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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: 00184)

2013 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 consolidated interim results of the Company and its subsidiaries (the “Group”), and associated companies for the six months ended 30 June 2013. The unaudited consolidated interim results have been reviewed by the Company’s auditor, 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 Hong Kong Institute of Certified Public Accountants and by the Audit Committee.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 was HK\$146,391,000 (HK\$0.430 per share), compared to HK\$200,106,000 (HK\$0.588 per share) for the first six months of 2012.

The Board has declared an interim dividend of HK\$0.03 (2012: HK\$0.03) per share for 2013 payable on Thursday, 17 October 2013, to equity shareholders whose names appear on the register of members of the Company on Wednesday, 9 October 2013.

CONSOLIDATED INCOME STATEMENT (Unaudited)

		Six months ended 30 June	
		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	596,559	733,296
Cost of sales		<u>(75,859)</u>	<u>(99,670)</u>
		520,700	633,626
Other revenue	4(a)	13,731	16,848
Other net gains	4(b)	23,553	8,534
Direct costs and operating expenses		(205,534)	(211,631)
Marketing and selling expenses		(29,929)	(28,286)
Depreciation of fixed assets		(47,719)	(48,524)
Administrative and other operating expenses		<u>(107,873)</u>	<u>(101,699)</u>
Operating profit		166,929	268,868
Increase in fair value of investment properties		<u>43,905</u>	<u>40,358</u>
		210,834	309,226
Finance costs	5(a)	(3,210)	(6,643)
Share of profits less losses of associates		<u>6,076</u>	<u>10,817</u>
Profit before taxation	5	213,700	313,400
Income tax	6	<u>(36,484)</u>	<u>(47,856)</u>
Profit for the period		<u>177,216</u>	<u>265,544</u>
Attributable to:			
Equity shareholders of the Company		146,391	200,106
Non-controlling interests		<u>30,825</u>	<u>65,438</u>
Profit for the period		<u>177,216</u>	<u>265,544</u>
Earnings per share, basic and diluted (cents)	9	<u>43.0</u>	<u>58.8</u>

Details of dividends payable to equity shareholders of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	Six months ended 30 June	
	2013	2012
<i>Note</i>	HK\$'000	HK\$'000
Profit for the period	177,216	265,544
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	(24,920)	(14,179)
Available-for-sale securities:		
- net movement in the fair value reserve	8 (12,063)	47
	(36,983)	(14,132)
Total comprehensive income for the period	140,233	251,412
Attributable to:		
Equity shareholders of the Company	110,203	186,557
Non-controlling interests	30,030	64,855
Total comprehensive income for the period	140,233	251,412

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2013 HK\$'000	(Audited) At 31 December 2012 HK\$'000
Non-current assets			
Fixed assets			
- Investment properties		466,570	422,665
- Other properties and fixed assets		1,160,901	1,203,342
- Interests in leasehold land held for own use under operating lease		231,863	239,851
		1,859,334	1,865,858
Interest in associates		207,326	205,775
Available-for-sale securities		4,799	65,317
		2,071,459	2,136,950
Current assets			
Trading securities		1,310	1,938
Properties held for sale		283,464	283,527
Inventories		4,666	4,876
Trade and other receivables	10	56,149	57,553
Derivative financial assets		-	459
Pledged deposits	11	114,104	307,399
Deposits and cash		1,775,100	1,538,874
Taxation recoverable		-	6,048
		2,234,793	2,200,674
Current liabilities			
Bank loans	11	330,027	383,145
Trade and other payables	12	225,947	214,061
Loans from associates		464	464
Loans from non-controlling shareholders		30,568	30,664
Amount due to an affiliated company		23,880	19,441
Derivative financial liabilities		-	563
Taxation payable		42,575	65,891
		653,461	714,229
Net current assets		1,581,332	1,486,445
Total assets less current liabilities		3,652,791	3,623,395
Non-current liabilities			
Deferred revenue		6,861	7,055
Loans from non-controlling shareholders		47,756	45,889
Loan from an affiliated company		49,499	48,160
Deferred tax liabilities		73,182	84,670
		177,298	185,774
NET ASSETS		3,475,493	3,437,621

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	(Unaudited)	(Audited)
	At 30 June	At 31 December
	2013	2012
<i>Note</i>	HK\$'000	HK\$'000
Capital and reserves		
Share capital	340,200	340,200
Reserves	2,619,688	2,570,314
Total equity attributable to equity shareholders of the Company	2,959,888	2,910,514
Non-controlling interests	515,605	527,107
TOTAL EQUITY	3,475,493	3,437,621

Notes:

1. Basis of preparation of the financial statements

The interim financial statements have 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”).

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements.

2. Changes in accounting policies

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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in the interim financial report has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation - Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those required in the current standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

3. Segmental 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 four 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 operations 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 investment segment is primarily engaged in the businesses of property leasing of the Group's investment properties, which mainly consist of retail and office properties in Macau and residential properties in Japan.
- (iii) Property development segment is primarily engaged in the businesses of development, construction, sales and marketing of the Group's trading properties in Macau.
- (iv) Investment and corporate segment is primarily engaged in the businesses of management of the Group's corporate assets and liabilities, available-for-sale and trading securities, financial instruments and other treasury operations.

Segment results and assets

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.

Analysis of segment results of the Group

	<i>External turnover</i>	<i>Inter-segment turnover</i>	<i>Total turnover</i>	<i>Depreciation of fixed assets</i>	<i>Finance costs</i>	<i>Share of results of associates</i>	<i>Income tax</i>	<i>Contribution to profit</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2013								
Hotel operations	560,877	-	560,877	(45,092)	(3,018)	6,076	(28,225)	97,072
- Vietnam	294,852	-	294,852	(19,617)	-	6,129	(15,790)	75,288
- United States	217,102	-	217,102	(14,853)	(3,018)	-	(11,783)	18,610
- The People's Republic of China	32,465	-	32,465	(7,494)	-	-	-	1,045
- Canada	-	-	-	-	-	(53)	-	(53)
- Japan	16,458	-	16,458	(3,128)	-	-	(652)	2,182
Property development	1,000	-	1,000	-	-	-	(112)	824
- Macau	1,000	-	1,000	-	-	-	(112)	824
Property investment	33,235	560	33,795	(2,582)	(18)	-	(8,052)	51,427
- Macau (note (i))	33,235	560	33,795	(2,582)	(18)	-	(8,052)	51,427
Investment and corporate	1,447	-	1,447	(45)	(174)	-	(95)	27,893
- Macau	-	-	-	-	-	-	-	1,998
- Others (note (ii))	1,447	-	1,447	(45)	(174)	-	(95)	25,895
Inter-segment elimination	-	(560)	(560)	-	-	-	-	-
Total	596,559	-	596,559	(47,719)	(3,210)	6,076	(36,484)	177,216

For the six months ended
30 June 2012

Hotel operations	555,484	-	555,484	(43,724)	(3,670)	10,817	(24,040)	103,929
- Vietnam	315,087	-	315,087	(18,205)	-	5,891	(14,841)	86,143
- United States	191,781	-	191,781	(14,610)	(3,670)	-	(8,870)	13,264
- The People's Republic of China	31,611	-	31,611	(6,520)	-	-	-	(1,704)
- Canada	-	-	-	-	-	4,926	-	4,926
- Japan	17,005	-	17,005	(4,389)	-	-	(329)	1,300
Property development	127,397	-	127,397	-	-	-	(12,604)	95,150
- Macau	127,397	-	127,397	-	-	-	(12,604)	95,150
Property investment	48,967	739	49,706	(4,754)	(2,300)	-	(11,101)	50,586
- Macau (note (i))	33,131	739	33,870	(4,754)	(5)	-	(7,591)	45,513
- Japan	15,836	-	15,836	-	(2,295)	-	(3,510)	5,073
Investment and corporate	1,448	-	1,448	(46)	(673)	-	(111)	15,879
- Macau	-	-	-	-	-	-	-	(217)
- Others (note (ii))	1,448	-	1,448	(46)	(673)	-	(111)	16,096
Inter-segment elimination	-	(739)	(739)	-	-	-	-	-
Total	733,296	-	733,296	(48,524)	(6,643)	10,817	(47,856)	265,544

Notes:

(i) Included in contribution to profit is increase in fair value of investment properties of HK\$43,905,000 (2012: HK\$40,358,000).

(ii) Included in contribution to profit is net exchange gain of HK\$10,398,000 (2012: HK\$9,397,000).

Analysis of total assets of the Group

	<i>Segment assets</i> HK\$'000	<i>Interest in associates</i> HK\$'000	<i>Total assets</i> HK\$'000
At 30 June 2013			
Hotel operations			
- Vietnam	479,707	115,202	594,909
- United States	726,441	-	726,441
- The People's Republic of China	238,433	-	238,433
- Canada	-	87,985	87,985
- Japan	129,157	-	129,157
Property development	335,868	-	335,868
Property investment			
- Macau	1,106,141	-	1,106,141
Investment and corporate	1,083,179	4,139	1,087,318
	<hr/>	<hr/>	<hr/>
Total	4,098,926	207,326	4,306,252
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2012			
Hotel operations			
- Vietnam	485,298	109,074	594,372
- United States	730,579	-	730,579
- The People's Republic of China	236,883	-	236,883
- Canada	-	92,565	92,565
- Japan	156,067	-	156,067
Property development	335,931	-	335,931
Property investment			
- Macau	873,035	-	873,035
Investment and corporate	1,314,056	4,136	1,318,192
	<hr/>	<hr/>	<hr/>
Total	4,131,849	205,775	4,337,624
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4. Other revenue and net income

(a) Other revenue

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interest income from bank deposits	11,435	14,750
Dividend income from listed available-for-sale and trading securities	112	158
Others	2,184	1,940
	13,731	16,848

(b) Other net gains

Gain on disposal of available-for-sale securities	18,563	-
Net exchange gain	10,283	8,702
Loss on disposal of fixed assets	(4,665)	-
Net realised and unrealised losses on trading securities	(628)	(238)
Others	-	70
	23,553	8,534

5. Profit before taxation

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	3,192	6,638
Interest paid on amount due to an affiliated company	18	5
	3,210	6,643
(b) Staff costs:		
Salaries, wages and other benefits	141,330	129,096
Contributions to defined contribution retirement plans	1,224	1,254
	142,554	130,350
(c) Other items:		
Cost of properties sold	63	19,644
Cost of inventories	42,629	40,969
Rentals receivable from investment properties less direct outgoings of HK\$1,343,000 (2012: HK\$5,733,000)	(25,955)	(37,455)
Other rental income less direct outgoings	(1,491)	(1,381)

6. Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current tax – Overseas		
Provision for the period	<u>47,177</u>	<u>40,722</u>
Deferred taxation		
Change in fair value of investment properties	5,635	5,033
Withholding tax on the distributable profits	646	1,260
Origination and reversal of other temporary differences	<u>(16,974)</u>	<u>841</u>
	<u>(10,693)</u>	<u>7,134</u>
	36,484	47,856

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes for the six months ended 30 June 2013 and 30 June 2012.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) Share of associates' tax for the six months ended 30 June 2013 of HK\$3,735,000 (2012: HK\$4,430,000) is included in the share of profits less losses of associates.

7. Dividends

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.03 (2012: HK\$0.03) per ordinary share	<u>10,206</u>	<u>10,206</u>

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

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.17 (2012: HK\$0.10) per ordinary share	<u>57,834</u>	<u>34,020</u>

8. Other comprehensive income

Available-for-sale securities

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Changes in fair value recognised during the period	6,500	47
Reclassification adjustment for amount transferred to profit or loss:		
- gains on disposal	(18,563)	-
Net movement in the fair value reserve during the period recognised in other comprehensive income	(12,063)	47

9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity shareholders of the Company of HK\$146,391,000 (2012: HK\$200,106,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2013 and 30 June 2012.

There is no potential dilutive ordinary share during the six months ended 30 June 2013 and 30 June 2012.

10. 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 transaction date) as of the end of the reporting period:

	At 30 June	At 31 December
	2013	2012
	HK\$'000	HK\$'000
Within one month	21,400	20,642
One to three months	10,106	10,683
More than three months but less than twelve months	599	-
	32,105	31,325

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 receivables with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit will be granted.

11. Bank loans

- (a) At 30 June 2013 and 31 December 2012, the bank loans were repayable within one year or on demand.
- (b) At 30 June 2013, 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\$66,767,000 (31 December 2012: HK\$66,767,000),
 - (ii) hotel property of the Group with aggregate carrying value of HK\$645,643,000 (31 December 2012: HK\$661,412,000),
 - (iii) bank deposits of HK\$114,104,000 (31 December 2012: HK\$307,399,000), and
 - (iv) equity securities with fair value of HK\$1,310,000 (31 December 2012: HK\$1,938,000).

Such banking facilities amounted to HK\$769,183,000 (31 December 2012: HK\$983,088,000) and were utilised to the extent of HK\$330,027,000 (31 December 2012: HK\$383,145,000).

12. Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis based on invoice date:

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Due within one month or on demand	19,883	24,181
Due after one month but within three months	10,079	20,176
Due after three months	58,149	15,108
	88,111	59,465

13. Commitments

At 30 June 2013, the capital commitments outstanding not provided for in the interim financial report as follows:

	At 30 June 2013 HK\$'000	At 31 December 2012 HK\$'000
Contracted for	29,857	42,853
Authorised but not contracted for	7,046	1,943
	36,903	44,796

OPERATIONS REVIEW

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

Macau

During the first half of 2013, rental of the Group's properties continues to be robust as a result of increasing economic activity in Macau brought about by increasing tourist arrivals as well as brisk pace of investments in construction and development of hotels and gaming facilities.

Rental income for the first six months of the year was HK\$33.2 million as compared to HK\$33.1 million of the same period in 2012.

There were no sales of residential properties by the Group in Macau during the first six months of 2013.

Vietnam

During the first six months of 2013, turnover in Vietnam fell to HK\$294.8 million, a drop of 6.4% as compared to the same period in 2012. This is in line with the lackluster performance of the Vietnamese economy, with recent statistics showing that the country is experiencing mild deflation as well as expecting a GDP growth rate of around 5% as compared to the target of 5.5% set by the Vietnamese Government. Tight credit imposed by the banks also hampers business confidence in the short term.

Sheraton Saigon Hotel and Grand Towers For the first half of 2013, the hotel reported an occupancy rate of approximately 72% as compared to 69% in the same period in 2012. Average room rate was approximately US\$161 in the first six months of 2013, as compared to US\$168 in the same period in 2012.

Caravelle Hotel For the first half of the year, the hotel reported an occupancy rate of approximately 67% as compared to 65% in the same period in 2012. Average room rate was approximately US\$132 in the first six months of 2013, as compared to US\$143 in the same period in 2012.

US

W San Francisco The US economy continues to strengthen in the first half of 2013 in response to monetary easing. The San Francisco Bay Area, in particular, remains one of the fastest-growing areas in California and the entire US.

During the first half of 2013, occupancy rate at W San Francisco rose to 87% as compare to 82% in the same period in 2012. Average room rate increase to approximately US\$293, as compared to US\$272 in the same period in 2012.

PRC

Holiday Inn Wuhan Riverside

China's GDP grew by 7.6% in real terms in the first half of the year, 0.2% lower than that of the corresponding period of last year.

For the first half of the year, the hotel reported an occupancy rate of approximately 61%, as compared to 64% in the same period in 2012. Average room rate rose to approximately Rmb445, as compared to Rmb422 in the same period in 2012.

Japan

Best Western Hotel Fino Osaka Shinsaibashi

Japan's economy grew at the fastest pace among Group of Seven countries in the first half of 2013, with solid growth in consumer spending and exports.

For the first half of the year, occupancy rate has increased to approximately 86%, as compared to 77% in the same period in 2012. Average room rate was approximately JPY6,828 in the first six months of 2013, as compared to JPY6,382 in the same period in 2012.

Canada

Sheraton Ottawa Hotel For the first half of the year, the hotel reported an occupancy rate of approximately 69%, as compared to 72% in 2012. Average room rate was approximately C\$167, as compared to C\$169 in the same period in 2012.

DoubleTree International Plaza Hotel For the first half of the year, the hotel reported an occupancy rate of approximately 68%, as compared to 71% in 2012. Average room rate was approximately C\$109, as compared to C\$111 in the same period in 2012.

FINANCIAL REVIEW

The Group's turnover was HK\$596.5 million for the first six months of 2013, a decrease of 18.6% over the corresponding period in 2012. The decrease was primarily attributable to the decrease in sales of properties held for sale situated in Macau in the first half of 2013 and the effect of the decrease in rental income after the disposal of residential properties in Japan in September 2012.

Revenue from hotel operations amounted to HK\$560.8 million, a slight increase of 0.9% as compared to HK\$555.4 million in the corresponding period in 2012. This increase was primarily attributable to the combined effects of improvement in average room rates and occupancy rates for W Hotel in the United States, which offset by the decreased slot machine income from Sheraton Hotel in Vietnam.

The Group's operating profit was HK\$166.9 million for the period ended 30 June 2013, as compared to HK\$268.8 million in 2012. Profit attributable to equity shareholders of HK\$146.3 million was reported as compared to HK\$200.1 million in 2012.

At 30 June 2013, the Group had total bank loans and other borrowings of HK\$330.0 million (31 December 2012: HK\$383.1 million) and deposits and cash of HK\$1,889.2 million (31 December 2012: HK\$1,846.2 million). All the bank loans at 30 June 2013 and 31 December 2012 are repayable within one year or on demand.

The Group's bank borrowings are denominated in United States dollars and Japanese Yen. Bank deposits and cash are mostly in Hong Kong dollars, Singapore dollars, United States dollars and Malaysian ringgit. The Group's bank borrowings are on floating rate and fixed rate basis. Taking into account of the cash at bank and in hand and credit facilities available, the Group has sufficient working capital for its present requirements.

PLEDGE OF ASSETS

At 30 June 2013, a hotel property and properties held for sale with an aggregate value of HK\$712.4 million (31 December 2012: HK\$728.1 million), bank deposits of HK\$114.1 million (31 December 2012: HK\$307.3 million) and equity securities with fair value of HK\$1.3 million (31 December 2012: HK\$1.9 million) were mortgaged to banks to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 30 June 2013, 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 held for sale amounting to HK\$8.2 million (31 December 2012: HK\$8.2 million).

At 30 June 2013, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK\$36.8 million (31 December 2012: HK\$38.9 million).

A subsidiary of the Group, Ocean Place Joint Venture Company Limited (“OPJV”), is the defendant in litigation arising from its club operations in Vietnam. The plaintiff, a patron of the hotel’s club, claimed winnings from a gaming machine in the club in the amount of approximately US\$55.5 million (equivalent to HK\$431 million) plus interest, and filed a lawsuit against OPJV in 2010.

On 7 January 2013, The People’s Court of District 1, Ho Chi Minh City (the “Lower Court”) made a ruling against OPJV in the amount of approximately US\$55.5 million plus court fees (the “Judgement”).

On 21 January 2013, OPJV lodged an appeal to seek reversal of the Judgement (the “Appeal”) on the basis that it was not made in compliance with applicable laws. The Appeal has since been accepted for consideration by The People’s Court of Ho Chi Minh City. OPJV is currently taking the necessary steps to start the appellate proceedings to seek reversal of the Judgement.

As the outcome of these court proceedings is still uncertain, the directors have taken into account all available evidence, including the opinion of legal experts, in determining whether a present obligation exists in respect of this claim at the end of the reporting period. Based on legal advice received, the directors understand that OPJV has strong grounds for appeal. In particular the directors took into account that the Judgement amount exceeded the gaming machine’s maximum payout (of approximately US\$46,000), that the club’s rules state that any machine malfunction voids all pays and plays, and that the opinion of legal experts is that the plaintiff lacks sufficient legal basis and evidence to prove his alleged winning. On the basis of such evidence, the directors consider that at the end of the reporting period OPJV does not have a present obligation to pay the plaintiff. Accordingly, no provision for this matter has been made in the financial statements.

PROSPECTS

Whilst the US economy is steadily recovering with gradual improvements in consumer confidence, job market prospects as well as housing sector, the growth is still at a low rate and insufficient for US to return to a position of being able to drive the global economy. The European economy continues to be a worry. The adjustment process in the Chinese economy is continuing; its short terms prospects therefore will remain clouded, although the general consensus is that the long-term growth trajectory of the Chinese economy remains intact.

Macau, however, will continue to progress at a fast rate.

The above factors will continue to influence the Group’s operations in the various geographical locations in the second half of 2013.

Against this background, the Group will continue to be cautious in seeking out new investment prospects, and will remain committed to the objective of sourcing investments that will add value in the long run.

PERSONNEL

At 30 June 2013, the Group had approximately 1,801 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 experience being available. Salary and remuneration are competitive and are based on varying conditions of human resources in different countries in which the Company and its subsidiaries operate.

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 2013, 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.2.7, as the chairman did not hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present;
3. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term;
4. 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;
5. Code Provision D.1.3, as the Company did not disclose the respective responsibilities, accountabilities and contributions of the Board and management;
6. 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; and
7. Code Provision E.1.4, as the Board did not establish a shareholders’ communication policy and review it on a regular basis.

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 had 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.2.7, the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of executive directors. During the first six months of 2013, the Chairman did not hold such meetings with the non-executive directors. However, the Chairman has effective communication with the non-executive directors from time to time.

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.

Under Code Provision E.1.4, the Board should establish a shareholders' communication policy and review it on a regular basis. The Company is now planning to set up the relevant policy in order to comply with the Code.

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, internal and external 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 2013.

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 Remuneration Committee.

BOOK CLOSE

The register of members will be closed from Friday, 4 October 2013 to Wednesday, 9 October 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 October 2013.

PURCHASE, SALE OR REDEMPTION OF 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 2013.

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

Hong Kong, 23 August 2013

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.