



# 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)

## 2004 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 (“your Group”) for the year ended 31 December 2004.

The consolidated profit attributable to shareholders for the year ended 31 December 2004 was HK\$89,835,000 (HK\$0.26 per share), compared to HK\$32,860,000 (HK\$0.10 per share) in 2003.

The Directors recommend the payment of a final dividend of HK\$0.03 per share for the year (2003: HK\$0.01).

Subject to 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 12 July 2005.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)

For the year ended 31 December

	Note	2004 HK\$'000	2003 HK\$'000
<b>Turnover</b>	1	<b>403,668</b>	339,524
Cost of sales		<b>(81,680)</b>	(143,878)
		<b>321,988</b>	195,646
Other revenue	2	<b>10,629</b>	10,173
Other net income	3	<b>16,244</b>	19,501
Direct operating expenses		<b>(24,863)</b>	(32,855)
Marketing and selling expenses		<b>(14,446)</b>	(7,320)
Depreciation		<b>(94,411)</b>	(77,843)
Administrative and other operating expenses		<b>(98,044)</b>	(66,368)
<b>Profit from operations</b>		<b>117,097</b>	40,934
Finance costs	4(a)	<b>(8,139)</b>	(8,467)
Share of profits less losses of associates		<b>16,533</b>	11,741
<b>Profit from ordinary activities before taxation</b>	4	<b>125,491</b>	44,208
Income tax	5	<b>(5,380)</b>	(12,056)
<b>Profit after taxation</b>		<b>120,111</b>	32,152
Minority interests		<b>(30,276)</b>	708
<b>Profit attributable to shareholders</b>		<b>89,835</b>	32,860
<b>Dividend attributable to the year</b>			
Interim dividend paid – HK\$0.015 (2003: HK\$0.01) per share		<b>5,103</b>	3,402
Proposed final dividend – HK\$0.03 (2003: HK\$0.01) per share		<b>10,206</b>	3,402
		<b>15,309</b>	6,804
<b>Basic earnings per share</b>	6	<b>26.4 cents</b>	9.7 cents

## FINANCIAL HIGHLIGHTS

At 31 December

	2004	2003
Shareholders' equity (in HK\$'000)	1,434,931	1,341,808
Net borrowings (Total of bank loans, overdrafts and other borrowings less cash and bank balances) (in HK\$'000)	51,062	296,815
Net asset value per share (in HK\$)	4.22	3.94
Net borrowings to shareholders' equity ratio	0.04	0.22
No. of shares issued at par value of HK\$1 each (in '000)	340,200	340,200

Notes:

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

2. Other revenue:

	2004 HK\$'000	2003 HK\$'000
Interest income	6,244	2,810
Dividend income from non-trading listed investments	24	17
Others revenue from hotel operations and miscellaneous income	4,361	7,346
	<u>10,629</u>	<u>10,173</u>

3. Other net income:

	2004 HK\$'000	2003 HK\$'000
Exchange gain	20,998	19,435
Loss on disposal of fixed assets	(4,754)	(5)
Loss on liquidation of a subsidiary	-	(18)
Others	-	89
	<u>16,244</u>	<u>19,501</u>

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

	2004 HK\$'000	2003 HK\$'000
(a) Finance costs		
Interest on bank overdrafts and other borrowings wholly repayable within five years	4,858	8,106
Interest on other loans	3,189	-
Interest paid on amounts due to an affiliated company	67	889
Other borrowing costs	28	121
	<u>8,142</u>	<u>9,116</u>
Total borrowing costs		
Less: Borrowing costs capitalised into properties under development at a rate of 2.3% (2003: 3.6%) per annum	(3)	(649)
	<u>8,139</u>	<u>8,467</u>

(b) Staff costs		
Contributions to defined contribution retirement schemes	<b>1,264</b>	919
Salaries, wages and other benefits	<b>38,788</b>	28,716
	<u>40,052</u>	<u>29,635</u>
(c) Other items		
Cost of properties sold (including the release of provisions for construction costs ( <i>note</i> ))	<b>55,988</b>	136,762
Cost of inventories	<b>25,692</b>	6,522
Auditors' remuneration	<b>1,016</b>	1,097
Operating lease charges for hire of premises	<b>254</b>	254
Rentals receivable from investment properties less direct outgoings	<b>(8,002)</b>	(6,016)
Rentals receivable from serviced apartments less direct outgoings	<b>(76,311)</b>	(40,408)

*Note:* The financial statements include provisions for construction costs for work performed, which are estimated based on information available to the Directors, including independent surveyors' reports, where applicable. Upon completion of certain units of a property development during the year ended 31 December 2004, the Directors have reassessed the adequacy of provisions for construction costs for this property development based on information provided by an independent surveyor on 8 July 2004, and provisions for construction costs amounting to HK\$16,866,000 have been released to cost of sales in the consolidated profit and loss account for the year ended 31 December 2004 (2003: HK\$Nil).

5. Taxation in the consolidated profit and loss account represents:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	–	–
Current tax – Overseas		
Tax for the year	<b>16,755</b>	13,811
Over-provision in respect of prior years ( <i>note</i> )	<b>(13,081)</b>	(652)
	<u>3,674</u>	13,159
Share of associates' taxation	<b>1,706</b>	(1,103)
	<u>5,380</u>	<u>12,056</u>

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

*Note:* In prior years, the Directors provided for Macau complementary tax based on information available to the Group at that time. During the year ended 31 December 2004, the Directors have reassessed the adequacy of those provisions and as a result of this evaluation, provisions for Macau complementary tax totalling HK\$13,106,000 have been released to the consolidated profit and loss account for the year ended 31 December 2004.

6. The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$89,835,000 (2003: HK\$32,860,000) and on the 340,200,000 ordinary shares in issue during both years ended 31 December 2004 and 2003.

## 7. Segmental reporting

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

### *Geographical segments*

	Year ended 31 December 2004 (HK\$'000)					Total
	Macau	PRC	Vietnam	Canada	Others	
Turnover	179,557	40,746	181,903	861	601	403,668
Other revenue						
– allocated	5,113	2,319	1,374	–	–	8,806
– unallocated	–	–	–	–	1,823	1,823
Total revenue	<u>184,670</u>	<u>43,065</u>	<u>183,277</u>	<u>861</u>	<u>2,424</u>	<u>414,297</u>
Segment results	108,224	(5,381)	5,044	351	8,859	117,097
Finance costs	(170)	(1,857)	–	–	(6,112)	(8,139)
Share of profits less losses of associates	(15)	7,081	8,530	940	(3)	16,533
Profit/(loss) from ordinary activities before taxation	108,039	(157)	13,574	1,291	2,744	125,491
Income tax						(5,380)
Profit from ordinary activities after taxation						120,111
Minority interests	(32,447)	4,094	(1,863)	–	(60)	(30,276)
Profit attributable to shareholders						<u>89,835</u>
Depreciation	4,040	13,480	76,715	–	176	94,411
Capital expenditure incurred during the year	<u>19,107</u>	<u>10,890</u>	<u>16,930</u>	<u>–</u>	<u>–</u>	<u>46,927</u>
Segment assets #	555,312	182,496	703,815	–	17,887	1,459,510
Interest in associates	–	143,306	153,906	51,491	4,974	353,677
Unallocated assets	–	–	–	–	445,507	445,507
Total assets	<u>555,312</u>	<u>325,802</u>	<u>857,721</u>	<u>51,491</u>	<u>468,368</u>	<u>2,258,694</u>
Segment liabilities #	86,302	76,638	47,869	8	242,850	453,667
Unallocated liabilities	–	–	–	–	178,525	178,525
Total liabilities	<u>86,302</u>	<u>76,638</u>	<u>47,869</u>	<u>8</u>	<u>421,375</u>	<u>632,192</u>
Minority interests						<u>191,571</u>

	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
<b>Total revenue</b>	<b>239,609</b>	<b>36,536</b>	<b>68,988</b>	<b>786</b>	<b>3,778</b>	<b>349,697</b>
Segment results	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
Income tax						(12,056)
Profit from ordinary activities after taxation						32,152
Minority interests	(24,417)	14,310	10,531	–	284	708
Profit attributable to shareholders						<b>32,860</b>
Depreciation	4,205	26,141	47,319	–	178	77,843
Capital expenditure incurred during the year	73,057	1,874	77,314	–	18	152,263
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
<b>Total assets</b>	<b>619,288</b>	<b>323,267</b>	<b>927,162</b>	<b>47,668</b>	<b>310,609</b>	<b>2,227,994</b>
Segment liabilities #	67,007	59,689	34,447	487	245,368	406,998
Unallocated liabilities	–	–	–	–	302,463	302,463
<b>Total liabilities</b>	<b>67,007</b>	<b>59,689</b>	<b>34,447</b>	<b>487</b>	<b>547,831</b>	<b>709,461</b>
Minority interests						<b>176,725</b>

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

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Proceeds from the sale of properties	<b>162,330</b>	223,033
Hotel and club operations	<b>227,346</b>	103,677
Rental income	<b>9,005</b>	8,031
Management fee income	<b>4,987</b>	4,783
	<u><b>403,668</b></u>	<u>339,524</u>

8. Commitment for capital expenditure

At 31 December 2004, your Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contracted for	<b>47,579</b>	29,890
Authorised but not contracted for	<b>1,004</b>	–
	<u><b>48,583</b></u>	<u>29,890</u>

## FINANCIAL REVIEW

Your Group's turnover was HK\$403,668,000 for the year ended 31 December 2004, an increase of 19% over the corresponding period in 2003. 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 in Vietnam. Profit from operations was HK\$117,097,000 for the year ended 31 December 2004 as compared to a profit of HK\$40,934,000 in 2003. Profit attributable to shareholders amounted to HK\$89,835,000.

Your Group's net borrowings as at 31 December 2004 amounted to approximately HK\$51,062,000, representing total bank loans and other borrowings of HK\$495,856,000 less cash equivalents of HK\$444,794,000. Your Group's ratio of net borrowings to total assets was 2%. Of the total amount of bank borrowings of HK\$285,707,000, HK\$115,442,000 are repayable within twelve months and the remaining of HK\$170,265,000 are repayable after twelve months.

Your 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 your Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, your Group has sufficient working capital for its present requirements.

## PLEDGE OF ASSETS

As at 31 December 2004, the secured bank loan facilities granted to your Group were secured by mortgages over your Group's assets, including hotel properties and related assets and properties under development with an aggregate carrying value of approximately HK\$958.8 million.

## CONTINGENT LIABILITIES

At 31 December 2004, 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 (2003: HK\$6,311,000).

At 31 December 2004, there were guarantees given by a subsidiary to banks on behalf of purchasers of flats amounting to HK\$Nil (2003: HK\$37,379,000).

At 31 December 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and the associates amounted to HK\$134.5 million and HK\$66.7 million (2003: HK\$182.3 million and HK\$62.0 million) respectively.

At 31 December 2004, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to its associate amounted to HK\$32.3 million (2003: HK\$37.5 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 2004, the guarantee granted by the subsidiary amounted to HK\$62.1 million (2003: HK\$62.0 million).

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of your Group is required to complete the remaining phases of the development project 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 property market in Macau has been undergoing a transformation in the past 24 months. This occurred on the back of a strong pick-up in the local economy, resulting from substantial inflow of overseas funds being committed to the gaming industry, the service industry, and the hotel and property sectors of the economy. There has also been a significant rise in disposable income of the local population, as evidenced by the 28% rise in Macau's gross domestic production in 2004 as compared to the previous year. The planned and ongoing economic, social and geographical integration of the Pearl River Delta ("PRD") and the acknowledged designation of Macau as the service and entertainment centre of the PRD have injected an element of certainty into Macau's future. With strong and able political leadership and a capable administration, overseas investors are committing to Macau's future with funds and resources. The boost to the Macau property sector, an industry in which your Group has over 25 years of experience, will allow your Group to continue to benefit from Macau's continuing development.

There have been improvements in the economies of Ho Chi Minh City, Wuhan, and the various cities in Canada in which your Group has hotel investments. All hotels are expected to continue to report operating profits. Significant amounts of depreciation and amortization however will continue to have a dampening effect on accounting profits at the Sheraton Saigon Hotel & Towers and the Holiday Inn Riverside Wuhan.

## **ADOPTION OF NEW ACCOUNTING STANDARDS IN 2005**

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

Your Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. Your Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Your Group will be continuing with the assessment of the impact of these new HKFRSs and significant changes may be identified as a result.

## **PERSONNEL**

At 31 December 2004, the Company and its subsidiaries had approximately 1,617 employees. A policy of localizing as many of the positions as possible is in place throughout your 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**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the annual report of the Company, other than the Directors of the Company are not appointed for specific terms but subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company.

## **AUDIT COMMITTEE**

The audit committee presently comprises three independent non-executive Directors and reports to the Board of Directors. The audit committee meets with your Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports, including the audited consolidated financial statements for the year ended 31 December 2004, of your Group.

## **REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 22 June 2005 to Saturday, 25 June 2005, both dates inclusive. To qualify for the proposed final dividend, all share transfers must be lodged with the Company's share registrar, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 21 June 2005.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting of the Company will be held on Saturday, 25 June 2005.

On behalf of the Board  
**YUEN CHIU YUK IDA**  
*Secretary*

Hong Kong, 21 April 2005

*Remark: At the date hereof, the Board comprises seven directors, namely, HO Kian Guan, HO Kian Hock and TSE See Fan Paul who are executive Directors, HO Kian Cheong who is a non-executive Director, and CHAN Yau Hing Robin, KWOK Chi Shun Arthur and WANG Poey Foon Angela who are independent non-executive Directors.*

*The website of The Stock Exchange of Hong Kong Limited (<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 (before the amendments effective from 31 March 2004) in due course.*

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