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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](http://www.keckseng.com.hk)

(Stock Code: 00184)

#### **2016 FINAL RESULTS ANNOUNCEMENT**

The board of directors (the “Board”) of Keck Seng Investments (Hong Kong) Limited (the “Company”) hereby announces the consolidated final results of the Company and its subsidiaries (the “Group”), and associated companies for the year ended 31 December 2016. These results have been reviewed by the Audit Committee of the Board and the figures in respect of the preliminary announcement of these results have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors on this Announcement.

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2016 was HK\$225,345,000 (HK\$0.662 per share), compared to HK\$228,972,000 (HK\$0.673 per share) in 2015.

The Board has recommended the payment of a final dividend of HK\$0.12 (2015: HK\$0.12) per share for the year. Together with the interim dividend of HK\$0.03 (2015: HK\$0.03) per share, the total dividend for the year ended 31 December 2016 will be HK\$0.15 (2015: HK\$0.15) per share. Subject to equity shareholders’ approval of the payment of the final dividend at the forthcoming Annual General Meeting of the Company, the proposed final dividend is expected to be paid on or around 28 June 2017.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	<b>2015</b> <b>HK\$'000</b>
<b>Revenue</b>	<b>3</b>	<b>1,955,211</b>	1,939,567
Cost of sales		<u>(185,597)</u>	<u>(175,801)</u>
		<b>1,769,614</b>	1,763,766
Other revenue	4(a)	29,383	33,885
Other net gains/(losses)	4(b)	20,525	(2,738)
Direct costs and operating expenses		<b>(751,250)</b>	(762,635)
Marketing and selling expenses		<b>(87,216)</b>	(98,761)
Depreciation		<b>(134,877)</b>	(130,112)
Administrative and other operating expenses		<u><b>(431,780)</b></u>	<u>(392,774)</u>
<b>Operating profit</b>		<b>414,399</b>	410,631
Net increase in fair value of investment properties		<u>19,000</u>	<u>35,000</u>
		<b>433,399</b>	445,631
Finance costs	5(a)	<b>(39,569)</b>	(34,105)
Share of profits less losses of associates		<u>18,912</u>	<u>10,647</u>
<b>Profit before taxation</b>	<b>5</b>	<b>412,742</b>	422,173
Income tax	6	<u><b>(102,665)</b></u>	<u>(96,417)</u>
<b>Profit for the year</b>		<u><b>310,077</b></u>	<u>325,756</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		225,345	228,972
Non-controlling interests		<u>84,732</u>	<u>96,784</u>
<b>Profit for the year</b>		<u><b>310,077</b></u>	<u>325,756</u>
<b>Earnings per share, basic and diluted (cents)</b>	<b>7</b>	<u><b>66.2</b></u>	<u>67.3</u>

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2016 HK\$'000	2015 HK\$'000
<b>Profit for the year</b>	<u>310,077</u>	<u>325,756</u>
<b>Other comprehensive income for the year</b>		
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	(16,221)	(36,760)
Available-for-sale securities:		
- changes in fair value recognised during the year	<u>13</u>	<u>(836)</u>
<b>Other comprehensive income for the year</b>	<u>(16,208)</u>	<u>(37,596)</u>
<b>Total comprehensive income for the year</b>	<u><b>293,869</b></u>	<u><b>288,160</b></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	216,242	205,362
Non-controlling interests	<u>77,627</u>	<u>82,798</u>
<b>Total comprehensive income for the year</b>	<u><b>293,869</b></u>	<u><b>288,160</b></u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Investment properties		797,000	778,000
Property, plant and equipment		2,512,343	2,553,321
Land		827,428	831,425
		4,136,771	4,162,746
Interest in associates		145,817	148,588
Derivative financial assets		6,501	5,918
Available-for-sale securities		3,732	3,719
Deferred tax assets		6,119	5,571
		4,298,940	4,326,542
<b>Current assets</b>			
Trading securities		9,609	8,053
Properties held for sale		280,658	280,658
Inventories		5,911	6,422
Trade and other receivables	8	95,289	92,606
Derivative financial assets		26,388	-
Pledged deposits		-	38,119
Deposits and cash		1,942,549	1,790,706
Taxation recoverable		-	6,818
		2,360,404	2,223,382
<b>Current liabilities</b>			
Bank loans, secured	9	1,706,837	91,493
Trade and other payables	10	336,591	317,226
Loan from an associate		464	464
Loans from non-controlling shareholders		30,774	30,760
Taxation payable		19,500	26,137
		2,094,166	466,080
<b>Net current assets</b>		<b>266,238</b>	<b>1,757,302</b>
<b>Total assets less current liabilities</b>		<b>4,565,178</b>	<b>6,083,844</b>
<b>Non-current liabilities</b>			
Bank loans, secured	9	25,199	1,739,005
Deferred revenue		6,557	7,297
Loans from non-controlling shareholders		80,858	80,903
Derivative financial liabilities		-	1,409
Deferred tax liabilities		182,410	149,790
		295,024	1,978,404
<b>NET ASSETS</b>		<b>4,270,154</b>	<b>4,105,440</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***at 31 December*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>498,305</b>	498,305
Reserves		<b>3,112,686</b>	2,947,474
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,610,991</b>	3,445,779
Non-controlling interests		<b>659,163</b>	659,661
<b>TOTAL EQUITY</b>		<b>4,270,154</b>	4,105,440

*Notes:*

## **1. Basis of preparation**

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be 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 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

The Company's statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap.622). The Company's statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments classified as available-for-sale securities and trading securities;
- derivative financial instruments; and
- investment properties.

## **2. Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

### **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, available-for-sale and trading securities, financial instruments and other treasury operations.

#### ***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 payable 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

	<i>External revenue</i>	<i>Inter- segment revenue</i>	<i>Total revenue</i>	<i>Depreciation</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
<b>2016</b>								
Hotel	1,849,989	-	1,849,989	(129,841)	(39,477)	18,915	(85,289)	262,604
- Vietnam	698,232	-	698,232	(28,111)	-	18,123	(36,123)	164,181
- United States	939,787	-	939,787	(79,996)	(33,905)	-	(38,547)	68,014
- The People's Republic of China	66,741	-	66,741	(12,376)	(4,839)	-	-	(2,852)
- Canada	90,779	-	90,779	(5,792)	(733)	792	(4,046)	11,957
- Japan	54,450	-	54,450	(3,566)	-	-	(6,573)	21,304
Property								
- Macau #	102,359	1,620	103,979	(4,951)	(17)	-	(9,089)	68,770
Investment and corporate	2,863	-	2,863	(85)	(75)	(3)	(8,287)	(21,297)
Inter-segment elimination	-	(1,620)	(1,620)	-	-	-	-	-
<b>Total</b>	<b>1,955,211</b>	<b>-</b>	<b>1,955,211</b>	<b>(134,877)</b>	<b>(39,569)</b>	<b>18,912</b>	<b>(102,665)</b>	<b>310,077</b>

	<i>External revenue</i>	<i>Inter- segment revenue</i>	<i>Total revenue</i>	<i>Depreciation</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
<b>2015</b>								
Hotel	1,831,457	-	1,831,457	(125,091)	(33,899)	10,648	(77,570)	256,375
- Vietnam	671,887	-	671,887	(25,628)	-	11,837	(43,146)	162,523
- United States	957,643	-	957,643	(75,372)	(29,851)	-	(33,953)	69,872
- The People's Republic of China	69,873	-	69,873	(14,432)	(3,240)	-	-	(5,400)
- Canada	85,721	-	85,721	(5,970)	(808)	(1,189)	3,169	12,425
- Japan	46,333	-	46,333	(3,689)	-	-	(3,640)	16,955
Property								
- Macau #	105,400	887	106,287	(4,931)	(36)	-	(10,535)	93,472
Investment and corporate	2,710	-	2,710	(90)	(170)	(1)	(8,312)	(24,091)
Inter-segment elimination	-	(887)	(887)	-	-	-	-	-
<b>Total</b>	<b>1,939,567</b>	<b>-</b>	<b>1,939,567</b>	<b>(130,112)</b>	<b>(34,105)</b>	<b>10,647</b>	<b>(96,417)</b>	<b>325,756</b>

# External revenue from property segment in Macau included rental income from investment properties of HK\$30,149,000 (2015: HK\$28,258,000), rental income from properties held for sale of HK\$57,915,000 (2015: HK\$62,616,000) and club operations and others of HK\$14,295,000 (2015: HK\$14,526,000).



## 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	<i>Capital expenditure</i> HK\$'000
<b>At 31 December 2016</b>				
Hotel				
- Vietnam	424,021	114,515	538,536	53,090
- United States	2,884,780	-	2,884,780	31,340
- The People's Republic of China	206,620	-	206,620	1,597
- Canada	126,063	27,171	153,234	13,400
- Japan	108,507	-	108,507	72
Property				
- Macau	1,723,950	-	1,723,950	637
Investment and corporate	1,039,586	4,131	1,043,717	9
<b>Total</b>	<b>6,513,527</b>	<b>145,817</b>	<b>6,659,344</b>	<b>100,145</b>
	<i>Segment assets</i> HK\$'000	<i>Interest in associates</i> HK\$'000	<i>Total assets</i> HK\$'000	<i>Capital expenditure</i> HK\$'000
<b>At 31 December 2015</b>				
Hotel				
- Vietnam	415,032	119,178	534,210	10,731
- United States	2,906,503	-	2,906,503	37,413
- The People's Republic of China	217,841	-	217,841	876
- Canada	111,794	25,278	137,072	1,180
- Japan	109,414	-	109,414	114
Property				
- Macau	1,781,520	-	1,781,520	537
Investment and corporate	859,232	4,132	863,364	-
<b>Total</b>	<b>6,401,336</b>	<b>148,588</b>	<b>6,549,924</b>	<b>50,851</b>

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

	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
<b>At 31 December 2016</b>			
Hotel			
- Vietnam	134,803	-	134,803
- United States	184,599	1,705,105	1,889,704
- The People's Republic of China	94,142	-	94,142
- Canada	12,461	26,931	39,392
- Japan	2,550	-	2,550
Property			
- Macau	160,769	-	160,769
Investment and corporate	67,830	-	67,830
<b>Total</b>	<b>657,154</b>	<b>1,732,036</b>	<b>2,389,190</b>
	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
<b>At 31 December 2015</b>			
Hotel			
- Vietnam	109,256	-	109,256
- United States	167,675	1,785,288	1,952,963
- The People's Republic of China	94,683	-	94,683
- Canada	10,917	27,711	38,628
- Japan	8,451	-	8,451
Property			
- Macau	156,130	-	156,130
Investment and corporate	66,874	17,499	84,373
<b>Total</b>	<b>613,986</b>	<b>1,830,498</b>	<b>2,444,484</b>

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

	2016 HK\$'000	2015 HK\$'000
(a) <i>Other revenue</i>		
Interest income from bank deposits	18,750	23,225
Dividend income from listed available-for-sale and trading securities	303	334
Others	10,330	10,326
	<u>29,383</u>	<u>33,885</u>
(b) <i>Other net gains/(losses)</i>		
Net exchange losses	(14,094)	(7,635)
Net realised and unrealised gains on derivative financial instruments	32,867	7,419
Net realised and unrealised gains/(losses) on trading securities	1,556	(1,460)
Gain/(loss) on disposal of property, plant and equipment	157	(1,469)
Others	39	407
	<u>20,525</u>	<u>(2,738)</u>

#### 5. Profit before taxation

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

	2016 HK\$'000	2015 HK\$'000
(a) <i>Finance costs</i>		
Bank loan interests	34,715	30,831
Interest expense on loans from non-controlling shareholders	4,839	3,240
Other interest expenses	15	34
	<u>39,569</u>	<u>34,105</u>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	564,904	491,246
Contributions to defined contribution retirement plans	10,175	6,843
	<u>575,079</u>	<u>498,089</u>
(c) <i>Other items</i>		
Cost of inventories	185,597	175,801
Auditors' remuneration		
- Audit services	3,306	3,000
- Interim review	777	847
- Tax advisory and other services	928	1,139
Operating lease charges for hire of premises	228	3,362
Rentals receivable from investment properties less direct outgoings of HK\$531,000 (2015: HK\$496,000)	(29,618)	(27,762)
Rentals receivable from properties held for sale and other rental income less direct outgoings of HK\$2,417,000 (2015: HK\$1,834,000)	(58,620)	(64,317)
	<u>(58,620)</u>	<u>(64,317)</u>

## 6. Income tax

	2016 HK\$'000	2015 HK\$'000
<i>Current tax - Overseas</i>		
Provision for the year	71,555	73,976
Over-provision in respect of prior years	(1,215)	(6,982)
	<u>70,340</u>	66,994
<i>Deferred tax</i>		
Origination and reversal of other temporary differences	32,325	29,423
	<u>102,665</u>	96,417

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 or had unutilised tax loss to set-off against taxable income during 2015 and 2016.
- (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 year ended 31 December 2016 of HK\$29,000 (2015: HK\$4,622,000) 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\$225,345,000 (2015: HK\$228,972,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2016 and 2015.

There are no potential dilutive ordinary shares during the years ended 31 December 2016 and 2015.

## 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:

	2016 HK\$'000	2015 HK\$'000
Within one month	34,813	30,625
One to three months	7,021	13,146
	<u>41,834</u>	43,771

None of the Group's trade receivables are impaired. 83% of trade receivables at 31 December 2016 (2015: 70%) were neither past due nor more than one month past due.

Receivables that were neither past due nor paired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The balance and the movement of the allowance for doubtful debts as at 31 December 2016 and 2015 are not significant.

## 9. Bank loans, secured

(a) At 31 December 2016, the secured bank loans were repayable as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year or on demand	1,706,837	91,493
After one year but within two years	25,199	1,739,005
	<u>1,732,036</u>	<u>1,830,498</u>

At 31 December 2016 and 2015, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 31 December 2016, 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 (2015: HK\$63,898,000),
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,706,970,000 (2015: HK\$2,740,129,000), and
- (iii) Bank deposits of HK\$Nil (2015: HK\$38,119,000).

Such banking facilities amounted to HK\$1,993,277,000 (2015: HK\$2,206,447,000) and were utilised to the extent of HK\$1,732,036,000 as at 31 December 2016 (2015: HK\$1,830,498,000).

(c) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the draw down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

## 10. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Due within one month or on demand	49,594	41,223
Due after one month but within three months	14,546	16,380
Due after three months	3,872	9,590
	<u>68,012</u>	<u>67,193</u>

## 11. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2016 HK\$'000	2015 HK\$'000
Interim dividend declared and paid of HK\$0.03 (2015: HK\$0.03) per ordinary share	10,206	10,206
Final dividend proposed after the end of the reporting period of HK\$0.12 (2015: HK\$0.12) per ordinary share	40,824	40,824
	<b>51,030</b>	<b>51,030</b>

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

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

	2016 HK\$'000	2015 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.12 (2015: HK\$0.12) per ordinary share	40,824	40,824

## 12. Share capital

	2016		2015	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	<u>340,200</u>	<u>498,305</u>	<u>340,200</u>	<u>498,305</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

### 13. Commitments

- (a) At 31 December 2016, capital commitments outstanding not provided for in the financial statement were as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Contracted for	<b>87,015</b>	14,160
Authorised but not contracted for	<b>135,108</b>	1,345
	<b>222,123</b>	15,505

- (b) At 31 December 2016, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Leases on premises expiring:		
- within one year	<b>307</b>	458
- after one year but within five years	<b>134</b>	270
	<b>441</b>	728

- (c) At 31 December 2016, the Group's total future minimum lease receivables under non-cancellable operating leases are receivable as follows:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>76,671</b>	82,716
After one year but within five years	<b>77,614</b>	102,478
	<b>154,285</b>	185,194

## REVIEW OF OPERATIONS

The Group's revenue for 2016 was HK\$1,955 million, an increase of 0.8% as compared to HK\$1,940 million in 2015. Operating profit was HK\$414 million, an increase of 0.7% as compared to HK\$411 million in 2015. Primarily due to a smaller increase in fair value of investment property in 2016 (HK\$19 million) as compared to 2015 (HK\$35 million), profit after tax for the year dropped to HK\$310 million, a drop of 4.9% as compared to HK\$326 million in 2015.

A summary and analysis of the operations are as follows.

### Macau

In 2016, Macau's overall GDP recorded at MOP358.2 billion, slightly down by 1.2% from 2015. This was however a significant improvement compared to the drop of GDP of 18.0% in 2015. Macau's economic fundamentals remained stable with a low unemployment rate of 1.9% and high fiscal reserves. However, the uncertainties in the global political and economic environment may still cause impact on Macau's economy.

The Macau property market fell significantly in the first half of 2016 but rebounded in the second half of 2016. The capital values for high-end and mass-to-medium residential properties rose by 7.8% and 5.3% respectively year-on-year in 2016.

In the residential leasing sector, the reduced number of expatriates in Macau coupled with the increased new supply to the property market in 2015 continued to exert downward pressure on rental rates. The rental values for high-end and mass-to medium residential properties registered negative growth rates of 9.0% and 7.6% respectively year-on-year in 2016. Against this background, income from leasing of properties of the Group has dropped to HK\$88.1 million in 2016, a decrease of 3.1% as compared to HK\$90.9 million in 2015.

There was no sale of properties in Macau during 2016, as it is the view of the directors that the completion of the Hong Kong-Zhuhai-Macau Bridge will have a positive impact on the value of residential properties in Macau. The directors therefore consider that the Group should continue to closely monitor property market conditions, and to conduct sale of properties at a time and price that will optimize profits for the group. In the meantime, properties held for sale in Macau are leased to maximize profits.

### The People's Republic of China

**Holiday Inn Wuhan Riverside** The Chinese economy was undergoing a period of consolidation. The GDP in 2016 grew by 6.7%, as compared to annual growth rate of 7.3% in 2015. GDP of Wuhan in 2016 grew by 9.2%, as compared to 8.8% in 2015.

Holiday Inn Wuhan Riverside improved in occupancy rate of 72.0% in 2016 as compared to 68.3% in 2015. Average room rate dropped to RMB402 during the year, as compared to RMB414 in 2015.

The domestic consumption in PRC continues to be weak due to economic adjustments. Gross operating revenue has slightly decreased by 0.2% in 2016 to RMB52.8 million, as compared to RMB52.9 million in 2015 as a result of reduction in meeting and convention business and food and beverage revenue.

### Vietnam

Vietnam's GDP grew by 6.4% in 2016 as compared to the previous year as a result of increased level of commercial activities. With a GDP growth rate of 6.9%, Saigon's economic growth was very much in line with the national average in 2016.



**Sheraton Saigon Hotel and Towers** The Sheraton Saigon Hotel & Towers performance in 2016 was down approximately 4% year-on-year. Vietnam continues to be a major tourism destination with arrivals up by 26% on a nationwide basis. This was reflected in the hotel's occupancy performance in 2016 at 69.7% as compared to 67.9% in 2015. However, the increased competition led to a reduced average room rate to US\$159 as compared to US\$169 in 2015. Further, renovations of the grand ballroom and all-day dining restaurant reduced food & beverage revenue as well as room business.

Going forward, the hotel planned to work diligently to extract the maximum benefit from the recent Marriott acquisition of Starwood in terms of achieving potential savings and synergies in all operational areas, especially in procurement and sales.

**Caravelle Hotel** Occupancy rate increased from 52.9% in 2015 to 61.4% in 2016. However, average room rate has decreased to US\$122 in 2016, as compared to US\$135 in 2015. Completion of renovation of the ballroom and other parts of the hotel contributed to an increase in revenue particularly in the second half of the year. Despite the relatively low room rate, share of contribution to profit from the hotel has increased significantly to HK\$18.1 million in 2016, as compared to HK\$11.8 million in 2015.

## **Japan**

The Japanese GDP had increased approximately by 14.7% in 2016 due to a weaker yen and strong export growth fueled by global demand.

**Best Western Hotel Fino Osaka Shinsaibashi** During 2016, the hotel's occupancy rate decreased marginally to 89.2%, as compared to 90.3% in 2015. Average room rate rose to Yen12,578 in 2016, as compared to Yen11,763 in 2015. Gross operating profit has increased by 7.8% in 2016 to Yen 515.4 million, as compared to Yen478.2 million in 2015.

## **The United States ("US")**

The US economy remained strong with its GDP in 2016 at US\$18,560 billion, representing an annual growth rate of 1.6% as compared to 2.6% annual growth rate in 2015.

**W San Francisco** San Francisco had seen a slight economic growth of approximately 3.0% in 2016 which is above the national average growth.

Despite the vulnerability seen in the local tourism and hotel market, W San Francisco was able to better of its 2015 performance both in terms of occupancy (89.8% in 2016 versus 89.5% in 2015) and average room rate (US\$343 in 2016 versus US\$342 in 2015). For 2016, the hotel continued to command a respectable US\$36 rate premium against the competitive set and outperformed its competitors in the market penetration indices in both the transient and group segments.

W San Francisco also won the 2016 American Hotel & Lodging Association's "Property of the Year" award, maintaining its status as one of the top W hotels on the US west coast.

**Sofitel New York** In 2016, New York recorded economic growth of around 6.0%, which is higher than the national average growth.

The New York lodging marketplace continued to be challenging in 2016. The overall supply of new guestrooms outpaced the demand for accommodations, which put downward pressure on average room rates. The Sofitel New York suffered from this trend in 2016 with an average room rate of US\$358 against a rate of US\$370 in 2015. Despite these, the hotel was able to make improvements in occupancy rates, ending the year with a strong 89.5% occupancy rate versus 88.1% in 2015.

## Canada

The economy continued to grow slowly in 2016, registered a GDP growth rate of 1.1%, as compared to 1.0% in 2015.

**The Sheraton Ottawa Hotel** Ottawa had experienced a slight growth in GDP in 2016 of 2.0%, as compared to GDP growth in 2015 of 1.7%.

The Sheraton Ottawa Hotel enjoyed a strong year in 2016 with positive gains made in both occupancy (77.9% in 2016 versus 77.0% in 2015) and average room rate (C\$182 in 2016 versus C\$169 in 2015). These strong gains were due to the relative stability of the Canadian economy, the Canadian government's infrastructure program that raised corporate travel activities to Ottawa, increased number of US visitors due to the depreciation in Canadian dollar, and a number of Ottawa hotels undergoing major renovations in 2016 that had reduced the room inventory during the year.

**International Plaza Hotel** As Canada's business and economic center, Toronto had reported an economic growth of 4.4%, as compared to GDP growth in 2015 of 3.7%.

The International Plaza Hotel saw higher occupancy (74.5% in 2016 versus 71.2% in 2015) and room rates (C\$103 in 2016 versus C\$95 in 2015) last year. The Greater Toronto Airport sub-market was generally stable in 2016, with no new hotel supply coming online. The weak Canadian dollar is making the city more attractive for tourists while at the same time encouraging Canadians to travel domestically. The hotel is embarking on a renovation program to enhance the experience for hotel guests. During the renovation, some revenue loss is expected in the first half of 2017. After renovations, the hotel will be rebranded to Delta Hotels Toronto Airport and Conference Centre.

### Other net gains/(losses)

Net exchange loss for 2016 amounted to HK\$14.1 million, as compared to a net exchange loss of HK\$7.6 million in 2015.

Net realised and unrealised gain on derivative financial instruments amounted to HK\$32.9 million in 2016, as compared to a gain of HK\$7.4 million in 2015.

Net realised and unrealised gain on trading securities for 2016 amounted to HK\$1.6 million, as compared to a loss of HK\$1.5 million in 2015.

There was a gain on disposal of other property, plant and equipment in 2016 amounting to HK\$0.2 million, as compared to a loss of HK\$1.5 million in 2015. These were related to disposal of furniture, fixtures and equipment.

## **FINANCIAL REVIEW**

The Group's revenue was HK\$1,955.2 million for the year ended 31 December 2016; a slightly increase of 0.8% compared to year 2015. The increase was primarily attributable to the combined effects of increase in revenue from hotel and club operations, and a mild reduction in rental income from properties held for sale in Macau. The Group's operating profit was HK\$414.4 million for the year ended 31 December 2016 as compared to HK\$410.6 million in 2015. Profit attributable to equity shareholders amounted to HK\$225.3 million (2015: HK\$229.0 million).

At 31 December 2016, the Group has total bank loan of HK\$1,732.0 million (2015: HK\$1,830.5 million) and deposits and cash of HK\$1,942.5 million (2015: HK\$1,828.8 million). Of the total bank borrowings, HK\$1,706.8 million (2015: HK\$91.5 million) are repayable within one year, HK\$25.2 million (2015: HK\$1,739.0 million) are repayable after one year but within two years.

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

## **PLEDGE OF ASSETS**

As at 31 December 2016, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,771.0 million (2015: HK\$2,804.0 million) and bank deposits of HK\$Nil (2015: HK\$38.1 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

At 31 December 2016, the directors do not consider it probable that a claim would be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantee as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

## **PROSPECTS**

The global economy has continued to experience volatility while proving to be resilient. Economic activity of virtually every major region has now stabilized. Some economies are trending upwards.

2017 is generally expected to be a year filled with challenges in global financial markets and world economic conditions. The interest rate cycle in the US is expected to enter a new phase with periodic increases in 2017. China is still going through consolidation in both its economy and financial markets, and is aiming for a soft-landing during this period of adjustment. Macau's economy is returning to stability after experiencing contraction in the past two years. Vietnam is continuing its path towards economic growth.

The Group will regard 2017 as a year of consolidation. We will continue to adopt a disciplined approach towards acquisitions, targeting industries and countries or regions where it has a comparative advantage. The Group will continue to focus on seeking investments that creates long-term value on a sustainable basis for shareholders.

## **PERSONNEL**

At 31 December 2016, the Group had approximately 1,982 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year under review.

## **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 applied with the principles set out in the CG Code for the year ended 31 December 2016, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with the code provisions as set out in the CG Code, save and except for 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;
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; and
6. Code Provision E.1.4, as the Board has only adopted a shareholders' communication policy at the Board Meeting held on 9 December 2016.

Code provision A.2.1 stipulates that 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.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 formalize 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 to ensure its effectiveness. The Shareholders' Communication Policy was adopted at the Board Meeting held on 9 December 2016 in compliance with Code Provision E.1.4.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Board 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.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming Annual General Meeting to be held on Thursday, 1 June 2017 ("2017 AGM"), the Register of Members of the Company will be closed from Thursday, 25 May 2017 to Thursday, 1 June 2017, both days inclusive. In order to qualify for attending and voting at the 2017 AGM, all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 May 2017 (Hong Kong time), being the last share registration date.

The proposed final dividend is subject to the approval of the Shareholders of the Company at the 2017 AGM. For the purpose of determining shareholders who qualify for the final dividend (if approved), the Register of Members of the Company will be closed from Monday, 12 June 2017 to Wednesday, 14 June 2017 both days inclusive. In order to qualify for the final dividend (if approved), all transfer documents should be lodged for registration with the Company's Share Registrar, Tricor Tengis Limited, at the above address for registration no later than 4:30 p.m. on Friday, 9 June 2017 (Hong Kong time), being the last share registration date. The payment of final dividend (if approved) will be scheduled on or around 28 June 2017.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting of the Company will be held on Thursday, 1 June 2017.

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

Hong Kong, 24 March 2017

*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.*