



KECK SENG INVESTMENTS (HONG KONG) LIMITED

激成投資(香港)有限公司

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 00184)

2003 FINAL RESULTS ANNOUNCEMENT

The Directors of Keck Seng Investments (Hong Kong) Limited (the “Company”) are pleased to announce the audited consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003.

The consolidated profit attributable to shareholders for the year ended 31 December 2003 was HK\$32,860,000 (HK\$0.097 per share), compared to HK\$28,315,000 (HK\$0.083 per share) in 2002.

The Directors recommend the payment of a final dividend of HK\$ 1cent per share for the year (2002: HK\$Nil).

CONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)

For the year ended 31 December

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	1	339,524	224,502
Cost of sales		(143,878)	(105,021)
		195,646	119,481
Other revenue	2	10,173	4,107
Other net income	3	19,501	3,935
Direct operating expenses		(32,855)	(15,934)
Marketing and selling expenses		(7,320)	(5,300)
Administrative and other operating expenses		(144,211)	(90,258)
Profit from operations		40,934	16,031
Finance costs	4(a)	(8,467)	(10,795)
Share of profits less losses of associates		11,741	18,886
Profit from ordinary activities before taxation	4	44,208	24,122
Taxation	5	(12,056)	3,209
Profit after taxation		32,152	27,331
Minority interests		708	984
Profit attributable to shareholders		32,860	28,315
Dividends attributable to the year			
Interim dividend paid – HK\$0.01 (2002: HK\$0.01) per share		3,402	3,402
Proposed final dividend – HK\$0.01 (2002: HK\$Nil) per share		3,402	–
		6,804	3,402
Basic earnings per share	6	9.7 cents	8.3 cents

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2003	2002
Shareholders' equity (in HK\$'000)	1,341,808	1,303,924
Net borrowings (Total of bank loans, overdrafts and other borrowings less cash and bank balances) (in HK\$'000)	296,815	406,129
Net asset value per share (in HK\$)	3.94	3.83
Net borrowings to shareholders' equity ratio	0.22	0.31
No. of issued shares (in '000)	340,200	340,200

Notes:

1. The principal activities of the Group are property investment and development, hotel and club operations and the provision of management services.

2. Other revenue:

	2003 HK\$'000	2002 HK\$'000
Interest income	2,810	1,828
Dividend income from non-trading listed investments	17	13
Other revenue from hotel operations and miscellaneous income	7,346	2,266
	<u>10,173</u>	<u>4,107</u>

3. Other net income:

	2003 HK\$'000	2002 HK\$'000
Exchange gain	19,435	1,799
Loss on disposal of fixed assets	(5)	-
(Loss)/gain on liquidation of a subsidiary	(18)	2,187
Others	89	(51)
	<u>19,501</u>	<u>3,935</u>

4. Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2003 HK\$'000	2002 HK\$'000
(a) Finance costs		
Interest on bank overdrafts and other advances repayable within five years	8,106	9,049
Interest paid on amounts due to an affiliated company	889	3,966
Other borrowing costs	121	721
	<u>9,116</u>	<u>13,736</u>
Total borrowing costs	9,116	13,736
Less: Borrowing costs capitalised into properties under development at a rate of 3.6% (2002: 3%) per annum	(649)	(2,941)
	<u>8,467</u>	<u>10,795</u>

(b) Staff costs		
Contributions to defined contribution retirement schemes	919	771
Salaries, wages and other benefits	28,716	16,263
	<u>29,635</u>	<u>17,034</u>
(c) Other items		
Cost of properties sold	136,762	95,014
Cost of inventories	6,522	7,428
Depreciation	77,843	50,479
Auditors' remuneration	1,097	1,018
Operating lease charges for hire of premises	254	254
Rentals receivable from investment properties		
less direct outgoings	(6,016)	(6,120)
Other rental income less direct outgoings	(40,408)	(15,696)
	<u>(40,408)</u>	<u>(15,696)</u>
5. Taxation in the consolidated profit and loss account represents:		
	2003	2002
	HK\$'000	HK\$'000
Current tax – Provision for Hong Kong Profits Tax for the year	–	–
Current tax – Overseas		
– tax for the year	13,811	8,784
– over-provision in respect of prior years	(652)	(15,185)
	<u>13,159</u>	<u>(6,401)</u>
Share of associates' taxation	(1,103)	3,192
	<u>12,056</u>	<u>(3,209)</u>

In March 2003, the Hong Kong SAR Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 financial statements. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$32,860,000 (2002: HK\$28,315,000) and on the 340,200,000 ordinary shares in issue during both years 2003 and 2002.

7. Segmental reporting

The Group's business operations are sub-divided into the Macau, the People's Republic of China ("PRC"), Socialist Republic of Vietnam ("Vietnam"), Canada and other markets classified by the location of assets.

Geographical segments

	Year ended 31 December 2003 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	238,765	33,562	65,500	786	911	339,524
Other revenue						
– allocated	844	2,974	3,488	–	–	7,306
– unallocated	–	–	–	–	2,867	2,867
Total revenue	<u>239,609</u>	<u>36,536</u>	<u>68,988</u>	<u>786</u>	<u>3,778</u>	<u>349,697</u>
Segment result	85,084	(22,104)	(28,838)	(768)	7,560	40,934
Finance costs	(1,070)	(2,258)	–	(2)	(5,137)	(8,467)
Share of profits less losses of associates	(27)	8,799	5,035	(2,063)	(3)	11,741
Profit/(loss) from ordinary activities before taxation	83,987	(15,563)	(23,803)	(2,833)	2,420	44,208
Taxation						(12,056)
Profit from ordinary activities after taxation						32,152
Minority interests	(24,417)	14,310	10,531	–	284	708
Profit attributable to shareholders						<u>32,860</u>
Depreciation and amortisation	4,205	26,141	47,319	–	178	77,843
Capital expenditure incurred during the year	<u>73,057</u>	<u>1,874</u>	<u>77,314</u>	<u>–</u>	<u>18</u>	<u>152,263</u>
Segment assets #	619,288	186,399	769,385	393	18,002	1,593,467
Interest in associates	–	136,868	157,777	47,275	4,986	346,906
Unallocated assets	–	–	–	–	287,621	287,621
Total assets	<u>619,288</u>	<u>323,267</u>	<u>927,162</u>	<u>47,668</u>	<u>310,609</u>	<u>2,227,994</u>
Segment liabilities #	67,007	59,689	34,447	487	245,368	406,998
Unallocated liabilities	–	–	–	–	302,463	302,463
Total liabilities	<u>67,007</u>	<u>59,689</u>	<u>34,447</u>	<u>487</u>	<u>547,831</u>	<u>709,461</u>
Minority interests						<u>176,725</u>

	Year ended 31 December 2002 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	158,305	38,422	14,291	1,518	11,966	224,502
Other revenue						
– allocated	931	–	–	–	–	931
– unallocated	–	–	–	–	3,176	3,176
Total revenue	159,236	38,422	14,291	1,518	15,142	228,609
Segment result	37,294	(16,208)	(13,205)	204	7,946	16,031
Finance costs	(2,453)	(5,846)	–	–	(2,496)	(10,795)
Share of profits less losses of associates	(13)	7,950	7,589	3,365	(5)	18,886
Profit/(loss) from ordinary activities before taxation	34,828	(14,104)	(5,616)	3,569	5,445	24,122
Taxation						3,209
Profit from ordinary activities after taxation						27,331
Minority interests	(15,938)	14,904	4,871	–	(2,853)	984
Profit attributable to shareholders						28,315
Depreciation and amortisation	4,244	26,251	19,981	–	3	50,479
Capital expenditure incurred during the year	17,342	1,735	13,637	–	4,498	37,212
Segment assets #	664,017	214,324	735,033	–	18,182	1,631,556
Interest in associates	–	141,031	174,718	37,522	5,030	358,301
Unallocated assets	–	–	–	–	162,780	162,780
Total assets	664,017	355,355	909,751	37,522	185,992	2,152,637
Segment liabilities #	71,259	76,425	13,955	7	199,388	361,034
Unallocated liabilities	–	–	–	–	296,682	296,682
Total liabilities	71,259	76,425	13,955	7	496,070	657,716
Minority interests						190,997

Segment assets and liabilities are before elimination of inter-segment balances.

An analysis of the Group's turnover by business segments is as follows:

	2003 HK\$'000	2002 HK\$'000
Proceeds from the sale of properties	223,033	151,988
Rental income	8,031	7,986
Hotel and club operations	103,677	59,263
Management fee income	4,783	5,265
	339,524	224,502

8. Commitment for capital expenditure

At 31 December 2003, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contracted for	29,890	91,906
Authorised but not contracted for	–	93,396
	<u>29,890</u>	<u>185,302</u>

9. Change in accounting policy

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for deferred tax. A balance sheet method was used to recognise deferred tax 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. The new accounting policy does not have any impact on the Group's profit for the current and prior year and net assets at the current and prior year end.

FINANCIAL REVIEW

The Group's turnover was HK\$339,524,000 for the year ended 31 December 2003, an increase of 51% over the corresponding period in 2002. This increase was due primarily to higher revenue generated by sale of properties in Macau and revenue generated from the operation of the Sheraton Saigon Hotel & Towers which commenced business in May 2003 in Vietnam. Profit from operations was HK\$40,934,000 for the year ended 31 December 2003 as compared to a profit of HK\$16,031,000 in 2002. Profit attributable to shareholders amounted to HK\$32,860,000.

The Group's net borrowings as at 31 December 2003 amounted to approximately HK\$296,815,000, representing total bank loans and other borrowings of HK\$584,399,000 less cash equivalents of HK\$287,584,000. The Group's ratio of net borrowings to total assets was 13%. Of the total amount of bank borrowings of HK\$280,573,000, HK\$142,013,000 are repayable within twelve months and the remaining of HK\$138,560,000 are repayable within two to five years.

The Group's bank 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 Group has sufficient working capital for its present requirements.

PLEDGE OF ASSETS

As at 31 December 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\$510 million. In addition, at 31 December 2003, shares in a subsidiary were pledged to a bank as part of 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.

CONTINGENT LIABILITIES

At 31 December 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 (2002: HK\$6,311,000).

At 31 December 2003, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to HK\$37,379,000 (2002: HK\$Nil).

At 31 December 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$182.3 million and HK\$62 million (2002: HK\$183 million and HK\$51.5 million) respectively.

At 31 December 2003, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$37.5 million (2002: HK\$33.1 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 31 December 2003, the guarantee granted by the subsidiary amounted to HK\$62 million (2002: HK\$Nil).

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary is required to complete the remaining phase 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 phase of the development project will be completed by 4 September 2005.

PROSPECTS

The hotel sectors in China, Vietnam and Canada where your Group operates and invests in will continue to be under varying degrees of pressure in 2004, both as a result of intense competition inherent in these markets as well as macro-economic factors and geopolitical considerations. Profit contribution to your Group's bottom line from the significant amounts it has invested in China and Vietnam remains an achievable long-term goal. In the short term, however, the sizeable amounts of depreciation and amortization will continue to have a dampening effect on accounting profits.

Macau continues to shine. The Macau SAR Government has provided leadership and foresight in its decision years ago to open Macau's gaming industry to overseas investors and operators. Your Group's Macau property portfolio will be a direct beneficiary of this development.

PERSONNEL

At 31 December 2003, the Company and its subsidiaries had approximately 1,200 employees. A policy of localizing 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 of human resources in the different countries in which the Company and its subsidiaries operate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S OWN SHARES

No purchase, sale or redemption of the Company's own shares was made by the Company or any of its subsidiaries during the year.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited (the "HKSE") in Appendix 14 to the Listing Rules except for not specifying the terms of appointment of non-executive Directors.

AUDIT COMMITTEE

The audit committee presently comprises two independent non-executive Directors and reports to the Board of Directors. The audit committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group. The audit committee intends to appoint an additional member prior to 30 September 2004.

On behalf of the Board
IDA YUEN CHIU YUK
Secretary

Hong Kong, 26 April 2004

Remarks: At the date hereof, the Board comprises six Directors, namely, HO Kian Guan, HO Kian Hock and TSE See Fan Paul who are executive Directors, HO Kian Cheong who is non-executive Director, and CHAN Yau Hing Robin and KWOK Chi Shun Arthur who are independent non-executive Directors.

The website of the HKSE (<http://www.hkex.com.hk>) will contain all the information of the Group required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules in force prior to 31 March 2004 in due course.

Please also refer to the published version of this announcement in China Daily.