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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: 184)

2017 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 2017. 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 2017 was HK\$131,005,000 (HK\$0.385 per share), compared to HK\$225,345,000 (HK\$0.662 per share) in 2016.

The Board has recommended the payment of a final dividend of HK\$0.12 (2016: HK\$0.12) per share for the year. Together with the interim dividend of HK\$0.03 (2016: HK\$0.03) per share, the total dividend for the year ended 31 December 2017 will be HK\$0.15 (2016: 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 before 28 June 2018.

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

| | <i>Note</i> | 2017 HK\$'000 | 2016 HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Revenue | 3 | 1,949,497 | 1,955,211 |
| Cost of sales | | (198,031) | (185,597) |
| | | 1,751,466 | 1,769,614 |
| Other revenue | 4(a) | 41,921 | 29,383 |
| Other net (losses)/gains | 4(b) | (4,251) | 20,525 |
| Direct costs and operating expenses | | (763,679) | (751,250) |
| Marketing and selling expenses | | (42,375) | (87,216) |
| Depreciation | | (142,925) | (134,877) |
| Administrative and other operating expenses | | (450,153) | (431,780) |
| Operating profit | | 390,004 | 414,399 |
| Net increase in fair value of investment properties | | 5,500 | 19,000 |
| Impairment loss on a hotel property | 5 | (145,872) | - |
| | | 249,632 | 433,399 |
| Finance costs | 6(a) | (47,395) | (39,569) |
| Share of profits less losses of associates | | 11,115 | 18,912 |
| Profit before taxation | 6 | 213,352 | 412,742 |
| Income tax | 7 | 12,729 | (102,665) |
| Profit for the year | | 226,081 | 310,077 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 131,005 | 225,345 |
| Non-controlling interests | | 95,076 | 84,732 |
| Profit for the year | | 226,081 | 310,077 |
| Earnings per share, basic and diluted (cents) | 8 | 38.5 | 66.2 |

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

| | 2017 | 2016 |
|--|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Profit for the year | 226,081 | 310,077 |
| Other comprehensive income for the year | | |
| <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 | 28,188 | (16,221) |
| Available-for-sale securities: | | |
| - changes in fair value recognised during the year | 613 | 13 |
| Other comprehensive income for the year | 28,801 | (16,208) |
| Total comprehensive income for the year | 254,882 | 293,869 |
| Attributable to: | | |
| Equity shareholders of the Company | 150,546 | 216,242 |
| Non-controlling interests | 104,336 | 77,627 |
| Total comprehensive income for the year | 254,882 | 293,869 |

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> | 2017 HK\$'000 | 2016 HK\$'000 |
|--|-------------|------------------|------------------|
| Non-current assets | | | |
| Investment properties | | 802,500 | 797,000 |
| Property, plant and equipment | | 2,353,861 | 2,512,343 |
| Land | | 836,515 | 827,428 |
| | | <u>3,992,876</u> | 4,136,771 |
| Interest in associates | | 128,409 | 145,817 |
| Derivative financial assets | | 5,351 | 6,501 |
| Available-for-sale securities | | 4,345 | 3,732 |
| Deferred tax assets | | 8,258 | 6,119 |
| | | <u>4,139,239</u> | 4,298,940 |
| Current assets | | | |
| Trading securities | | 9,027 | 9,609 |
| Properties held for sale | | 280,250 | 280,658 |
| Inventories | | 6,046 | 5,911 |
| Trade and other receivables | 9 | 82,462 | 95,289 |
| Derivative financial assets | | - | 26,388 |
| Deposits and cash | | 1,971,104 | 1,942,549 |
| Taxation recoverable | | 7,170 | - |
| | | <u>2,356,059</u> | 2,360,404 |
| Current liabilities | | | |
| Bank loans | 10 | 66,355 | 1,706,837 |
| Trade and other payables | 11 | 370,113 | 336,591 |
| Loan from an associate | | 464 | 464 |
| Loans from non-controlling shareholders | | 30,981 | 30,774 |
| Taxation payable | | 16,964 | 19,500 |
| | | <u>484,877</u> | 2,094,166 |
| Net current assets | | <u>1,871,182</u> | 266,238 |
| Total assets less current liabilities | | <u>6,010,421</u> | 4,565,178 |
| Non-current liabilities | | | |
| Bank loans | 10 | 1,426,912 | 25,199 |
| Deferred revenue | | 6,177 | 6,557 |
| Loans from non-controlling shareholders | | 78,986 | 80,858 |
| Deferred tax liabilities | | 109,268 | 182,410 |
| | | <u>1,621,343</u> | 295,024 |
| NET ASSETS | | <u>4,389,078</u> | 4,270,154 |

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

| | <i>Note</i> | 2017 HK\$'000 | 2016 HK\$'000 |
|--|-------------|--------------------------------|------------------|
| Capital and reserves | | | |
| Share capital | <i>13</i> | 498,305 | 498,305 |
| Reserves | | 3,212,202 | 3,112,686 |
| Total equity attributable to equity shareholders of the Company | | 3,710,507 | 3,610,991 |
| Non-controlling interests | | 678,571 | 659,163 |
| TOTAL EQUITY | | 4,389,078 | 4,270,154 |

Notes:

1. Basis of preparation

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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>Impairment loss on a hotel property</i> | <i>Finance costs</i> | <i>Share of profits less losses 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 | HK\$'000 |
| 2017 | | | | | | | | | |
| Hotel | 1,820,577 | - | 1,820,577 | (138,000) | (145,872) | (47,327) | 11,116 | 29,937 | 128,812 |
| - Vietnam | 716,100 | - | 716,100 | (35,570) | - | - | 14,915 | (39,048) | 171,626 |
| - United States | 896,887 | - | 896,887 | (79,143) | (145,872) | (41,492) | - | 76,670 | (66,902) |
| - The People's Republic of China | 69,082 | - | 69,082 | (12,190) | - | (5,075) | - | - | 1,517 |
| - Canada | 91,588 | - | 91,588 | (7,991) | - | (760) | (3,799) | (2,778) | 3,990 |
| - Japan | 46,920 | - | 46,920 | (3,106) | - | - | - | (4,907) | 18,581 |
| Property | | | | | | | | | |
| - Macau # | 126,069 | 1,832 | 127,901 | (4,847) | - | (68) | - | (8,771) | 86,682 |
| Investment and corporate | 2,851 | - | 2,851 | (78) | - | - | (1) | (8,437) | 10,587 |
| Inter-segment elimination | - | (1,832) | (1,832) | - | - | - | - | - | - |
| Total | 1,949,497 | - | 1,949,497 | (142,925) | (145,872) | (47,395) | 11,115 | 12,729 | 226,081 |

| | <i>External revenue</i> | <i>Inter- segment revenue</i> | <i>Total revenue</i> | <i>Depreciation</i> | <i>Finance costs</i> | <i>Share of profits less losses 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 |
| 2016 | | | | | | | | |
| 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) | - | - | - | - | - |
| Total | 1,955,211 | - | 1,955,211 | (134,877) | (39,569) | 18,912 | (102,665) | 310,077 |

External revenue from property segment in Macau included sale of properties of HK\$24,788,000 (2016: HK\$Nil), rental income from investment properties of HK\$28,675,000 (2016: HK\$30,149,000), rental income from properties held for sale of HK\$58,892,000 (2016: HK\$57,915,000) and club operations and others of HK\$13,714,000 (2016: HK\$14,295,000).

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 |
|----------------------------------|---------------------------------------|---|---------------------------------|--|
| At 31 December 2017 | | | | |
| Hotel | | | | |
| - Vietnam | 394,719 | 90,393 | 485,112 | 26,214 |
| - United States | 2,709,537 | - | 2,709,537 | 41,600 |
| - The People's Republic of China | 192,584 | - | 192,584 | 1,428 |
| - Canada | 140,625 | 33,859 | 174,484 | 27,430 |
| - Japan | 115,466 | - | 115,466 | 294 |
| Property | | | | |
| - Macau | 1,774,874 | - | 1,774,874 | 159 |
| Investment and corporate | 1,039,084 | 4,157 | 1,043,241 | 36 |
| Total | 6,366,889 | 128,409 | 6,495,298 | 97,161 |

| | <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 |
|----------------------------------|---------------------------------------|---|---------------------------------|--|
| 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

| | <i>Segment liabilities</i> HK\$'000 | <i>Bank borrowings</i> HK\$'000 | <i>Total liabilities</i> HK\$'000 |
|----------------------------------|--|--|--|
| At 31 December 2017 | | | |
| Hotel | | | |
| - Vietnam | 127,830 | 3,076 | 130,906 |
| - United States | 143,345 | 1,463,000 | 1,606,345 |
| - The People's Republic of China | 96,330 | - | 96,330 |
| - Canada | 11,966 | 27,191 | 39,157 |
| - Japan | 2,029 | - | 2,029 |
| Property | | | |
| - Macau | 163,876 | - | 163,876 |
| Investment and corporate | 67,577 | - | 67,577 |
| | <hr/> | <hr/> | <hr/> |
| Total | 612,953 | 1,493,267 | 2,106,220 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | <i>Segment liabilities</i> HK\$'000 | <i>Bank borrowings</i> HK\$'000 | <i>Total liabilities</i> HK\$'000 |
| 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 |
| | <hr/> | <hr/> | <hr/> |
| Total | 657,154 | 1,732,036 | 2,389,190 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| <i>(a) Other revenue</i> | | |
| Interest income from bank deposits | 26,774 | 18,750 |
| Dividend income from listed available-for-sale and trading securities | 277 | 303 |
| Others | 14,870 | 10,330 |
| | <u>41,921</u> | <u>29,383</u> |
| <i>(b) Other net (losses)/ gains</i> | | |
| Net exchange gains/(losses) | 24,707 | (14,094) |
| Net realised and unrealised (losses)/gains on derivative financial instruments | (26,482) | 32,867 |
| Net realised and unrealised (losses)/gains on trading securities | (582) | 1,556 |
| (Loss)/gain on disposal of property, plant and equipment | (1,678) | 157 |
| Others | (216) | 39 |
| | <u>(4,251)</u> | <u>20,525</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. These indications include continuing adverse changes in the local market conditions in which the hotel operates, particularly when the hotel continues to operate at a loss and when its operating performance is behind budget. The 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 year ended 31 December 2017, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget. The hotel market in New York has weakened as compared to prior years and the competition has become more fierce due to new entrants in the market. The Group assessed the recoverable amount of this hotel property and as a result the carrying amount of the hotel property was written down to its recoverable amount of HK\$1,232,872,000. 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 estimated recoverable amount of this hotel was determined based on value in use calculations. These calculations use cash flow projections based on the latest financial budgets approved by management with estimated average revenue growth rates of 1% to 6% from 2018 to 2021 and 3.7% from 2022 to 2027 and terminal capitalisation rate of 5.05%. The cash flows are discounted using a pre-tax discount rate of 6.75%. These key estimates and assumptions adopted by management are based on past performance and management's expectations for the market development with reference to publicly available market data. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future periods. No impairment loss on a hotel property was recognised at 31 December 2016.

6. Profit before taxation

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| (a) <i>Finance costs</i> | | |
| Bank loan interests | 42,252 | 34,715 |
| Interest expense on loans from non-controlling shareholders | 5,075 | 4,839 |
| Other interest expenses | 68 | 15 |
| | <u>47,395</u> | <u>39,569</u> |
| (b) <i>Staff costs</i> | | |
| Salaries, wages and other benefits | 591,916 | 564,904 |
| Contributions to defined contribution retirement plans | 8,598 | 10,175 |
| | <u>600,514</u> | <u>575,079</u> |
| (c) <i>Other items</i> | | |
| Cost of inventories | 198,031 | 185,597 |
| Auditors' remuneration | | |
| - Audit services | 3,448 | 3,306 |
| - Interim review | 831 | 777 |
| - Tax advisory and other services | 739 | 928 |
| Operating lease charges for hire of premises | 210 | 228 |
| Rentals receivable from properties less direct outgoings of HK\$1,535,000 (2016: HK\$2,948,000) | (88,404) | (88,238) |
| | <u>(88,404)</u> | <u>(88,238)</u> |

7. Income tax

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| <i>Current tax - Overseas</i> | | |
| Provision for the year | 64,352 | 71,555 |
| Over-provision in respect of prior years | (1,800) | (1,215) |
| | <u>62,552</u> | <u>70,340</u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of other temporary differences | (53,194) | 32,325 |
| Effect on deferred tax balance at 1 January 2018 resulting from a change in tax rate in the United States | (22,087) | - |
| | <u>(75,281)</u> | <u>32,325</u> |
| | <u>(12,729)</u> | <u>102,665</u> |

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 years ended 31 December 2016 and 2017.
- (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 2017 of HK\$4,291,000 (2016: HK\$29,000) 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 equity shareholders of the Company of HK\$131,005,000 (2016: HK\$225,345,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2017 and 2016.

There are no potential dilutive ordinary shares during the years ended 31 December 2017 and 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:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|---------------------|------------------|------------------|
| Within one month | 34,877 | 34,813 |
| One to three months | 14,261 | 7,021 |
| | <u>49,138</u> | <u>41,834</u> |

None of the Group's trade receivables are impaired. 71% of trade receivables at 31 December 2017 (2016: 83%) 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 2017 and 2016 are not significant.

10. Bank loans

(a) At 31 December 2017, the bank loans were repayable as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|----------------------------------|------------------|------------------|
| Within 1 year or on demand | 66,355 | 1,706,837 |
| After 1 year but within 2 years | 66,355 | 25,199 |
| After 2 years but within 5 years | 1,360,557 | - |
| | <u>1,426,912</u> | <u>25,199</u> |
| | <u>1,493,267</u> | <u>1,732,036</u> |

At 31 December 2017, the bank loans were secured and unsecured as follows:

| | 2017 | 2016 |
|-------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Bank loans | | |
| - Secured | 1,490,191 | 1,732,036 |
| - Unsecured | 3,076 | - |
| | 1,493,267 | 1,732,036 |

At 31 December 2017 and 2016, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 31 December 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 (2016: HK\$63,898,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,570,598,000 (2016: HK\$2,706,970,000).

Such banking facilities amounted to HK\$1,755,164,000 (2016: HK\$1,993,277,000) and were utilised to the extent of HK\$1,490,191,000 as at 31 December 2017 (2016: HK\$1,732,036,000).

(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 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil).

11. Trade and other payables

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

| | 2017 | 2016 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Due within one month or on demand | 44,996 | 49,594 |
| Due after one month but within three months | 31,062 | 14,546 |
| Due after three months | 6,363 | 3,872 |
| | 82,421 | 68,012 |

12. Dividends

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Interim dividend declared and paid of HK\$0.03 (2016: HK\$0.03) per ordinary share | 10,206 | 10,206 |
| Final dividend proposed after the end of the reporting period of HK\$0.12 (2016: HK\$0.12) per ordinary share | 40,824 | 40,824 |
| | <u>51,030</u> | <u>51,030</u> |

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

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.12 (2016: HK\$0.12) per ordinary share | 40,824 | 40,824 |

13. Share capital

| | 2017 | | 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 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.

14. Commitments

- (a) At 31 December 2017, capital commitments outstanding not provided for in the financial statement were as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Contracted for | 29,703 | 87,015 |
| Authorised but not contracted for | 129,763 | 135,108 |
| | <u>159,466</u> | <u>222,123</u> |

- (b) At 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--|------------------|------------------|
| Leases on premises expiring: | | |
| - within one year | 524 | 307 |
| - after one year but within five years | 1,113 | 134 |
| | <u>1,637</u> | <u>441</u> |

- (c) At 31 December 2017, the Group's total future minimum lease receivables under non-cancellable operating leases are receivable as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Within one year | 66,879 | 76,671 |
| After one year but within five years | 59,239 | 77,614 |
| After five years | 15,898 | - |
| | <u>142,016</u> | <u>154,285</u> |

15. Non-adjusting event after the reporting period

On 9 March 2018, the Company has signed an equity commitment letter with Accor S.A., pursuant to which the Company shall purchase, and Accor S.A. shall sell, approximately 0.7% of equity in AccorInvest Group S.A. ("AccorInvest") at a cash consideration of EUR25 million. Completion of the transaction is expected to take place in the second quarter of 2018. The above transaction constituted a discloseable transaction under the Listing Rules. Details of the transaction were disclosed in the Company's announcement dated 9 March 2018.

REVIEW OF OPERATIONS

The Group's revenue for 2017 was HK\$1,949 million, a decrease of 0.3% as compared to HK\$1,955 million in 2016.

Operating profit was HK\$390 million, a decrease of 5.8% as compared to HK\$414 million in 2016. As a result of an impairment loss of HK\$146 million being recognised during the year of 2017, as well as a smaller increase in fair value of investment property in 2017 (HK\$5.5 million) as compared to 2016 (HK\$19 million), the profit after tax for the year dropped to HK\$226 million, a reduction of 27.1% as compared to HK\$310 million in 2016.

A summary and analysis of the operations are as follow:

Macau

In 2017, Macau's GDP was recorded at MOP404.2 billion, an increase of 11.6% from 2016. Macau's economic fundamentals remained upbeat with a low unemployment rate of 2.0% and high fiscal reserves. However, uncertainties in the global political and economic environment may still impact Macau's economy. The Macau property market remained on the upward trend throughout 2017. Capital values for high-end and mass-to-medium residential properties rose by 8.8% and 5.7% respectively year-on-year in 2017.

The sale of properties by the Group in Macau was HK\$24.8 million during 2017.

In the residential leasing market, capital values rose faster than rental values, resulting in a downward pressure on rental return in this segment of the market. Average rental return for high-end and mass-to-medium residential properties in Macau remained low at 1.4% and 1.6% respectively in 2017. There is also an increase in supply of residential properties in Taipa. As such, it is difficult to increase rental rates. Against this background, income from leasing of Macau properties of the Group has dropped to HK\$87.6 million in 2017, a slight decrease of 0.6% as compared to HK\$88.1 million in 2016.

In respect of the outlook for the Macau's property market, it is the view of the directors that the impending completion and optimal utilisation of the Hong Kong-Zhuhai-Macau Bridge will have a positive impact on the value of residential properties in Macau. The directors therefore decided that the Group should continue to closely monitor property market conditions, and to conduct sale of properties at a time and price that will optimise profits for the Group. In the meantime, properties held for sale in Macau are being leased to maximise profits.

The People's Republic of China

Holiday Inn Wuhan Riverside The Chinese economy was undergoing a period of consolidation. The GDP in 2017 grew by 6.8%, as compared to annual growth rate of 6.7% in 2016. GDP of Wuhan in 2017 grew by 8%, as compared to 9.2% in 2016. Driven by three strategic emerging industries - IT, health and life products, and intelligent manufacturing systems, Wuhan had managed to attract a record-high investment of RMB2.6 trillion during 2017.

Holiday Inn Wuhan Riverside improved its occupancy rate to 73.0% in 2017 as compared to 72.0% in 2016. Average room rate had slightly increased to RMB410 during the year, as compared to RMB402 in 2016.

Gross operating revenue increased by 3.8% in 2017 to RMB54.8 million, as compared to RMB52.8 million in 2016, primarily as a result of increase in room revenue as well as food and beverage revenue.

Vietnam

Vietnam's GDP grew by 7.7% in 2017 as compared to the previous year on the back of robust commercial activities. With a GDP growth rate of 8.3%, Saigon's economic growth performed better than the national average in 2017.

Sheraton Saigon Hotel and Towers The Sheraton Saigon Hotel & Towers' financial performance in terms of gross operating profit in 2017 was up by 8.9% year-on-year. Vietnam strengthened its position as a major tourism destination area in Southeast Asia with arrivals up by 12% for the year on a nationwide basis. This was reflected in the hotel's occupancy performance in 2017 at 74.4% as compared to 69.7% in 2016. However, the increased competition in the market has led to a reduced average room rate to US\$157 as compared to US\$159 in 2016.

Going forward, the hotel planned to work diligently to derive maximum benefit from the Marriott brand name and its global network, both in terms of attaining potential cost-savings and driving synergies in all operational areas.

Caravelle Hotel Occupancy rate increased from 61.4% in 2016 to 68.7% in 2017. However, average room rate has decreased to US\$113 in 2017, as compared to US\$122 in 2016. Completion of renovation of the ballroom and other public areas of the hotel has contributed to an increase in occupancy rate. Share of contribution to profit from the hotel has decreased to HK\$14.9 million in 2017, as compared to HK\$18.1 million in 2016.

Japan

The Japanese GDP growth had slowed to approximately by 1.6% in 2017. Weak domestic demand was however offset by strong export growth fueled by global demand for its products.

Best Western Hotel Fino Osaka Shinsaibashi During 2017, the hotel's occupancy rate increased marginally to 90.6%, as compared to 89.2% in 2016. Average room rate dropped to Yen10,984 in 2017, as compared to Yen12,578 in 2016. Gross operating profit has decreased by 12.3% in 2017 to Yen452.2 million, as compared to Yen515.4 million in 2016.

The United States ("US")

The US economy remained strong with its GDP in 2017 at US\$19,387 billion, representing an annual growth rate of 2.3% as compared to 1.6% annual growth rate in 2016.

W San Francisco San Francisco had seen economic growth of approximately 2.5% in 2017, which is above the national average. The city's economy is spurred by significant growth in the technology sector.

Due to short-term weakness in the local tourism and hotel market, W San Francisco's occupancy dropped to 86.7% in 2017 versus 89.8% in 2016. Average room rate was US\$338 in 2017 versus US\$343 in 2016. The reductions in occupancy and room rates were mainly due to ongoing construction works at the nearby Moscone Convention Centre. It is expected that business for the hotel will pick up again once the expansion of Moscone Convention Centre is completed.

W San Francisco's service excellence continued to be well recognised. The hotel was elected as one to the top 20 hotels in San Francisco in 2017.

Sofitel New York In 2017, New York recorded economic growth of around 2.7%, which is slightly higher than the national average.

The New York lodgings marketplace continued to face challenges in 2017. The overall supply of new guestrooms outpaced the demand for accommodations, which put downward pressure on average room rates. Despite this unfavorable trend, the Sofitel New York had managed to yield slightly higher room rate in 2017 with an average room rate of US\$359 against a rate of US\$358 in 2016. Occupancy had slightly decreased to 89% versus 89.5% in 2016.

Due to the weakening in New York's hotel market and the operating performance of the hotel is behind budget due to an increase in competition in the market as a result of new room supply entering the city as well as continuing pressure from the Airbnb segment, the Group had assessed the recoverable amount of the hotel and recognised HK\$145.9 million as impairment loss during the year.

Canada

The economy had grown above expectation in 2017, registering a GDP growth rate of 3.0%, as compared to 1.1% in 2016.

Sheraton Ottawa Hotel Ottawa had experienced a growth in GDP in 2017 of 2.5%, as compared to GDP growth in 2016 of 2.0%.

The Sheraton Ottawa Hotel reported reduced occupancy rate of 72.3% in 2017 versus 77.9% in 2016, whilst average room rate increased to C\$191 in 2017 versus C\$182 in 2016. The drop in occupancy rate was mainly due to the Canada 150th Anniversary celebration not bringing in as many tourists as previously expected. In addition, a number of hotels in Ottawa had completed major renovations in 2017, which resulted in an increase in room inventory.

Delta Hotels by Marriott Toronto Airport & Conference Centre (formerly known as the “International Plaza Hotel” and rebranded since 28 June 2017) Toronto had reported a GDP growth rate of 3.9% in 2017, as compared to 4.4% in 2016.

The hotel saw a lower occupancy of 61.4% in 2017 versus 74.5% in 2016 due to ongoing renovation works. Room rates had increased to C\$122 in 2017 versus C\$103 in 2016. This is primarily as a result of the hotel's increasing ability to charge higher rates after rebranding as Marriott's Delta brand. The Greater Toronto Airport sub-market was generally stable in 2017, with no new hotel supply coming into the market. There had been a reduction in number of travellers from the US due to weak US currency in the final quarter of the year.

Other net (losses)/gains

Net exchange gains for 2017 amounted to HK\$24.7 million, as compared to net exchange losses of HK\$14.1 million in 2016.

Net realised and unrealised losses on derivative financial instruments amounted to HK\$26.5 million in 2017, as compared to gains of HK\$32.9 million in 2016.

Net realised and unrealised losses on trading securities for 2017 amounted to HK\$0.6 million, as compared to gains of HK\$1.6 million in 2016.

There was a loss on disposal of property, plant and equipment in 2017 amounting to HK\$1.7 million, as compared to a gain of HK\$0.2 million in 2016. These were related to disposal of furniture, fixtures and equipment.

FINANCIAL REVIEW

The Group's revenue was HK\$1,949.5 million for the year ended 31 December 2017; a slightly decrease of 0.3% compared to year 2016. Proceeds from sales of properties in Macau this year was HK\$24.8 million (2016: HK\$ Nil). Decrease in revenue was primarily attributable to the combined effects of decrease 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\$390.0 million for the year ended 31 December 2017 as compared to HK\$414.4 million in 2016. The Group assessed the recoverable amount of the hotel property in New York and as a result the carrying amount of the hotel property was written down to its recoverable amount of HK\$1.2 billion. Accordingly, impairment loss of HK\$145.9 million was recognised as a separate line item in the Group's consolidated statement of profit or loss. Profit attributable to equity shareholders amounted to HK\$131.0 million (2016: HK\$225.3 million).

At 31 December 2017, the Group has total bank loan of HK\$1,493.3 million (2016: HK\$1,732.0 million) and deposits and cash of HK\$1,971.1 million (2016: HK\$1,942.5 million). Of the total bank borrowings, HK\$66.4 million (2016: HK\$1,706.8 million) are repayable within one year, HK\$1,426.9 million (2016: HK\$25.2 million) are repayable after one year but within five years.

The Group's bank borrowings are denominated in United States dollars, Canadian dollars and Vietnamese dong. Bank deposits and cash are mostly in United States dollars, Canadian 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 2017, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,634.5 million (2016: HK\$2,771.0 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 31 December 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 (2016: HK\$8,252,000).

At 31 December 2017, the Directors do not consider it probable that a claim will 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

The global economy has continued to experience volatility while proving to be resilient. Economic activities of virtually every major region have now stabilised whilst some economies are trending upwards. Tax reform in the US is expected to provide impetus for economic growth, which bodes well for the hotel sector in the US.

The Company does not currently have any investments in Europe. The global private placement by Accor Hotels of shares in AccorInvest in early 2018 offers the Company the opportunity, from a strategic perspective, to gain exposure to a diversified portfolio of hotels mainly located in Europe with a robust income stream, opportunities for capital appreciation and value enhancement, and an acceptable dividend yield.

2018 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 2018. China is still going through consolidation in both its economy and financial markets, while aiming for 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 regards 2018 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 2017, the Group had approximately 1,997 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 2017, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2017, 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 formalise 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.

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 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 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 Friday, 1 June 2018 (“2018 AGM”), the Register of Members of the Company will be closed from Monday, 28 May 2018 to Friday, 1 June 2018, both days inclusive. In order to qualify for attending and voting at the 2018 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 Friday, 25 May 2018 (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 2018 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, 11 June 2018 to Wednesday, 13 June 2018, 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, 8 June 2018 (Hong Kong time), being the last share registration date. The payment of final dividend (if approved) will be scheduled on or before 28 June 2018.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company will be held on Friday, 1 June 2018.

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

Hong Kong, 23 March 2018

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.