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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)

2019 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 2019.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was HK\$73,262,000 (HK\$0.215 per share), compared to HK\$91,340,000 (HK\$0.268 per share) for the first six months of 2018.

The Board has declared an interim dividend of HK\$0.035 (2018: HK\$0.04) per share for 2019 payable on Friday, 25 October 2019, to equity shareholders whose names appear on the register of members of the Company on Friday, 11 October 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
Revenue	3	916,123	986,448
Cost of sales		(99,371)	(106,786)
		816,752	879,662
Other revenue	4(a)	39,508	26,265
Other net gains	4(b)	17,447	2,125
Direct costs and operating expenses		(399,802)	(422,284)
Marketing and selling expenses		(30,919)	(32,912)
Depreciation		(79,027)	(75,198)
Administrative and other operating expenses		(212,914)	(214,213)
Operating profit		151,045	163,445
Net increase in fair value of investment properties		12,400	19,500
		163,445	182,945
Finance costs	5(a)	(30,890)	(25,288)
Share of profits less losses of associates		2,630	6,886
Profit before taxation	5	135,185	164,543
Income tax	6	(12,476)	(21,623)
Profit for the period		122,709	142,920
Attributable to:			
Equity shareholders of the Company		73,262	91,340
Non-controlling interests		49,447	51,580
Profit for the period		122,709	142,920
Earnings per share, basic and diluted (cents)	7	21.5	26.8

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

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period	122,709	142,920
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(16)	(122)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	(526)	(4,974)
Other comprehensive income for the period	(542)	(5,096)
Total comprehensive income for the period	122,167	137,824
Attributable to:		
Equity shareholders of the Company	71,282	93,025
Non-controlling interests	50,885	44,799
Total comprehensive income for the period	122,167	137,824

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2019 HK\$'000	(Audited) At 31 December 2018 HK\$'000
Non-current assets			
Investment properties		847,100	834,700
Property, plant and equipment		2,482,905	2,376,187
Land		829,627	831,326
		4,159,632	4,042,213
Interest in associates		117,946	114,587
Derivative financial assets		820	5,267
Other non-current financial assets		246,511	223,295
Deferred tax assets		26,214	8,350
		4,551,123	4,393,712
Current assets			
Trading securities		10,684	8,940
Properties held for sale		279,987	280,040
Inventories		5,358	5,744
Trade and other receivables	8	99,055	91,825
Deposits and cash		1,914,827	1,821,089
Taxation recoverable		2,029	2,452
		2,311,940	2,210,090
Current liabilities			
Bank loans	9	352,521	144,689
Trade and other payables	10	447,856	398,007
Loan from an associate		464	464
Loans from non-controlling shareholders		112,303	27,855
Taxation payable		52,625	19,630
		965,769	590,645
Net current assets		1,346,171	1,619,445
Total assets less current liabilities		5,897,294	6,013,157
Non-current liabilities			
Bank loans	9	1,357,958	1,410,122
Deferred revenue		5,063	5,436
Loans from non-controlling shareholders		-	82,055
Deferred tax liabilities		95,474	95,328
		1,458,495	1,592,941
NET ASSETS		4,438,799	4,420,216

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited) At 30 June 2019 HK\$'000	(Audited) At 31 December 2018 HK\$'000
CAPITAL AND RESERVES			
Share capital	<i>12</i>	498,305	498,305
Reserves		3,282,441	3,251,983
Total equity attributable to equity shareholders of the Company		3,780,746	3,750,288
Non-controlling interests		658,053	669,928
TOTAL EQUITY		4,438,799	4,420,216

Notes:

1. Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim report for the six months ended 30 June 2019 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 issue on 26 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2018 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 2018 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 a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Further details of the impact are summarised below. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for leasees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

On transition to HKFRS 16, the Group has assessed the amount of the right-of-use assets and lease liabilities as at 1 January 2019 to be insignificant, and therefore there was no impact on the opening balance of equity.

As a lessor

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

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, non-trading and trading securities, financial instruments and other treasury operations.

(a) Revenue

Revenue represents income from hotel and club operations, proceeds from sales of properties, rental income and the provision of management services. The amount of each significant category of revenue recognised in revenue during the period is as follows:

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	HK\$'000	HK\$'000
Hotel and club operations	861,560	935,164
Proceeds from sales of properties	4,580	4,750
Rental income	46,861	43,116
Management fee income	3,122	3,418
	<hr/>	<hr/>
	916,123	986,448
	<hr/>	<hr/>

(b) 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 payables attributable to the individual segments and other borrowings managed directly by the segments with the exception of bank borrowings.

(c) Analysis of segment results of the Group

	Revenue	Inter-segment revenue	Total	Depreciation	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
For the six months ended 30 June 2019								
Hotel	857,787	-	857,787	(76,604)	(30,761)	2,630	(2,368)	47,465
- Vietnam	374,665	-	374,665	(19,987)	-	418	(19,386)	72,943
- United States	386,034	-	386,034	(44,750)	(27,884)	-	20,445	(38,121)
- The People's Republic of China	32,736	-	32,736	(5,104)	(2,470)	-	-	(100)
- Canada	45,078	-	45,078	(4,911)	(407)	2,212	(2,011)	7,788
- Japan	19,274	-	19,274	(1,852)	-	-	(1,416)	4,955
Property								
- Macau #	56,895	1,453	58,348	(2,376)	(129)	-	(5,587)	46,859
Investment and corporate	1,441	-	1,441	(47)	-	-	(4,521)	28,385
Inter-segment elimination	-	(1,453)	(1,453)	-	-	-	-	-
Total	916,123	-	916,123	(79,027)	(30,890)	2,630	(12,476)	122,709

	Revenue	Inter-segment revenue	Total	Depreciation	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
For the six months ended 30 June 2018								
Hotel	930,981	-	930,981	(72,737)	(25,220)	6,886	(14,266)	94,853
- Vietnam	392,789	-	392,789	(21,099)	-	6,767	(21,351)	87,807
- United States	431,994	-	431,994	(39,138)	(22,302)	-	8,316	(8,432)
- The People's Republic of China	35,064	-	35,064	(6,056)	(2,520)	-	-	(1,703)
- Canada	49,252	-	49,252	(4,999)	(398)	119	(2,127)	6,020
- Japan	21,882	-	21,882	(1,445)	-	-	896	11,161
Property								
- Macau #	53,891	1,060	54,951	(2,419)	(68)	-	(6,953)	49,453
Investment and corporate	1,576	-	1,576	(42)	-	-	(404)	(1,386)
Inter-segment elimination	-	(1,060)	(1,060)	-	-	-	-	-
Total	986,448	-	986,448	(75,198)	(25,288)	6,886	(21,623)	142,920

Revenue from property segment in Macau included sale of properties of HK\$4,580,000 (2018: HK\$4,750,000), rental income from investment properties of HK\$13,715,000 (2018: HK\$13,549,000), rental income from properties held for sale of HK\$32,278,000 (2018: HK\$28,622,000) and club operations and others of HK\$6,322,000 (2018: HK\$6,970,000).

Contribution to profit from property segment in Macau included the increase in fair value of investment properties of HK\$12,400,000 (2018: HK\$19,500,000).

(d) 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 30 June 2019				
Hotel				
- Vietnam	444,932	79,073	524,005	68,151
- United States	2,771,681	-	2,771,681	119,078
- The People's Republic of China	184,248	-	184,248	880
- Canada	147,751	34,690	182,441	6,015
- Japan	108,645	-	108,645	-
Property				
- Macau	1,874,837	-	1,874,837	217
Investment and corporate	1,213,023	4,183	1,217,206	6
Total	6,745,117	117,946	6,863,063	194,347
	<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 2018				
Hotel				
- Vietnam	434,420	78,655	513,075	50,646
- United States	2,698,833	-	2,698,833	133,996
- The People's Republic of China	180,583	-	180,583	2,452
- Canada	137,003	31,740	168,743	4,027
- Japan	120,430	-	120,430	645
Property				
- Macau	1,845,833	-	1,845,833	306
Investment and corporate	1,072,113	4,192	1,076,305	41
Total	6,489,215	114,587	6,603,802	192,113

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.

(e) 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 30 June 2019			
Hotel			
- Vietnam	159,922	86,296	246,218
- United States	140,261	1,600,862	1,741,123
- The People's Republic of China	100,151	-	100,151
- Canada	11,114	23,321	34,435
- Japan	2,874	-	2,874
Property			
- Macau	187,343	-	187,343
Investment and corporate	112,120	-	112,120
Total	713,785	1,710,479	2,424,264
	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
At 31 December 2018			
Hotel			
- Vietnam	138,752	51,274	190,026
- United States	133,056	1,480,232	1,613,288
- The People's Republic of China	95,643	-	95,643
- Canada	9,895	23,305	33,200
- Japan	2,302	-	2,302
Property			
- Macau	180,913	-	180,913
Investment and corporate	68,214	-	68,214
Total	628,775	1,554,811	2,183,586

4. Other revenue and other net gains

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(a) <i>Other revenue</i>		
Interest income from bank deposits	23,103	16,419
Dividend income from securities	5,059	267
Other revenue from hotel and club operations	11,346	9,579
	<u>39,508</u>	<u>26,265</u>
(b) <i>Other net gains</i>		
Net exchange (losses)/gains	(2,604)	2,050
Net unrealised (losses)/gains on derivative financial instruments	(4,450)	1,158
Net unrealised gains on other non-current financial assets	25,066	-
Net unrealised gains/(losses) on trading securities	1,744	(214)
Loss on disposal of property, plant and equipment	(2,309)	(869)
	<u>17,447</u>	<u>2,125</u>

5. Profit before taxation

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(a) <i>Finance costs</i>		
Interest on bank loans wholly repayable within five years	28,301	22,700
Interest expenses on loans from non-controlling shareholders	2,470	2,520
Other interest expenses	119	68
	<u>30,890</u>	<u>25,288</u>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	302,947	305,001
Contributions to defined contribution retirement plans	4,839	4,581
	<u>307,786</u>	<u>309,582</u>
(c) <i>Other items</i>		
Cost of inventories	34,895	38,073
Rentals receivable from properties less direct outgoings of HK\$1,262,000 (2018: HK\$1,413,000)	(45,599)	(41,703)
	<u>(45,599)</u>	<u>(41,703)</u>

6. Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	30,006	32,873
Deferred taxation		
Origination and reversal of other temporary differences	(17,530)	(11,250)
	12,476	21,623

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 for the six months ended 30 June 2019 and 30 June 2018.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2018: 20%) for the six months ended 30 June 2019 and 30 June 2018.
- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2018: 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 for the six months ended 30 June 2019 and 30 June 2018.
- (v) 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 21% (2018: 21%) and 12.64% (2018: 12.64%) respectively for the six months ended 30 June 2019.
- (vi) 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 20.42% (2018: 20.42%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau, Complementary Tax is calculated at 12% (2018: 12%) of the estimated assessable profits for the six months ended 30 June 2019. Macau Property Tax is calculated at 8% (2018: 10%) of the assessable rental income in Macau.
- (viii) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2018: 26.5%).
- (ix) Share of associates' tax for the six months ended 30 June 2019 of HK\$421,000 (2018: HK\$1,840,000) is included in the share of profits less losses of associates.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$73,262,000 (2018: HK\$91,340,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2019 and 30 June 2018.

There is no potential dilutive ordinary share during the six months ended 30 June 2019 and 30 June 2018.

8. Trade and other receivables

Included in trade and other receivables are trade receivables (net of loss allowance) with the following ageing analysis (by invoice date) as of the end of the reporting period:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within one month	23,762	26,496
One to three months	13,968	12,201
Three to twelve months	1,594	227
	<u>39,324</u>	<u>38,924</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.

9. Bank loans

(a) At 30 June 2019 and 31 December 2018, the bank loans were repayable as follows:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 1 year or on demand	<u>352,521</u>	144,689
After 1 year but within 2 years	1,305,671	1,363,499
After 2 years but within 5 years	52,287	46,623
	<u>1,357,958</u>	1,410,122
	<u>1,710,479</u>	<u>1,554,811</u>

At 30 June 2019 and 31 December 2018, the bank loans were secured and unsecured as follows:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Bank loans		
- Secured (note 9(b))	1,624,183	1,503,537
- Unsecured	86,296	51,274
	1,710,479	1,554,811

At 30 June 2019 and 31 December 2018, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2019, 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 2018: HK\$63,898,000); and

(ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,697,151,000 (31 December 2018: HK\$2,623,048,000).

Such banking facilities amounted to HK\$1,709,263,000 (31 December 2018: HK\$1,588,624,000) and were utilised to the extent of HK\$1,624,183,000 as at 30 June 2019 (31 December 2018: HK\$1,503,537,000).

(c) As at 30 June 2019, the covenant ratio of a subsidiary deviated from the requirement as stated in the relevant loan agreement. Management has obtained a waiver from the bank to waive the breach in the relevant covenant ratio prior to the end of the interim period.

10. 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:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within one month or on demand	53,441	69,835
One to three months	47,054	31,409
More than three months	560	8,063
	101,055	109,307

11. Dividends

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

	2019	2018
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.035 (2018: HK\$0.04) per share	11,907	13,608

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 payable/paid during the interim period

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and payable/paid during the following interim period, of HK\$0.12 (six month ended 30 June 2018: HK\$0.12) per share	40,824	40,824

12. Share capital

	At 30 June 2019		At 31 December 2018	
	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

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

	At 30 June 2019	At 31 December 2018
	HK\$'000	HK\$'000
Contracted for	133,770	252,073
Authorised but not contracted for	95,836	34,397
	229,606	286,470

REVIEW OF OPERATIONS

The Group's business is organised 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

Gaming revenue in Macau recorded a year-on-year fall of 0.5% in the first half of 2019 after growing for 29 consecutive months since August 2016. Macau's GDP was MOP 108.3 billion in the first quarter of 2019, down 0.1% y-o-y. Benefited from the opening of the Hong Kong-Zhuhai-Macau Bridge, Macau's total visitor arrivals increased to over 20 million in the first half of 2019, up 20.6% from the previous year. Unemployment remained low at 1.7% whilst median annual income rose to MOP17,000 for Macau residents.

Despite the fall of the gaming revenue in the first half of 2019, the opening of the Hong Kong-Zhuhai-Macau Bridge further stimulated Macau's tourist industry and provided stability to the Macau economy. Property values remained steady but transaction volumes have declined significantly due to the continuing effects of extra stamp duty and weakening investment sentiment globally.

During the first half of 2019, rental revenue from Macau operations increased to HK\$46.0 million, as compared to HK\$43.1 million in the first half of 2018, an increase of 6.7%. This is mainly due to an increase in rental income for residential properties. Occupancy rate for office building units in the property portfolio was close to 100%. Occupancy rate for residential buildings has also been improving, with increase in rental rates upon reversion.

The sale of properties by the Group in Macau was HK\$4.6 million during the period.

After reviewing Macau property market conditions and the state of the economy, the Group has decided to defer sale of the properties currently classified under properties held for sale to a later time in order to capture the benefits to be accrued with the opening of the Hong Kong-Zhuhai-Macau Bridge and the anticipated opening of the Macau light-rail transit system later this year. In the meantime, the Group will continue to lease out vacant units in order to maximise income.

The People's Republic of China

The Chinese economy has been undergoing a period of adjustment in the past year. GDP in the first half in 2019 grew by 6.3%, as compared to a growth rate of 6.8% for the same period in 2018.

Holiday Inn Wuhan Riverside

During the first half of 2019, room revenue of the hotel slightly increased to RMB16.5 million as compared to RMB16.0 million in the first half of 2018, an increase of 3.1%. However, the food and beverage revenue of the hotel has decreased to RMB8.4 million in the first half of 2019 from RMB9.6 million in the first half of 2018, a reduction of 12.5%.

For the first half of 2019, average room rate was at RMB426 per room night, as compared to RMB418 per room night during the first six months of 2018. Occupancy rate has increased to 70.3% during the first half of 2019, as compared to 69.3% for the first half of 2018.

Vietnam

Vietnam's economy expanded at 6.8% in the first half of 2019, which is approximately the same as 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 2019, the Group's revenue from Vietnam decreased to HK\$374.7 million, as compared to HK\$392.8 million in the first half of 2018, a decrease of 4.6%. This is mainly due to the renovation program at Sheraton Saigon Hotel and Towers which has resulted in the reduction of rooms available.

Sheraton Saigon Hotel and Towers

For the first half of 2019, average room rate was at US\$187 per room night, as compared to US\$165 per room night during the first six months of 2018. Occupancy rate has decreased to 64.8% during the first half of 2019, as compared to 74.9% for the first half of 2018.

Caravelle Hotel

For the first half of 2019, average room rate was at US\$147 per room night, as compared to US\$125 per room night during the first six months of 2018. Occupancy rate has increased to 74.5% during the first half of 2019, as compared to 62.8% for the first half of 2018.

Japan

Japan's GDP in the first half of 2019 grew by 1.37%, as compared to 1.39% for the first half of 2018.

Best Western Hotel Fino Osaka Shinsaibashi

The competition in the Osaka lodging market had increased due to a number of new hotels being completed and the increase in private lodging choices. For the first half of 2019, average room rate was at JPY8,894 per room night, as compared to JPY10,041 per room night during the first six months of 2018. Occupancy rate has slightly increased to 89.7% during the first half of 2019, as compared to 89.1% for the first half of 2018.

The United States ("US")

The US economy slowed down slightly in the first half of 2019. Gross domestic product in the first half of 2019 grew at an annualised rate of 2.5%, as compared to 3.0% annual growth rate in the first half of 2018. Operating performance of our two hotels was not as robust as in the previous year. This is primarily due to the ongoing renovation program at W San Francisco, which has resulted in the reduction of rooms available, as well as increased competition both in San Francisco and New York, and the continuing impact of Airbnb.

W San Francisco

For the first half of 2019, average room rate was at US\$381 per room night, as compared to US\$354 per room night during the first six months of 2018. Occupancy rate has decreased to 61.2% during the first half of 2019 due to the renovation project, as compared to 86.0% for the first half of 2018.

Sofitel New York

For the first half of 2019, average room rate was at US\$325 per room night, as compared to US\$332 per room night during the first six months of 2018. Occupancy rate has increased to 85.8% during the first half of 2019, as compared to 82.6% for the first half of 2018.

Canada

The Canadian economy expanded by 1.3% in the first quarter of 2019, compared to 2.0% growth in the first quarter of 2018.

The Sheraton Ottawa Hotel

For the first half of 2019, average room rate was at C\$186 per room night, as compared to C\$195 per room night during the first six months of 2018. Occupancy rate has increased to 75.7% during the first half of 2019, as compared to 74.8% for the first half of 2018.

Delta Hotels by Marriott Toronto Airport & Conference Centre

For the first half of 2019, average room rate was at C\$143 per room night, as compared to C\$138 per room night during the first six months of 2018. Occupancy rate has slightly decreased to 70.4% during the first half of 2019, as compared to 73.7% for the first half of 2018.

Other net gains

Other net gains were at an amount of HK\$17.4 million, as compared to net gains of HK\$2.1 million in the first half of 2018. It was mainly attributable to net unrealised gains on other non-current financial assets for the first half of 2019 which amounted to HK\$25.1 million.

FINANCIAL REVIEW

The Group's revenue was HK\$916.1 million for the first six months of 2019, a decrease of 7.1% as compared to the corresponding period in 2018. The decrease was primarily due to hotel business has declined. Revenue from hotel operations amounted to HK\$861.6 million, a reduction of 7.9% as compared to HK\$935.2 million in the corresponding period in 2018. The reduction was primarily attributable to the operations of W San Francisco and Sheraton Saigon Hotel and Towers which were under renovation. The Group's operating profit was HK\$151.0 million for the period ended 30 June 2019, as compared to HK\$163.4 million for the corresponding period in 2018.

Profit attributable to equity shareholders was HK\$73.3 million as compared to HK\$91.3 million in the first half year of 2018. This represents a decrease of approximately 20% in profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 as compared to the six months ended 30 June 2018. The decrease in profit of the Group for the six months ended 30 June 2019 was mainly attributable to decrease in hotel business.

PLEDGE OF ASSETS

At 30 June 2019, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,761.0 million (31 December 2018: HK\$2,686.9 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 30 June 2019, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favor of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (31 December 2018: HK\$8,252,000).

At 30 June 2019, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group has 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 trade war between US and China continue to contribute an element of uncertainty to the global economy. Continuation and possible escalation of this conflict is likely to result in significant slowdown in trade with consequential negative impact on the level of commercial activity. Worldwide and regional tourism growth is also likely to be more subdued. Economic growth on a global basis will be negatively affected.

Against this background, the Group will continue to adopt a disciplined approach towards acquisitions, targeting industries and countries or regions where the Group has experience and comparative advantage. The Group will continue to focus on seeking investment that creates long-term value on a sustainable basis for shareholders.

PERSONNEL AND RETIREMENT SCHEMES

At 30 June 2019, the Group had approximately 1,856 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 and 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 2019, 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 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.

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 2019.

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 Board 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 Wednesday, 9 October 2019 to Friday, 11 October 2019, 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 and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 October 2019 (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 2019.

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

Hong Kong, 26 August 2019

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 (whose alternate is Mr. HO Chung Kiat Sydney) as Non-executive Director, and Mr. KWOK Chi Shun Arthur, Ms WANG Poey Foon Angela, Mr. YU Hon To David and Mr. Stephen TAN as Independent Non-executive Directors.