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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)

2017 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 condensed consolidated interim financial information of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was HK\$24,285,000 (HK\$0.071 per share), compared to HK\$81,574,000 (HK\$0.240 per share) for the first six months of 2016.

The Board has declared an interim dividend of HK\$0.03 (2016: HK\$0.03) per share for 2017 payable on Wednesday, 25 October 2017, to equity shareholders whose names appear on the register of members of the Company on Wednesday, 11 October 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Revenue	3	925,036	957,130
Cost of sales		<u>(95,602)</u>	<u>(90,682)</u>
		829,434	866,448
Other revenue	4(a)	21,564	14,115
Other net losses	4(b)	(14,017)	(14,567)
Direct costs and operating expenses		(374,465)	(373,465)
Marketing and selling expenses		(31,585)	(44,887)
Depreciation		(70,655)	(66,523)
Administrative and other operating expenses		<u>(203,543)</u>	<u>(209,270)</u>
Operating profit		156,733	171,851
Increase/(decrease) in fair value of investment properties		24,000	(14,000)
Impairment loss on a hotel property	5	<u>(145,872)</u>	-
		34,861	157,851
Finance costs	6(a)	(23,410)	(16,522)
Share of profits less losses of associates		<u>5,075</u>	<u>5,632</u>
Profit before taxation	6	16,526	146,961
Income tax	7	<u>56,348</u>	(28,274)
Profit for the period		<u>72,874</u>	<u>118,687</u>
Attributable to:			
Equity shareholders of the Company		24,285	81,574
Non-controlling interests		<u>48,589</u>	<u>37,113</u>
Profit for the period		<u>72,874</u>	<u>118,687</u>
Earnings per share, basic and diluted (cents)	8	<u>7.1</u>	<u>24.0</u>

Details of dividends payable to equity shareholders of the Company are set out in note 12(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit for the period	72,874	118,687
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss :</i>		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	21,931	20,350
Available-for-sale securities:		
- changes in fair value recognised during the period	339	323
Other comprehensive income for the period	22,270	20,673
Total comprehensive income for the period	95,144	139,360
Attributable to:		
Equity shareholders of the Company	40,963	100,414
Non-controlling interests	54,181	38,946
Total comprehensive income for the period	95,144	139,360

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2017 HK\$'000	(Audited) At 31 December 2016 HK\$'000
Non-current assets			
Investment properties		821,000	797,000
Property, plant and equipment		2,374,154	2,512,343
Land		834,908	827,428
		4,030,062	4,136,771
Interest in associates		135,492	145,817
Derivative financial assets		3,228	6,501
Available-for-sale securities		4,071	3,732
Deferred tax assets		6,486	6,119
		4,179,339	4,298,940
Current assets			
Trading securities		9,482	9,609
Properties held for sale		280,658	280,658
Inventories		6,058	5,911
Trade and other receivables	9	101,328	95,289
Derivative financial assets		-	26,388
Deposits and cash		1,997,156	1,942,549
Taxation recoverable		25,629	-
		2,420,311	2,360,404
Current liabilities			
Bank loans, secured	10	1,707,261	1,706,837
Trade and other payables	11	351,999	336,591
Loan from an associate		464	464
Loans from non-controlling shareholders		30,955	30,774
Derivative financial liabilities		1,542	-
Taxation payable		18,347	19,500
		2,110,568	2,094,166
Net current assets		309,743	266,238
Total assets less current liabilities		4,489,082	4,565,178
Non-current liabilities			
Bank loans, secured	10	-	25,199
Deferred revenue		6,193	6,557
Loans from non-controlling shareholders		86,116	80,858
Deferred tax liabilities		117,066	182,410
		209,375	295,024
NET ASSETS		4,279,707	4,270,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited) At 30 June 2017 HK\$'000	(Audited) At 31 December 2016 HK\$'000
	<i>Note</i>		
Capital and reserves	<i>13</i>		
Share capital		498,305	498,305
Reserves		<u>3,112,825</u>	<u>3,112,686</u>
Total equity attributable to equity shareholders of the Company		3,611,130	3,610,991
Non-controlling interests		<u>668,577</u>	<u>659,163</u>
TOTAL EQUITY		<u>4,279,707</u>	<u>4,270,154</u>

Notes:

1. Basis of preparation

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2017 but are extracted from the report.

The interim financial report has 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"). It was authorised for issued on 25 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by 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 HKICPA. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effects on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (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 senior management for the purposes of resource allocation and assessment of segment performance.

Revenue and expenses are allocated to the reportable segments with reference to revenue 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 payables 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

	External revenue	Inter-segment revenue	Total revenue	Depreciation	Impairment loss on a hotel property	Finance costs	Share of profits less losses of associates	Income tax	Contribution to profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2017									
Hotel	871,277	-	871,277	(68,190)	(145,872)	(23,385)	5,075	63,540	2,962
- Vietnam	350,293	-	350,293	(17,634)	-	-	6,694	(18,874)	83,535
- United States	423,433	-	423,433	(40,315)	(145,872)	(20,570)	-	88,216	(89,268)
- The People's Republic of China	32,475	-	32,475	(6,004)	-	(2,465)	-	-	(1,849)
- Canada	41,782	-	41,782	(2,661)	-	(350)	(1,619)	(2,339)	2,742
- Japan	23,294	-	23,294	(1,576)	-	-	-	(3,463)	7,802
Property									
- Macau #	52,390	834	53,224	(2,426)	-	(25)	-	(7,147)	53,282
Investment and corporate	1,369	-	1,369	(39)	-	-	-	(45)	16,630
Inter-segment elimination	-	(834)	(834)	-	-	-	-	-	-
Total	925,036	-	925,036	(70,655)	(145,872)	(23,410)	5,075	56,348	72,874

For the six months ended 30 June 2016

Hotel	903,460	-	903,460	(64,003)	-	(16,455)	5,632	(26,143)	113,566
- Vietnam	339,498	-	339,498	(13,611)	-	-	5,034	(16,705)	75,363
- United States	457,219	-	457,219	(39,553)	-	(13,621)	-	(3,487)	22,789
- The People's Republic of China	33,392	-	33,392	(6,231)	-	(2,460)	-	-	(1,961)
- Canada	46,099	-	46,099	(2,869)	-	(374)	598	(2,242)	6,803
- Japan	27,252	-	27,252	(1,739)	-	-	-	(3,709)	10,572
Property									
- Macau #	52,314	802	53,116	(2,477)	-	(8)	-	(2,116)	11,701
Investment and corporate	1,356	-	1,356	(43)	-	(59)	-	(15)	(6,580)
Inter-segment elimination	-	(802)	(802)	-	-	-	-	-	-
Total	957,130	-	957,130	(66,523)	-	(16,522)	5,632	(28,274)	118,687

External revenue from property segment in Macau included rental income from investment properties of HK\$16,592,000 (2016: HK\$14,993,000), rental income from properties held for sale of HK\$29,012,000 (2016: HK\$29,834,000) and club operations and others of HK\$6,786,000 (2016: HK\$7,487,000).

Contribution to profit from property segment in Macau included the increase in fair value of investment properties of HK\$24,000,000 (2016: decrease of HK\$14,000,000).

Analysis of total assets of the Group

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
At 30 June 2017				
Hotel				
- Vietnam	403,165	96,709	499,874	7,411
- United States	2,916,095	-	2,916,095	21,660
- The People's Republic of China	216,036	-	216,036	427
- Canada	134,268	34,628	168,896	23,343
- Japan	112,347	-	112,347	292
Property				
- Macau	1,748,257	-	1,748,257	71
Investment and corporate	933,990	4,155	938,145	-
Total	6,464,158	135,492	6,599,650	53,204

At 31 December 2016

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
Total	6,513,527	145,817	6,659,344	100,145

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

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
At 30 June 2017			
Hotel			
- Vietnam	119,619	-	119,619
- United States	141,921	1,680,124	1,822,045
- The People's Republic of China	101,350	-	101,350
- Canada	12,327	27,137	39,464
- Japan	1,965	-	1,965
Property			
- Macau	169,292	-	169,292
Investment and corporate	66,208	-	66,208
Total	612,682	1,707,261	2,319,943

At 31 December 2016

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
Total	657,154	1,732,036	2,389,190

4. Other revenue and other net losses

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
(a) <i>Other revenue</i>		
Interest income from bank deposits	14,856	10,595
Dividend income from listed available-for-sale and trading securities	241	278
Other revenue from hotel and club operations	6,467	3,242
	<u>21,564</u>	<u>14,115</u>
(b) <i>Other net losses</i>		
Loss on disposal of property, plant and equipment	(20)	(20)
Net exchange losses	(13,870)	(15,883)
Net unrealised (losses)/gains on trading securities	(127)	1,336
	<u>(14,017)</u>	<u>(14,567)</u>

5. Impairment loss on a hotel property

The value of hotel properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each hotel property being higher of its fair value less costs of disposal using the market comparison approach and value in use using the income approach.

During the six months ended 30 June 2017, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget. Also, the hotel market in New York has weakened as compared to prior years. The Group estimated that the carrying amount of this hotel property at 30 June 2017 exceeded its estimated recoverable amount by HK\$145,872,000. Accordingly, impairment loss of HK\$145,872,000 was recognised as a separate line item in the Group's consolidated statement of profit or loss. The recoverable amount of this hotel is based on its value in use.

6. Profit before taxation

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
(a) <i>Finance costs</i>		
Interest on bank loans wholly repayable within five years	20,920	14,054
Interest expenses on loans from non-controlling shareholders	2,465	2,460
Other interest expenses	25	8
	<u>23,410</u>	<u>16,522</u>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	281,002	304,491
Contributions to defined contribution retirement plans	2,275	2,372
	<u>283,277</u>	<u>306,863</u>
(c) <i>Other items</i>		
Cost of inventories	35,808	37,729
Rentals receivable from investment properties less direct outgoings of HK\$266,000 (2016: HK\$551,000)	(16,326)	(14,442)
Rentals receivable from properties held for sale and other rental income less direct outgoings of HK\$630,000 (2016: HK\$1,235,000)	(29,563)	(30,346)
	<u>(29,563)</u>	<u>(30,346)</u>

7. Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	9,476	31,778
Deferred taxation		
Origination and reversal of other temporary differences	<u>(65,824)</u>	<u>(3,504)</u>
	<u>(56,348)</u>	<u>28,274</u>

Notes:

- (a) 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 for the six months ended 30 June 2017 and 30 June 2016.
- (b) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (c) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2016: 20%) for the period.
- (d) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2016: 25%) of the estimated taxable profits for the period. No provision has been made for PRC Enterprise Income Tax as the subsidiary sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2017 and 30 June 2016.
- (e) Pursuant to the income tax rules and regulations of the United States, the applicable Federal and State Income Tax in respect of the subsidiaries operating in the United States are calculated at a rate of 34% (2016: 34%) and 12.89% (2016: 10.01%) respectively determined by income ranges.
- (f) Under the Japanese domestic law, the subsidiary established in Japan under the Tokumei-Kumiai arrangement is subject to Japanese withholding tax at the rate of 20% (2016: 20%) on all gross profit distributions from the subsidiary.
- (g) Provision for Macau, Complementary Tax is calculated at 12% (2016: 12%) of the estimated assessable profits for the six months ended 30 June 2017. Macau Property Tax is calculated at 10% (2016: 10%) of the assessable rental income in Macau.
- (h) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2016: 26.5%).
- (i) Share of associates' tax for the six months ended 30 June 2017 of HK\$1,932,000 (2016: HK\$1,779,000) is included in the share of profits less losses of associates.

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$24,285,000 (2016: HK\$81,574,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2017 and 30 June 2016.

There is no potential dilutive ordinary share during the six months ended 30 June 2017 and 30 June 2016.

9. 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:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one month	30,817	34,813
One to three months	9,392	7,021
Three to twelve months	840	-
	<u>41,049</u>	<u>41,834</u>

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

10. Bank loans, secured

(a) At 30 June 2017 and 31 December 2016, the secured bank loans were repayable as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one year or on demand	1,707,261	1,706,837
After one year but within two years	-	25,199
	<u>1,707,261</u>	<u>1,732,036</u>

All bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2017, 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 (31 December 2016: HK\$63,898,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,587,650,000 (31 December 2016: HK\$2,706,970,000).

Such banking facilities amounted to HK\$1,970,918,000 (31 December 2016: HK\$1,993,277,000) and were utilised to the extent of HK\$1,707,261,000 as at 30 June 2017 (31 December 2016: HK\$1,732,036,000).

11. 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:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within one month	37,350	49,594
After one month but within three months	28,847	14,546
After three months	16,713	3,872
	82,910	68,012

12. Dividends

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

	2017 HK\$'000	2016 HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.03 (2016: HK\$0.03) per share	10,206	10,206

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

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

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.12 (six month ended 30 June 2016: HK\$0.12) per share	40,824	40,824

13. Share capital

	At 30 June 2017		At 31 December 2016	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January and at 30 June/31 December	340,200	498,305	340,200	498,305

14. Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Contracted for	67,969	87,015
Authorised but not contracted for	<u>150,674</u>	<u>135,108</u>
	<u>218,643</u>	<u>222,123</u>

REVIEW OF OPERATIONS

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

A summary and analysis of the operations are as follows.

Macau

During the first half of 2017, revenue from Macau operations increased slightly to HK\$53.2 million, as compared to HK\$53.1 million in the first half of 2016, an increase of 0.2%. This is due to an increase in rental values for high-end residential properties and mass-to-medium residential properties in the Macau property market, as compared to 2016. The occupancy rate of our properties has remained fairly stable in 2016 and in the first half of 2017. There were no sales of properties during the first six months of 2017.

Gaming revenue in Macau increased in the first half of 2017 by about 17% as compared to the same period in 2016. It is expected that there will be one additional integrated resort being completed in COTAI in the fourth quarter of 2017. Low unemployment and stable median income continue to bring stability to the Macau economy.

Data released by the Macau Statistics Government showed that 5,853 residential units were sold in the Macau residential market for the first 6 months of 2017. Total transaction volume had increased by around 40% as compared to the same period in 2016.

After reviewing the property market conditions and the state of the Macau economy, and given that market was expected to improve after the current period of adjustment, the Directors decided that the properties in Macau held for sale will be disposed of at an opportune moment in order to maximize value for the Group. Over the longer term, capital values of properties in Macau will be further enhanced after the completion of the Hong Kong-Zhuhai-Macau Bridge and the Macau light-rail transit line, with one of the stations immediately adjacent to Ocean Gardens, the Group's premier development. In the short term, the Group will therefore continue to maximize revenue by leasing out the properties held for sale.

The People's Republic of China

The Chinese economy has been undergoing a period of adjustment in the past few years. GDP in the first half in 2017 grew by 6.9%, as compared to a growth rate of 6.7% for the same period in 2016.

Holiday Inn Wuhan Riverside

During the first half of 2017, the room revenue of the hotel slightly decreased to RMB15.9 million as compared to RMB16.2 million in the first half of 2016, a reduction of 1.9%. However, the food and beverage revenue of the hotel has increased to RMB9.9 million in the first half of 2017 from RMB9.3 million in the first half of 2016, an increase of 6.5%.

For the first half of 2017, average room rate was at RMB405 per room night, as compared to RMB406 per room night during the first six months of 2016. Occupancy rate has decreased to 71.2% during the first half of 2017, as compared to 71.9% for the first half of 2016.

Vietnam

Vietnam's economy expanded at 5.64% in the first half of 2017, as compared to 5.63% in the corresponding period last year. The economy is still highly dependent on the manufacturing and agricultural sectors as the main drivers of economic growth.

During the first six months of 2017, the Group's revenue from Vietnam increased to HK\$350.3 million, as compared to HK\$339.5 million in the first half of 2016, an increase of 3.2%.

In the first half of 2017, several other hotels had completed renovations in Ho Chi Minh City. Both the Sheraton Saigon Hotel and Towers and the Caravelle Hotel had adopted a strategy of reducing their room rates in order to grow occupancy rates.

Sheraton Saigon Hotel and Towers

For the first half of 2017, average room rate was at US\$153 per room night, as compared to US\$162 per room night during the first six months of 2016. Occupancy rate has increased to 76.3% during the first half of 2017, as compared to 69.0% for the first half of 2016.

Caravelle Hotel

For the first half of 2017, average room rate was at US\$113 per room night, as compared to US\$127 per room night during the first six months of 2016. Occupancy rate has increased to 66.7% during the first half of 2017, as compared to 56.5% for the first half of 2016.

Japan

The GDP in the first half of 2017 grew by 2.63%, as compared to 0.11% for the first half of 2016.

Best Western Hotel Fino Osaka Shinsaibashi

The competition in the Osaka lodging market had increased due to a number of new hotels being launched and the increase in private lodging choices. For the first half of 2017, average room rate was at JPY11,159 per room night, as compared to JPY12,572 per room night during the first six months of 2016. Occupancy rate has decreased to 88.9% during the first half of 2017, as compared to 92.2% for the first half of 2016.

The United States ("US")

The US economy grew steadily in the first half of 2017. Gross domestic product in the first half of 2017 grew at an annualized rate of 2.04%, as compared to 1.40% annual growth rate in the first half of 2016. Consumer Spending in the United States increased by 2.6% in the second quarter of 2017 as from the second quarter of 2016. Operating performance of our two hotels being not as robust as expected due to increasing market competition in San Francisco and New York, and the continuing impact of Airbnb.

W San Francisco

For the first half of 2017, average room rate was at US\$343 per room night, as compared to US\$365 per room night during the first six months of 2016. Occupancy rate has slightly increased to 89.5% during the first half of 2017, as compared to 89.2% for the first half of 2016.

Sofitel New York

For the first half of 2017, average room rate was at US\$326 per room night, as compared to US\$325 per room night during the first six months of 2016. Occupancy rate has slightly dropped to 85.6% during the first half of 2017, as compared to 86.5% for the first half of 2016.

Canada

The Canadian economy expanded by 2.27% in the first quarter of 2017 (compared to 1.29% growth in the first quarter of 2016), following a 2.04% growth in the previous period of the fourth quarter in 2016. The sustained growth was due to increase in consumer spending, housing starts, and strong turnaround in the investment environment.

The Sheraton Ottawa Hotel

For the first half of 2017, average room rate was at C\$196 per room night, as compared to C\$183 per room night during the first six months of 2016. Occupancy rate has decreased to 66.0% during the first half of 2017, as compared to 77.8% for the first half of 2016.

Delta Hotels by Marriott Toronto Airport & Conference Centre (rebrand since 28 June 2017)

For the first half of 2017, average room rate was at C\$113 per room night, as compared to C\$103 per room night during the first six months of 2016. Occupancy rate has decreased to 58.3% during the first half of 2017, as compared to 75.8% for the first half of 2016.

Other net losses

Other net losses were at an amount of HK\$14.0 million, as compared to a net loss of HK\$14.6 million in the first half of 2016. It was mainly attributable to a net exchange loss for the first half of 2017 which amounted to HK\$13.9 million, as compared to a net exchange loss of HK\$15.9 million in the first half of 2016.

FINANCIAL REVIEW

The Group's revenue was HK\$925.0 million for the first six months of 2017, a decrease of 3.4% as compared to the corresponding period in 2016. The decrease was primarily due to the performance in hotel operations situation in the US being less than expected. Revenue from hotel operations amounted to HK\$871.3 million, a decrease of 3.6% as compared to HK\$903.5 million in the corresponding period in 2016. The decrease was mainly due to the slowdown of performance of W San Francisco and Sofitel New York in the US. The Group's operating profit was HK\$156.7 million for the period ended 30 June 2017, as compared to HK\$171.9 million for the corresponding period in 2016.

Profit attributable to equity shareholders was HK\$24.3 million as compared to HK\$81.6 million in the first half year of 2016. It was a decrease of approximately 70% in the profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016. The decrease in profit of the Company for the six months ended 30 June 2017 was mainly attributable to an impairment loss of approximately HK\$145.9 million on a hotel property of the Group, namely the Sofitel New York. The impairment loss reflected the impact of a weakening of the hotel market in New York in the first half of the year.

PLEDGE OF ASSETS

At 30 June 2017, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,651.5 million (2016: HK\$2,771.0 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

- (a) At 30 June 2017, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (31 December 2016: HK\$8,252,000).
- (b) At 30 June 2017, guarantees of HK\$30,035,000 (C\$5,000,000) (31 December 2016: HK\$28,865,000 (C\$5,000,000)) were given by the Company to a bank to secure banking facilities made available to a subsidiary.

At 30 June 2017, 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 guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

PROSPECTS

Recovery in the global economy continued on the back of improvements in both the advanced economies as well as emerging-market countries. A preliminary estimate for the global economy shows that GDP expanded 3.1% annually in the second quarter of 2017, as compared to a 3.0% rise in the first quarter, and represented the fastest growth in two years.

Geopolitical and economic uncertainties, however, still abound.

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

PERSONNEL AND RETIREMENT SCHEMES

At 30 June 2017, the Group had approximately 1,993 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. The Group has defined contribution schemes in Hong Kong, Macau, the People's Republic of China, Vietnam, the United States, Canada and Japan.

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 2017, 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.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; and
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.

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 has 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 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.

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 and internal 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 2017.

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 Nomination Committee.

BOOK CLOSE

The register of members will be closed from Monday, 9 October 2017 to Wednesday, 11 October 2017, 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 6 October 2017 (Hong Kong time), being the last share registration date.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S 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 2017.

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

Hong Kong, 25 August 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.