u>
Interest on borrowings	11,849	17,265
Cost of properties sold	70,471	17,180
Cost of inventories	3,267	2,552
Depreciation	<u>10,150</u>	<u>9,862</u>
Dividend income from listed investment	<u>(12)</u>	<u>(12)</u>

**5. Taxation credit**

Taxation is calculated at the rate of 16% (2000: 16%) on Hong Kong assessable profit and at the applicable rates on overseas assessable profits. The taxation charge is made up as follows:

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries		
– Hong Kong profit tax	–	–
– Overseas taxation	<u>6,515</u>	<u>9,237</u>
	6,515	9,237
Share of associates' taxation	<u>(805)</u>	<u>(161)</u>
Taxation credit	<u>5,710</u>	<u>9,076</u>



**6. Dividends**

(a) Dividends attributable to the interim period

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$000</b>	HK\$'000
Interim dividend declared after the interim period end	<u>          -</u>	<u>          -</u>

(b) Dividends attributable to the previous financial year and approved during the interim period

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$000</b>	HK\$'000
Final dividends in respect of the previous financial year and approved during the interim period, of Nil cents per share (2000:0.5 cent per share)	<u>          -</u>	<u>          1,701</u>

**7. Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$8,237,000 (2000: loss of HK\$3,707,000) and on the 340,200,000 ordinary shares in issue during both periods.

**8. Investment properties**

At 30 June 2001, 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 that as at 31 December 2000. 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:-

	<b>At 30 June 2001 HK\$'000</b>	At 31 December 2000 HK\$'000
Current	5,544	2,626
1 to 3 months overdue	4,394	5,624
More than 12 months overdue	-	47
	<hr/>	<hr/>
Total trade receivables	9,938	8,297
Other receivables	5,266	6,220
	<hr/>	<hr/>
	<b>15,204</b>	<b>14,517</b>
	<hr/> <hr/>	<hr/> <hr/>

Debts are due within 30 days from the date of billing. Trade receivables with balances that are more than 3 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:

	<b>At 30 June 2001 HK\$'000</b>	At 31 December 2000 HK\$'000
Due within 1 month or on demand	2,123	2,343
Due after 1 month but within 3 months	-	1,120
Due after 3 months but within 6 months	-	1,110
Due after 6 months but within 1 year	-	103
	<hr/>	<hr/>
Trade creditors	2,123	4,676
Other payables	116,170	126,473
	<hr/>	<hr/>
	<b>118,293</b>	<b>131,149</b>
	<hr/> <hr/>	<hr/> <hr/>



11. Share capital

	No of shares	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 2001 and 30 June 2001	<u>340,200,000</u>	<u>340,200</u>

12. Reserves

	2001 HK\$'000
Share premium account: At 1 January 2001 and at 30 June 2001	----- 158,105
Legal reserve: At 1 January 2001 and at 30 June 2001	----- 12,758
Exchange reserve: At 1 January 2001	9,707
Movement during the period	<u>1,483</u>
At 30 June 2001	----- 11,190
Investment property revaluation reserve: At 1 January and at 30 June 2001	----- 91
Investment revaluation reserve: At 1 January 2001	(25)
Revaluation surplus during the period	<u>43</u>
At 30 June 2001	----- 18
Retained profits: At 1 January 2001	723,118
Profit for the period	<u>8,237</u>
At 30 June 2001	----- <u>731,355</u>
Reserves at 30 June 2001	<u>913,517</u>
Reserves at 31 December 2000	<u>903,754</u>



**13. Commitments**

At 30 June 2001, the Group had commitments in respect of development expenditure not provided for in the accounts as follows:

	<b>At 30 June 2001 HK\$'000</b>	At 31 December 2000 HK\$'000
Contracted for	<b>136,534</b>	150,906
Authorised but not contracted for	<b>6,229</b>	17,810
	<b><u>142,763</u></b>	<b><u>168,716</u></b>

**14. Contingent liabilities**

- (a) At 30 June 2001, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau Government in respect of properties under development amounting to HK\$6,311,000 (31 December 2000: HK\$6,311,000).
- (b) At 30 June 2001, there were guarantees given by a subsidiary to a bank on behalf of purchasers of flats amounting to HK\$1,422,000 (31 December 2000: HK\$2,656,000).
- (c) Pursuant to the revised agreement with the Macau Government on 6 August 1999, Golden Crown Development Limited ("Golden Crown"), a subsidiary of the Group, is required to complete the remaining phases of the Ocean Garden development project by various specified dates up to 31 December 2001. 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 Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau Government and the subsidiary shall have no right of compensation.

Despite likely delays beyond 31 December 2001, the directors are confident that given the likely delay is insignificant within the context of the entire Ocean Gardens development, further extensions will be granted to the subsidiary to complete the development without rescission of the lease by the Macau Government. Furthermore, the directors consider that the amounts of the fines, were they to be imposed, will be immaterial and would not have a significant adverse impact on the financial position of the subsidiary.

**14. Contingent liabilities (Continued)**

- (d) A dispute arose between a subsidiary and the main contractor of the property under development over contractual issues and the matter has been referred to arbitration in accordance with the terms of the construction agreement. Having regard to legal advice, the directors are of the view that the subsidiary is not likely to, as a result of such arbitration proceedings, incur additional liabilities in excess of that contemplated in the construction contract.
- (e) At 30 June 2001, guarantees given by the Company to banks to secure banking facilities made available to an associate amounted to HK\$53,086,000 (31 December 2000: HK\$53,819,000).
- (f) At 30 June 2001, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to HK\$34,097,000 (31 December 2000: HK\$34,568,000 (CAD\$6,635,000)).

**15. Material related party transactions**

During the six months ended 30 June 2001, certain subsidiaries of the Company had the following transactions which are on normal commercial terms with Goodland Limited ("Goodland"):

- (a) A current account was maintained between Goodland and Ocean Incorporation Ltd. ("Ocean Inc") and interest was charged on the outstanding balance at market rates. At 30 June 2001, the balance due by Ocean Inc on this account amounted to HK\$215,757,704 (31 December 2000: HK\$216,153,850). The interest charge for the six months ended 30 June 2001 was HK\$4,793,201 (2000: HK\$6,571,935).
- (b) Goodland maintained interest bearing current account with Golden Crown. At 30 June 2001, the balance due by Golden Crown amounted to HK\$513,897 (31 December 2000: HK\$9,509). The interest charge for the six months ended 30 June 2001 payable by Golden Crown was HK\$5,400 (2000: HK\$15,841).

At 30 June 2001, the balances due to / (from) Goodland by Ocean Place Joint Venture Company Limited ("OPJV"), Golden Crown, Hubei Qing Chuan Hotel Company Limited ("Qing Chuan"), Shun Seng International Limited and Lam Ho Investments Pte Limited on non-interest bearing accounts amounted to HK\$184,870 (31 December 2000: HK\$171,510), HK\$8,600,000 (31 December 2000: HK\$8,600,000), HK\$477,146 (31 December 2000: (HK\$781,069)), HK\$Nil (31 December 2000: HK\$(1,913)) and HK\$(17,449) (31 December 2000: HK\$(1,263)) respectively.

**15. Material related party transactions (Continued)**

- (c) Loans from minority shareholders include an amount due to Goodland of HK\$106,957,357 (31 December 2000: HK\$93,447,619) and are non-interest bearing except for an amount of HK\$26,002,988 (31 December 2000: HK\$13,136,792 ) which is interest bearing and repayable before 31 December 2005.

The interest charge payable to the Goodland for the six months ended 30 June 2001 was HK\$956,611 (2000: HK\$398,583).

- (d) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$505,602 for the six months ended 30 June 2001 (2000: HK\$505,602).
- (e) Ocean Inc, Golden Crown, OPJV and Qing Chuan paid management fees of HK\$728,155 (2000: HK\$728,155), HK\$873,786 (2000: HK\$873,786), US\$Nil (2000: US\$Nil) and US\$Nil (2000: US\$Nil) respectively for the six months ended 30 June 2001 to Goodland.
- (f) Golden Crown rented certain properties from Goodland and rental amounting to HK\$99,029 (2000: HK\$99,029) was paid during the six months ended 30 June 2001.
- (g) Golden Crown incurred construction fees for the six months ended 30 June 2001 amounting to HK\$Nil (2000: HK\$1,377,613) to Goodland in respect of the construction of certain projects of the Ocean Gardens development.

Kansas Holdings Limited provides management services to the Company. No management fee was charged during the six months ended 30 June 2001 (2000: 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 2001 (2000: 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 the year, arising mostly from property sales in ***Ocean Gardens***, rose to HK\$107.7 million, as compared to HK\$39.6 million for the corresponding period in 2000. Aggressive interest rate cuts by the Federal Reserve in the US followed by corresponding cuts by banks in Hong Kong and Macau gave a much-needed boost to the property sector, compensating for weak business and consumer confidence.

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

Turnover at the ***Holiday Inn Riverside Wuhan*** rose during the first six months of the year to HK\$14.4 million from HK\$10.2 million in the corresponding period in 2000. After accounting for all expenses including depreciation and amortization, however, the hotel reported a loss for the period.

### *Canada*

During the first six months of 2001, ***Sheraton Ottawa Hotel*** reported a drop in revenue as well as operating profits due to lower occupancy levels as well as room rates. ***International Plaza Hotel and Conference Center*** in Toronto, on the other hand, has seen an improvement in revenue and profits as compared to the same period in 2000. Revenue remained strong at the ***Four Points by Sheraton*** in Montreal. However, depreciation and amortization charges as a result of renovation programmes for this property resulted in an operating loss for the first six months of the year. For this segment, the contribution to the Group's profit in the first six months of 2001 dropped marginally as compared to the same period in 2000.

### *Vietnam*

Contribution from ***Caravelle Hotel*** continues to improve in the first six months of 2001. The hotel now ranks number one in Ho Chi Minh City both in terms of occupancy levels and room rates.

In respect of the ***Westin Saigon*** development, the process of arbitration between the Group and the main contractor of the project is still ongoing. The Directors are of the firm view that the Group has complied with all relevant terms and conditions of the construction contract and will monitor the situation closely.





## ***Review of Operations*** (Continued)

Despite the arbitration, construction is now continuing. The serviced apartments of the project are expected to commence business in the first half of 2002.

### *Portugal*

The Group has disposed of its property interest in Portugal in June 2001. A loss of HK\$8.4 million was reported.

## ***Financial Review***

The Group's turnover was HK\$123.7 million for the first six months of 2001, an increase of 142% over the corresponding period in 2000. This increase was due primarily to higher revenue generated by sale of properties in Macau. A profit attributable to shareholders of HK\$8.2 million was reported as compared to a loss of HK\$3.7 million in the corresponding period in 2000.

The Group's net borrowings as at 30 June 2001 amounted to approximately HK\$503,054,000, representing total bank loans and other borrowings of HK\$634,138,000 less cash equivalents of HK\$131,084,000. The Group's ratio of net borrowings to total assets was 22%. Of the total amount of bank borrowings of HK\$249,706,000, HK\$54,222,000 are repayable within twelve months and the remaining of HK\$195,484,000 are repayable within two to five years. The Group does not have significant foreign exchange exposure as most of the Group's borrowings are in Hong Kong dollars and United States dollars. Other borrowings are in Renminbi and are matched by revenues in that currency. Cash and cash equivalents are also mostly in Hong Kong 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 Group has sufficient working capital for its present requirements.

## ***Pledge of Assets***

As at 30 June 2001, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties with an aggregate carrying value of approximately HK\$877 million. In addition, shares in a subsidiary were pledged to a bank as part of security given to secure bank loan facilities granted.



## ***Contingent Liabilities***

As at 30 June 2001, there were outstanding counter indemnities relating to guarantees issued by a subsidiary' bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000. As at 30 June 2001, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and an associate amounted to HK\$183.3 million and HK\$53.1 million respectively.

Pursuant to the revised agreement with the Macau Government on 6 August 1999, one of the subsidiaries of the Group is required to complete the remaining phases of the development project by various specified dates up to 31 December 2001. Despite likely delays beyond 31 December 2001, the directors are confident that given the likely delay is insignificant within the context of the entire Ocean Gardens development, further extensions will be granted to the subsidiary to complete the development without rescission of the lease by the Macau Government. 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. The directors consider that the amounts of the fines, were they to be imposed, will be immaterial and would not have a significant adverse impact on the financial position of the subsidiary.

A dispute arose between a subsidiary and the main contractor of a hotel development project and the matter has been referred to arbitration in accordance with the terms of the construction agreement. Having regard to legal advice, the directors are of the view that the subsidiary is not likely to, as a result of arbitration proceedings, incur additional liabilities in excess of that contemplated in the construction contract.



## ***Prospects***

The first six months of the year had actually witnessed a significant improvement in the Group's turnover as compared to 2000. Both property sales and hotel revenues of the Group have risen during this period. It was also expected that the impact of the loosening of credit by the US Federal Reserve during the past nine months might begin to take effect, thereby creating a more positive environment for increased economic activities. At the beginning of the second half, the Directors were therefore cautiously optimistic that the Group would have been able to report robust results for the 2001 full year.

Events in recent weeks resulting from the terrorist attacks in the United States have cast doubt on those initial expectations. There are now widespread concerns of significant loss in consumer confidence worldwide, with commensurate negative impact on global economic conditions. Both property sales and hotel revenues of the Group are likely to suffer in light of the uncertainties surrounding the possibility of armed conflict.

Over the longer term, however, China's entry into the World Trade Organization is expected to boost economic activity in China and the surrounding areas. This is likely to have a positive impact on the Group's operations.

## ***Interim Dividends***

The Directors have resolved that interim dividends will not be paid in respect of the first half of the year.

## ***Book Close***

The register of members will be closed from Monday, 22 October 2001 to Friday, 26 October 2001 (both days inclusive) during which period no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong no later than 4:00 p.m. on Friday, 19 October 2001. The book closing date is for the purpose of updating of Share Register.

## Directors' Interest in Shares

The interests of the directors and their associates in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance as at 30 June 2001 were as follows:

	Personal interests	Family interests	Shares of HK\$1 each Corporate interests	Other Interests
<b>Beneficial interests</b>				
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 YH Chan	180,000	-	720,000 (note 2)	-
Arthur Kwok Chi Shun	-	-	-	-
<b>Shares of S\$1 each Corporate interests</b>				
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)	
<b>Shares of HK\$1 each Corporate interests</b>				
Shun Seng International Limited				
Ho Kian Guan			9,990 (note 4)	
Ho Kian Hock			9,990 (note 4)	
Ho Kian Cheong			9,990 (note 4)	
Arthur Kwok Chi Shun			15,000 (note 5)	
<b>Shares of £1 each Corporate interests</b>				
Scofield Limited				
Ho Kian Guan			200 (note 6)	
Ho Kian Hock			200 (note 6)	
Ho Kian Cheong			200 (note 6)	



**Directors' Interest in Shares** (Continued)

**Amount of capital (US\$)  
Corporate interests**

Hubei Qing Chuan Hotel Company Limited

Ho Kian Guan	5,216,000 (note 7)
Ho Kian Hock	5,216,000 (note 7)
Ho Kian Cheong	5,216,000 (note 7)
Arthur Kwok Chi Shun	489,000 (note 7)

**Shares of Ptc1 each  
Corporate interests**

Golden Crown Development Limited

Ho Kian Guan	9,000,000 (note 8)
Ho Kian Hock	9,000,000 (note 8)
Ho Kian Cheong	9,000,000 (note 8)

**Quota of Ptc1,000  
Corporate interests**

Ocean Gardens Management Company Limited

Ho Kian Guan	1 (note 9)
Ho Kian Hock	1 (note 9)
Ho Kian Cheong	1 (note 9)

**Shares of HK\$1 each  
Corporate interests**

Shun Cheong International Limited

Ho Kian Guan	999 (note 10)
Ho Kian Hock	999 (note 10)
Ho Kian Cheong	999 (note 10)

**Shares of M\$1 each  
Corporate interests**

KSF Enterprises Sdn Bhd

Ho Kian Guan	7,500 (note 11)
Ho Kian Hock	7,500 (note 11)
Ho Kian Cheong	7,500 (note 11)



***Directors' Interest in Shares (Continued)***

	<b>Common shares without par value Corporate interests</b>	<b>Preferred shares of C\$1 each Corporate interests</b>
Chateau Ottawa Hotel Inc.		
Ho Kian Guan	450,000 (note 12)	450,000 (note 12)
Ho Kian Hock	450,000 (note 12)	450,000 (note 12)
Ho Kian Cheong	450,000 (note 12)	450,000 (note 12)

*Notes:*

1. At 30 June 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Kansas Holdings Limited and Goodland, which together beneficially held 253,876,320 shares in the Company.
2. At 30 June 2001, Dr Robin YH Chan had controlling interest in United Asia Enterprises Inc which held 720,000 shares in the Company.
3. At 30 June 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland which beneficially held 495,000 shares representing 9.9% interest in Lam Ho Investments Pte Ltd.
4. At 30 June 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland which beneficially held 9,990 shares representing 9.99% interest in Shun Seng International Limited.
5. At 30 June 2001, Mr Arthur Kwok Chi Shun was a substantial shareholder of Larch Management Incorporated which beneficially held 15,000 shares representing 15% interest in Shun Seng International Limited.
6. At 30 June 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland which beneficially held 200 shares representing 10% interest in Scofield Limited.
7. At 30 June 2001, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Goodland, which beneficially held capital in the amount of US\$5,216,000 representing 32% interest in Hubei Qing Chuan Hotel Company Limited ("Qing Chuan").

At 30 June 2001, capital in the amount of US\$489,000 representing 3% interest in Qing Chuan were held by AKA Project Management Limited which is wholly owned by Mr Arthur Kwok Chi Shun.



**Directors' Interest in Shares (Continued)**

8. At 30 June 2001, 9,000,000 shares representing 12.86% interest in Golden Crown Development Limited were held by companies collectively controlled by Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong.
9. At 30 June 2001, 1 quota representing 1% interest in Ocean Gardens Management Company Limited was held by Goodland in which Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had a substantial shareholding interest.
10. At 30 June 2001, 999 shares representing 9.99% interest in Shun Cheong International Limited were held by Goodland in which Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had a substantial shareholding interest.
11. At 30 June 2001, 7,500 shares representing 75% interest in KSF Enterprises Sdn Bhd were held by companies collectively controlled by Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong.
12. At 20 June 2001, 450,000 common shares and 450,000 preferred shares representing 5% interest in Chateau Ottawa Hotel Inc were held by companies collectively controlled by Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong.

**Substantial Interests in the Share Capital of the Company**

The Company has been notified of the following interests in the Company's issued shares as at 30 June 2001, amounting to 10% or more the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

	Shares held	Percentage of total issued shares
Goodland Limited	153,006,960	45.0%
Kansas Holdings Limited	100,869,360	29.7%
	253,876,320	74.7%

**Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.



## ***Compliance with the Code of Best Practice***

No Director of the Company 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 Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules at any time during the six months ended 30 June 2001, 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**

*Chairman*

Hong Kong, 27 September 2001





## ***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 14.

### ***Directors' responsibilities***

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.

### ***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 2001.

**KPMG**

*Certified Public Accountants*

Hong Kong, 27 September 2001