

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 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 2019. 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 2019 was HK\$5,516,000 (HK\$0.016 per share), compared to HK\$196,579,000 (HK\$0.578 per share) in 2018.

The Board has recommended the payment of a final dividend of HK\$0.045 (2018: HK\$0.12) per share for the year. Together with the interim dividend of HK\$0.035 (2018: HK\$0.04) per share, the total dividend for the year ended 31 December 2019 will be HK\$0.08 (2018: HK\$0.16) 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 Thursday, 2 July 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

		2019	2018
	Note	HK\$'000	HK\$'000
Revenue	3	1,943,399	2,022,401
Cost of sales		<u>(201,444)</u>	<u>(218,699)</u>
		1,741,955	1,803,702
Other revenue	4(a)	81,438	58,658
Other net gains/(losses)	4(b)	11,367	(16,725)
Direct costs and operating expenses		(837,617)	(820,867)
Marketing and selling expenses		(61,711)	(60,805)
Depreciation		(166,809)	(145,844)
Administrative and other operating expenses		<u>(434,354)</u>	<u>(466,128)</u>
Operating profit		334,269	351,991
Net increase in fair value of investment properties		39,000	32,200
Impairment loss on a hotel property	5	<u>(274,115)</u>	-
		99,154	384,191
Finance costs	6(a)	(59,749)	(55,093)
Share of profits less losses of associates		<u>5,682</u>	<u>6,833</u>
Profit before taxation	6	45,087	335,931
Income tax	7	<u>79,238</u>	<u>(19,428)</u>
Profit for the year		124,325	316,503
Attributable to:			
Equity shareholders of the Company		5,516	196,579
Non-controlling interests		<u>118,809</u>	<u>119,924</u>
Profit for the year		124,325	316,503
Earnings per share, basic and diluted (cents)	8	1.6	57.8

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

	2019	2018
	HK\$'000	HK\$'000
Profit for the year	124,325	316,503
Other comprehensive income for the year		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income - net movement in fair value reserve (non-recycling)	43	(149)
<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	<u>(1,912)</u>	(22,069)
Other comprehensive income for the year	<u>(1,869)</u>	(22,218)
Total comprehensive income for the year	<u>122,456</u>	294,285
Attributable to:		
Equity shareholders of the Company	1,651	185,169
Non-controlling interests	<u>120,805</u>	109,116
Total comprehensive income for the year	<u>122,456</u>	294,285

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*as at 31 December*

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Investment properties		873,700	834,700
Property, plant and equipment		2,252,984	2,376,187
Land		824,274	831,326
		3,950,958	4,042,213
Interest in associates		121,060	114,587
Derivative financial assets		865	5,267
Other non-current financial assets		250,997	223,295
Deferred tax assets		116,081	8,350
		4,439,961	4,393,712
Current assets			
Trading securities		11,899	8,940
Properties held for sale		280,473	280,040
Inventories		6,074	5,744
Trade and other receivables	9	113,271	91,825
Deposits and cash		1,978,472	1,821,089
Taxation recoverable		1,971	2,452
		2,392,160	2,210,090
Current liabilities			
Bank loans	10	1,701,024	144,689
Trade and other payables	11	441,317	398,007
Loan from an associate		464	464
Loans from non-controlling shareholders		106,991	27,855
Taxation payable		16,655	19,630
		2,266,451	590,645
Net current assets		125,709	1,619,445
Total assets less current liabilities		4,565,670	6,013,157
Non-current liabilities			
Bank loans	10	83,700	1,410,122
Deferred revenue		4,690	5,436
Loans from non-controlling shareholders		-	82,055
Deferred tax liabilities		99,608	95,328
		187,998	1,592,941
NET ASSETS		4,377,672	4,420,216

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

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Capital and reserves			
Share capital	<i>13</i>	498,305	498,305
Reserves		3,200,903	3,251,983
Total equity attributable to equity shareholders of the Company		3,699,208	3,750,288
Non-controlling interests		678,464	669,928
TOTAL EQUITY		4,377,672	4,420,216

Notes:

1. Basis of preparation

The financial information relating to the years ended 31 December 2019 and 2018 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 2018 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 2019 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:

- trading securities and other non-current financial assets;
- derivative financial instruments; and
- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest.

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 lessees, 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 (“short-term leases”) 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.

The Group assesses that the right-of-use assets and lease liability as at 1 January 2019 upon implementation of HKFRS 16 is approximate to the total operating lease commitments of HK\$1,071,000 as disclosed in note 26(b) to the consolidated financial statements of the year ended 31 December 2018. The Group considers that the impact upon transition to HKFRS 16 is not significant and, accordingly, no reconciliation between the opening balance of lease liabilities as at 1 January 2019 and operating lease commitment as at 31 December 2018 was prepared.

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 the consideration expected to be received in respect of the transfer of goods and services in accordance with HKFRS 15, *Revenue from contracts with customers*, except for rental income derived from properties and hotels' shops which is recognised under the scope of HKFRS 16, *Leases*. Disaggregation of revenue from contracts with customers by nature is as follows:

	2019 HK\$'000	2018 HK\$'000
Hotel and club operations	1,835,049	1,908,350
Proceeds from sales of properties	6,080	16,880
Rental income	96,075	89,881
Management fee income	6,195	7,290
	<u>1,943,399</u>	<u>2,022,401</u>

(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 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

	Revenue	Inter-segment revenue	Total	Other Revenue	Depreciation	Impairment loss of a hotel property	Finance costs	Share of profits less losses of associates	Income tax	Contribution to profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2019										
Hotel	1,827,854	-	1,827,854	30,781	(162,185)	(274,115)	(59,519)	5,684	99,508	(17,025)
- Vietnam	788,057	-	788,057	2,994	(46,990)	-	(441)	4,411	(4,529)	192,143
- United States	847,868	-	847,868	25,747	(91,151)	(274,115)	(53,324)	-	109,502	(222,696)
- The People's Republic of China	65,415	-	65,415	459	(10,064)	-	(4,949)	-	-	(3,934)
- Canada	91,175	-	91,175	1,546	(10,137)	-	(805)	1,273	(2,974)	9,426
- Japan	35,339	-	35,339	35	(3,843)	-	-	-	(2,491)	8,036
Property										
- Macau	112,574	2,721	115,295	21,025	(4,530)	-	(230)	-	(11,163)	103,599
Investment and corporate	2,971	-	2,971	29,632	(94)	-	-	(2)	(9,107)	37,751
Inter-segment elimination	-	(2,721)	(2,721)	-	-	-	-	-	-	-
Total	1,943,399	-	1,943,399	81,438	(166,809)	(274,115)	(59,749)	5,682	79,238	124,325

	Revenue	Inter-segment revenue	Total	Other Revenue	Depreciation	Impairment loss of a hotel property	Finance costs	Share of profits less losses of associates	Income tax	Contribution to profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2018										
Hotel	1,900,295	-	1,900,295	24,467	(140,950)	-	(54,904)	6,834	7,643	238,850
- Vietnam	813,840	-	813,840	125	(38,851)	-	(148)	7,482	2,733	210,588
- United States	877,662	-	877,662	22,178	(76,953)	-	(49,176)	-	7,846	6,585
- The People's Republic of China	68,741	-	68,741	160	(11,476)	-	(4,764)	-	-	(6,010)
- Canada	98,582	-	98,582	1,996	(10,009)	-	(816)	(648)	(3,815)	9,932
- Japan	41,470	-	41,470	8	(3,661)	-	-	-	879	17,755
Property										
- Macau	118,985	2,095	121,080	17,337	(4,808)	-	(189)	-	(16,643)	91,786
Investment and corporate	3,121	-	3,121	16,854	(86)	-	-	(1)	(10,428)	(14,133)
Inter-segment elimination	-	(2,095)	(2,095)	-	-	-	-	-	-	-
Total	2,022,401	-	2,022,401	58,658	(145,844)	-	(55,093)	6,833	(19,428)	316,503

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
As at 31 December 2019				
Hotel				
- Vietnam	485,050	83,066	568,116	124,623
- United States	2,611,481	-	2,611,481	196,302
- The People's Republic of China	171,688	-	171,688	4,444
- Canada	147,651	33,823	181,474	8,100
- Japan	111,550	-	111,550	1,088
Property				
- Macau	1,910,233	-	1,910,233	617
Investment and corporate	1,273,408	4,171	1,277,579	12
Total	6,711,061	121,060	6,832,121	335,186

	<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
As 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.

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
As at 31 December 2019			
Hotel			
- Vietnam	170,610	120,818	291,428
- United States	140,980	1,641,485	1,782,465
- The People's Republic of China	99,682	-	99,682
- Canada	9,402	22,421	31,823
- Japan	2,824	-	2,824
Property			
- Macau	175,989	-	175,989
Investment and corporate	70,238	-	70,238
Total	669,725	1,784,724	2,454,449

	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
As 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/(losses)

	2019 HK\$'000	2018 HK\$'000
<i>(a) Other revenue</i>		
Interest income	46,848	36,366
Dividend income from listed and unlisted securities	10,653	473
Others	23,937	21,819
	<u>81,438</u>	<u>58,658</u>
<i>(b) Other net gains/(losses)</i>		
Net exchange losses	(10,862)	(8,681)
Net realised and unrealised losses on derivative financial instruments	(4,399)	(97)
Net unrealised gains on other non-current financial assets	34,376	-
Net unrealised gains/(losses) on trading securities	2,959	(87)
Loss on disposal of property, plant and equipment	(11,290)	(8,158)
Others	583	298
	<u>11,367</u>	<u>(16,725)</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 2019, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget due to the impact of intensified competition in the New York City hotel market in the face of an increased supply of hotel rooms. The Group assessed the recoverable amount of this hotel property and as a result the overall carrying amount of the hotel property was written down to its recoverable amount of HK\$1,479,910,000. Accordingly, impairment loss of HK\$274,115,000 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 2% to 8% from 2020 to 2022 and 3% from 2023 to 2029 and terminal capitalisation rate of 5.75%. The cash flows are discounted using a pre-tax discount rate of 8%. 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 nor reversal of impairment loss on a hotel property was recognised during the year ended 31 December 2018.

6. Profit before taxation

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

	2019 HK\$'000	2018 HK\$'000
(a) <i>Finance costs</i>		
Bank loan interests	54,591	50,147
Discounting effect on loans from non-controlling shareholders	4,949	4,764
Other interest expenses	209	182
	<u>59,749</u>	<u>55,093</u>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	617,462	595,911
Contributions to defined contribution retirement plans	8,839	10,854
	<u>626,301</u>	<u>606,765</u>
(c) <i>Other items</i>		
Cost of inventories	201,444	218,699
Auditors' remuneration		
- Audit services	3,882	3,209
- Interim review	849	825
- Tax advisory and other services	562	1,224
Impairment losses on trade and other receivables	-	4,792
Rentals income from investment properties less direct outgoings of HK\$889,000 (2018: HK\$436,000)	(30,575)	(27,920)
Rentals income from properties held for sale and other rental income less direct outgoings of HK\$1,646,000 (2018: HK\$1,447,000)	(62,885)	(60,078)

7. Income tax

	2019 HK\$'000	2018 HK\$'000
<i>Current tax - Overseas</i>		
Provision for the year	19,129	30,501
Under-provision in respect of prior years	5,430	3,617
	<u>24,559</u>	<u>34,118</u>
<i>Deferred tax</i>		
Origination and reversal of other temporary differences	(103,797)	(14,690)
	<u>(103,797)</u>	<u>(14,690)</u>
	<u>(79,238)</u>	19,428

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 2019 and 2018.
- (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 2019 of HK\$3,215,000 (2018: HK\$2,346,000) 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\$5,516,000 (2018: HK\$196,579,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2019 and 2018.

There are no potential dilutive ordinary shares during the years ended 31 December 2019 and 2018.

9. 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:

	2019	2018
	HK\$'000	HK\$'000
Within one month	33,329	26,496
One to three months	6,838	12,201
More than three months	688	227
	40,855	38,924

82% of trade receivables at 31 December 2019 (2018: 68%) were neither past due nor more than one month past due.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The general credit terms allowed range from 0 to 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. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The management assessed that the allowance for expected credit losses is insignificant during the year ended 31 December 2019 and 2018.

10. Bank loans

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

	2019 HK\$'000	2018 HK\$'000
Within 1 year or on demand	1,701,024	144,689
After 1 year but within 2 years	64,857	1,363,499
After 2 years but within 5 years	18,843	46,623
	<u>83,700</u>	<u>1,410,122</u>
	<u>1,784,724</u>	<u>1,554,811</u>

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

	2019 HK\$'000	2018 HK\$'000
Bank loans		
- Secured	1,663,906	1,503,537
- Unsecured	120,818	51,274
	<u>1,784,724</u>	<u>1,554,811</u>

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

(b) At 31 December 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\$64,336,000 (2018: HK\$63,898,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,709,974,000 (2018: HK\$2,623,048,000).

Such banking facilities amounted to HK\$1,748,975,000 (2018: HK\$1,588,624,000) and were utilised to the extent of HK\$1,663,906,000 as at 31 December 2019 (2018: HK\$1,503,537,000).

(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 2019, certain covenant ratios of a bank loan ("Covenant") entered by one of the Group's subsidiaries deviated from the requirement as stated in the relevant loan agreement (2018: Nil). Subsequent to the year end, the Group's management has obtained the waivers from the bank to waive the testing of the Covenant. There was no impact on the classification of the bank loan as at 31 December 2019 as the bank loan was wholly repayable within one year and thus was classified under "Current liabilities".

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:

	2019 HK\$'000	2018 HK\$'000
Within one month	69,711	69,835
One to three months	30,178	31,409
More than three months	1,712	8,063
	<u>101,601</u>	<u>109,307</u>

12. Dividends

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

	2019 HK\$'000	2018 HK\$'000
Interim dividend declared and paid of HK\$0.035 (2018: HK\$0.04) per ordinary share	11,907	13,608
Final dividend proposed after the end of the reporting period of HK\$0.045 (2018: HK\$0.12) per ordinary share	15,309	40,824
	<u>27,216</u>	<u>54,432</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

	2019 HK\$'000	2018 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.12 (2018: HK\$0.12) per ordinary share	40,824	40,824

13. Share capital

	2019		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 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 2019, capital commitments outstanding not provided for in the financial statement were as follows:

	2019 HK\$'000	2018 HK\$'000
Contracted for	39,156	252,073
Authorised but not contracted for	<u>23,244</u>	<u>34,397</u>
	<u>62,400</u>	<u>286,470</u>

- (b) At 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 HK\$'000
Leases on premises expiring:	
- within one year	550
- after one year but within five years	<u>521</u>
	<u>1,071</u>

15 Non-adjusting events after the reporting period

(a) Impact of the outbreak of novel coronavirus (COVID-19)

The outbreak of novel coronavirus (COVID-19) in January 2020 has evolved into a worldwide emergency, and has led to a significant disruption to global supply chains, as well as to international trade and tourism. These disruptions have inevitably posed a significant threat to the global economy in 2020. The duration and scope of these disruptions cannot be accurately assessed at this point in time. Suffice to say that a prolonged coronavirus crisis is likely to have a material impact on the performance of our hotel portfolio and our retail properties in Macau. Given the dynamic nature of these circumstances, the full financial impact could not be reasonably quantified at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

(b) Acquisition of additional issued share capital of Chateau Ottawa

On 10 March 2020, KSB Enterprises Ltd. (“KSB”), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement with one of the existing shareholders of Chateau Ottawa (“the Seller”), pursuant to which the Seller agreed to sell, and KSB agreed to purchase 35% of the entire issued share capital of Chateau Ottawa at the consideration of C\$11,165,000 (equivalent to approximately HK\$63,752,150)(“the Acquisition”). Upon the completion of the Acquisition, Chateau Ottawa remains an indirect non-wholly owned subsidiary of the Company while the Group’s interest in Chateau Ottawa will increase to 85%. The Acquisition constituted a discloseable transaction under the Listing Rules. Details of the Acquisition were disclosed in the Company’s announcement dated 10 March 2020 and the supplementary announcement dated 20 March 2020.

REVIEW OF OPERATIONS

The Group's revenue for 2019 was HK\$1,943.4 million, a decrease of 3.9% as compared to HK\$2,022.4 million in 2018.

Operating profit was HK\$334.3 million, a decrease of 5.0% as compared to HK\$352.0 million in 2018. As a result of an impairment loss of HK\$274.1 million being recognised during the year of 2019, the profit after tax for the year dropped to HK\$124.3 million, a reduction of 60.7% as compared to HK\$316.5 million in 2018.

A summary and analysis of the operations are as follows:

Macau

Macau's economy faced headwinds in 2019 resulting from slower economic growth in Mainland China, as well as the civil unrest in Hong Kong, both of which have negative impact on Macau's gaming and tourism sectors.

In 2019, Macau's GDP was recorded at MOP434.7 billion, a decrease of 4.7% from 2018. The contraction was mainly caused by the decrease in the number of major construction projects and exports of gaming and tourism services. Other GDP components such as private consumption expenditures and government expenditures generally recorded moderate growth in 2019. Labour market in Macau was broadly stable and the unemployment rate remained low at around 1.7% at the end of 2019.

The sale of properties by the Group in Macau was HK\$6.1 million during 2019 as compared to HK\$16.9 million during 2018.

The leasing market was broadly stable in 2019. Income from leasing of Macau properties of the Group increased by 7.2% year-on-year as compared to HK\$94.3 million in 2019. The increase was mainly driven by positive rental reversions and higher occupancy rate.

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 newly opened Macau light-rail transit system in December 2019. In the meantime, the Group will continue to lease out vacant units in order to maximise income.

The People's Republic of China

Holiday Inn Wuhan Riverside The Chinese economy has been undergoing a period of adjustment in 2019. The GDP in 2019 grew by 6.1%, the lowest in 29 years, as compared to annual growth rate of 6.6% in 2018. GDP of Wuhan in 2019 grew by 7.8%, as compared to 10.7% in 2018.

The occupancy rate of Holiday Inn Wuhan Riverside slightly increased from 70.1% in 2018 to 70.8% in 2019. Average room rate had slightly increased to RMB424 during the year, as compared to RMB421 in 2018.

Gross operating revenue decreased by 1% in 2019 to RMB52.9 million, as compared to RMB53.4 million in 2018, primarily as a result of decrease in food and beverage revenue.

Vietnam

For 2019, the economy expanded 7.0% year-on-year, compared to a 7.1% expansion in 2018. GDP annual growth rate in Vietnam averaged 6.54% from 2000 until 2019.

Sheraton Saigon Hotel and Towers Vietnam strengthened its position as a major tourism destination area in Southeast Asia with visitor arrivals up by 16.2% for the year on a nationwide basis. This was reflected in Sheraton Saigon Hotel & Towers' average room rate which increased to US\$188 as compared to US\$169 in 2018, with a reduction in the occupancy rate to 64.4% in 2019, as compared to 70.9% in 2018. The hotel's financial performance in terms of gross operating profit in 2019 was up by 2.6% year-on-year.

Going forward, the hotel will strengthen its market positioning to derive maximum benefit from the Marriott brand name and its global network, both in terms of driving revenue, achieving synergies and cost-savings in operations.

Caravelle Hotel Occupancy rate increased from 62.5% in 2018 to 65.2% in 2019. Average room rate has increased to US\$142 in 2019, as compared to US\$125 in 2018. Gross operating revenue of the hotel has been reduced to US\$11.0 million in 2019 due to ongoing hotel renovation during the year, as compared to US\$13.5 million in 2018.

Japan

Estimated Japanese GDP in 2019 grew 0.9%, as compared to 0.8% in 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. The hotel's occupancy rate in 2019 dropped to 84.9%, as compared to 89.1% in 2018. Average room rate also dropped to Yen8,499 in 2019, as compared to Yen9,630 in 2018. Gross operating profit has decreased by 26.8% in 2018 to Yen268.9 million, as compared to Yen367.5 million in 2018.

The United States ("US")

Growth of the US economy slowed down slightly in 2019. Estimated GDP in 2019 grew 2.3%, as compared to 2.9% in 2018.

W San Francisco W San Francisco's occupancy dropped to 69.5% in 2019 versus 77.7% in 2018 due to the renovation project. Average room rate was US\$362 in 2019, as compared to US\$354 in 2018.

W San Francisco's service excellence continued to be well recognised. The property received the Verified Luxury awarded by Forbes Travel Guide in 2019. In December 2019, it has completed its guest room renovation and launched an expanded portfolio of exceptional guest services upon completion.

Sofitel New York In 2019, New York's estimated economic growth is around 2.0%, which is slightly lower than the national average.

The New York lodgings marketplace continued to face challenges in 2019. The overall supply of new guestrooms outpaced the demand for accommodations, which put downward pressure on average room rates. Average room rate was US\$352 per room night in 2019, as compared to US\$360 per room night in 2018. Occupancy had slightly increased to 89.0% versus 87.4% in 2018.

Due to the impact of intensified competition in the New York City hotel market in the face of an increased supply of hotel rooms, the Group had assessed the recoverable amount of the hotel and recognised HK\$274.1 million as impairment loss during the year. However, it is expected that the recent regulations to restrict hotel developments in New York City, will curtail the net supply growth in the market, going forward. It is further expected that the over-supply will be gradually absorbed over the course of the next few years.

Canada

Economic activity in Canada remained flat in 2019 with a GDP growth rate of 1.7%.

Sheraton Ottawa Hotel Ottawa's estimated economic growth in 2019 is around 1.4%, as compared to GDP growth in 2018 of 2.2%. Occupancy rate of Sheraton Ottawa Hotel had slightly decrease to 76.9% in 2019 versus 77.4% in 2018. Average room rate was C\$182 in 2019 versus C\$191 in 2018.

On 10 March 2020, the Group has entered into an agreement to acquire additional 35% interest in Sheraton Ottawa Hotel at a cash consideration of C\$11.2 million (equivalent to approximately HK\$63.8 million). The acquisition, upon completion, will allow the Group to increase its share in the hotel from 50% to 85%, thereby allowing enhanced management control and greater operating efficiency for the hotel.

Delta Hotels by Marriott Toronto Airport & Conference Centre Toronto's estimated economic growth in 2019 is around 2.0%, as compared to 2.4% in 2018.

Room rates had slightly increased to C\$138 in 2019 versus C\$137 in 2018 whilst occupancy rate had slightly decreased to 71.6% in 2019 versus 73.3% in 2018

Other net gains/(losses)

Net exchange loss for 2019 amounted to HK\$10.9 million, as compared to a net exchange loss of HK\$8.7 million in 2018.

Net realised and unrealised losses on derivative financial instruments amounted to HK\$4.4 million in 2019, as compared to losses of HK\$0.1 million in 2018.

Net unrealised gains on other non-current financial assets amount to HK\$34.4 million recognised in 2019. These were mainly related to our investment in A2I Holdings S.A.R.L., which owns 7.02% equity shares of AccorInvest Group S.A..

Net unrealised gains on trading securities for 2019 amounted to HK\$3.0 million, as compared to losses of HK\$0.1 million in 2018.

There was a loss on disposal of property, plant and equipment in 2019 amounting to HK\$11.3 million, as compared to a loss of HK\$8.2 million in 2018. These were related to disposal of furniture, fixtures and equipment.

FINANCIAL REVIEW

The Group's revenue was HK\$1,943.4 million for the year ended 31 December 2019, a slightly decrease of 3.9% compared to year 2018. Proceeds from sales of properties in Macau this year was HK\$6.1 million (2018: HK\$16.9 million). Decrease in revenue was primarily attributable to the decrease in revenue from hotel and club operations and proceeds from sales of properties. The Group's operating profit was HK\$334.3 million for the year ended 31 December 2019 as compared to HK\$352.0 million in 2018.

During the year ended 31 December 2019, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget due to the impact of intensified competition in the New York City hotel market in the face of an increased supply of hotel rooms. The Group assessed the recoverable amount of this hotel property and as a result the overall carrying amount of the hotel property was written down to its recoverable amount of HK\$1,479.9 million. Accordingly, impairment loss of HK\$274.1 million was recognised as a separate line item in the Group's consolidated statement of profit or loss. No impairment loss nor reversal of impairment loss on a hotel property was recognised during the year ended 31 December 2018.

Profit attributable to equity shareholders amounted to HK\$5.5 million (2018: HK\$196.6 million).

As at 31 December 2019, the Group has total bank loan of HK\$1,784.7 million (2018: HK\$1,554.8 million) and deposits and cash of HK\$1,978.5 million (2018: HK\$1,821.1 million). Of the total bank borrowings, HK\$ 1,701.0 million (2018: HK\$144.7 million) are repayable within one year, HK\$83.7 million (2018: HK\$1,410.1 million) are repayable after one year but within five years.

The Group's bank borrowings are mainly denominated in United States dollars, Vietnamese Dong and Canadian dollars. Bank deposits and cash are mostly in United States dollars, Hong Kong dollars, Renminbi, Japanese Yen and Canadian 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 2019, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,774.3 million (2018: HK\$2,686.9 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, 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 (2018: HK\$8,252,000).

As at 31 December 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

Although global economic conditions are expected to benefit from the conclusion of the first phase of the Sino-US trade deal, global economy is still facing an unprecedentedly challenging environment as we head into 2020. In addition to the upcoming US presidential election and the impact of Brexit, the outbreak of novel coronavirus (COVID-19) in January 2020 and its continuing involvement on a global basis will undoubtedly impact significantly the performance of the global economy in 2020.

In addition to disruption to manufacturing operations and economic activities worldwide, additional measures by various countries to contain the outbreak of the epidemic include the imposition of widespread travel bans, advice by health authorities to implement restrictions against public activities, and curtailment of normal social activities. Under these circumstances, global economic growth will be severely impacted in the short and medium term, resulting in significant disruption to global supply chains and global trade patterns, and posing a significant threat to the world economy.

Macau rental income is facing downside pressure in 2020 as Macau's economy is also expected to suffer from sluggish performance in the gaming, tourism and property sectors in 2020. It is expected that rental revenue for retail properties will be adjusted downwards as a result of concessionary rental rates during this period, as well as upon reversion of current rental period.

As for the hotel division, given our outlook for the global economy as described above, we expect EBITDA for the hotels will slow down in 2020, or even show negative growth. We will continue to monitor developments in order to assess the magnitude and duration of the impact.

In view of the recent epidemic outbreak, the Group has taken steps to consider implementation of a number of rental relief measures for a majority of shopping mall tenants in order to ease their operating pressure, as well as take proactive procedures to step up hygiene and sanitation procedures, and health check measures in hotels, buildings and properties owned and managed by the Group. These measures extend to hotel guests and well as associates of the Group.

At this point in time, the Group cannot determine the duration of the epidemic and therefore we are not yet able to quantify the full financial impact. We wish to highlight that a prolonged coronavirus crisis will have a material effect on our 2020 financial results and the performance of our overseas hotel and property rental portfolio.

Looking ahead, the Group will closely monitor the exposure to the risk and uncertainties and take necessary actions to minimise the impact of the business operations and financial performances to the Group in response to the COVID-19 epidemic and its aftermath.

The Group seek to capitalise on our solid financial position established over the years and will continue to adopt a disciplined approach towards acquisitions. The Group will continue to target industries and cities where we can take advantage of our inherent strength and experiences, and to create long-term value on a sustainable basis for shareholders.

PERSONNEL

As at 31 December 2019, the Group had approximately 1931 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 2019, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2019, 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 until December 2019.

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 and D.1.3, 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. Arrangement are being taken for the adoption of written terms on division of functions and delegation of authority between the Board and the management. The Company is now considering to disclose their formal functions, accountabilities and contributions in the future years.

Pursuant to Code Provisions D.1.4, the Company should also have formal letters of appointment for directors setting out the key terms and conditions of their appointment and the Company has already signed formal letters of appointment setting out the key terms and conditions of their appointment with each of the directors in December 2019.

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 Monday, 8 June 2020 (“2020 AGM”), the Register of Members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive. In order to qualify for attending and voting at the 2020 AGM, all transfer documents should be lodged for registration with the Company’s Share Registrars & Transfer Office, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 2 June 2020 (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 2020 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, 15 June 2020 to Wednesday, 17 June 2020, 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 Registrars & Transfer Office, Tricor Tengis Limited, at the above address for registration no later than 4:30 p.m. on Friday, 12 June 2020 (Hong Kong time), being the last share registration date. The payment of final dividend (if approved) will be scheduled on or before Thursday, 2 July 2020.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company will be held on Monday, 8 June 2020.

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

Hong Kong, 25 March 2020

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.