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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)

2020 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 2020.

The consolidated loss attributable to equity shareholders of the Company for the six months ended 30 June 2020 was HK\$149,013,000 (HK\$0.438 loss per share), compared to profit attributable to equity shareholders of the Company HK\$73,262,000 (HK\$0.215 earnings per share) for the first six months of 2019.

The Board does not recommend the payment of interim dividend for 2020 (2019: HK\$0.035).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
Revenue	3	428,916	916,123
Cost of sales		<u>(49,793)</u>	<u>(99,371)</u>
		379,123	816,752
Other revenue	4(a)	27,076	39,508
Other net (losses)/gains	4(b)	(77,870)	17,447
Direct costs and operating expenses		(224,366)	(399,802)
Marketing and selling expenses		(8,151)	(30,919)
Depreciation		(82,357)	(79,027)
Administrative and other operating expenses		<u>(175,947)</u>	<u>(212,914)</u>
Operating (loss)/profit		(162,492)	151,045
(Decrease)/increase in fair value of investment properties		<u>(3,600)</u>	12,400
		(166,092)	163,445
Finance costs	5(a)	(24,230)	(30,890)
Share of (losses)/profits of associates		<u>(4,715)</u>	<u>2,630</u>
(Loss)/profit before taxation	5	(195,037)	135,185
Income tax credit/(expense)	6	<u>53,748</u>	<u>(12,476)</u>
(Loss)/profit for the period		<u>(141,289)</u>	122,709
Attributable to:			
Equity shareholders of the Company		(149,013)	73,262
Non-controlling interests		<u>7,724</u>	<u>49,447</u>
(Loss)/profit for the period		<u>(141,289)</u>	122,709
(Loss)/earnings per share, basic and diluted (cents)	7	<u>(43.8)</u>	21.5

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	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period	(141,289)	122,709
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)	(625)	(16)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	(14,946)	(526)
Other comprehensive income for the period	(15,571)	(542)
Total comprehensive income for the period	(156,860)	122,167
Attributable to:		
Equity shareholders of the Company	(162,403)	71,282
Non-controlling interests	5,543	50,885
Total comprehensive income for the period	(156,860)	122,167

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2020 HK\$'000	(Audited) At 31 December 2019 HK\$'000
Non-current assets			
Investment properties		870,100	873,700
Property, plant and equipment		2,194,309	2,252,984
Land		817,446	824,274
		3,881,855	3,950,958
Interest in associates		115,938	121,060
Derivative financial assets		-	865
Other non-current financial assets		189,642	250,997
Deferred tax assets		140,594	116,081
		4,328,029	4,439,961
Current assets			
Trading securities		11,376	11,899
Properties held for sale		280,473	280,473
Inventories		5,156	6,074
Trade and other receivables	8	56,755	113,271
Deposits and cash		1,715,647	1,978,472
Taxation recoverable		40,660	1,971
		2,110,067	2,392,160
Current liabilities			
Bank loans	9	1,687,617	1,701,024
Trade and other payables	10	326,167	441,317
Loan from an associate		464	464
Loans from non-controlling shareholders		26,171	106,991
Taxation payable		20,972	16,655
		2,061,391	2,266,451
Net current assets		48,676	125,709
Total assets less current liabilities		4,376,705	4,565,670
Non-current liabilities			
Bank loans	9	62,851	83,700
Deferred revenue		4,212	4,690
Loans from non-controlling shareholders		63,222	-
Derivative financial liabilities		5,392	-
Deferred tax liabilities		96,815	99,608
		232,492	187,998
NET ASSETS		4,144,213	4,377,672

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited) At 30 June 2020 HK\$'000	(Audited) At 31 December 2019 HK\$'000
	<i>Note</i>		
Capital and reserves			
Share capital	12	498,305	498,305
Reserves		2,999,390	3,200,903
Total equity attributable to equity shareholders of the Company		3,497,695	3,699,208
Non-controlling interests		646,518	678,464
TOTAL EQUITY		4,144,213	4,377,672

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 2020 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 25 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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 2019 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

None of these amendments have had a material effect on how the Group's results and the financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Revenue and segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical locations. The Group has identified the following three reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

- (i) Hotel segment is primarily engaged in the businesses of hotel room accommodation, provision of food and beverage at hotel restaurant outlets and operation of slot machines at one of the Group's hotels.
- (ii) Property segment is primarily engaged in the businesses of leasing of the Group's investment properties, which mainly consist of retail, commercial and office properties in Macau and of development, sales and marketing of the Group's trading properties in Macau.
- (iii) Investment and corporate segment is primarily engaged in the businesses of management of the Group's corporate assets and liabilities, 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:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Hotel and club operations	378,055	861,560
Proceeds from sales of properties	-	4,580
Rental income	46,994	46,861
Management fee income	3,867	3,122
	<hr/> 428,916 <hr/>	<hr/> 916,123 <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 losses of associates	Income tax credit/ (expense)	Contribution to (loss)/profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2020								
Hotel	375,111	-	375,111	(80,381)	(24,192)	(4,715)	61,210	(89,505)
- Vietnam	194,263	-	194,263	(27,429)	(4,054)	(2,537)	(3,653)	11,541
- United States	145,891	-	145,891	(40,924)	(18,277)	-	60,337	(81,733)
- The People's Republic of China	14,086	-	14,086	(4,968)	(1,560)	-	-	(6,598)
- Canada	16,231	-	16,231	(5,111)	(301)	(2,178)	2,038	(7,839)
- Japan	4,640	-	4,640	(1,949)	-	-	2,488	(4,876)
Property								
- Macau	52,727	-	52,727	(1,928)	(38)	-	(2,965)	20,508
Investment and corporate	1,078	-	1,078	(48)	-	-	(4,497)	(72,292)
Total	428,916	-	428,916	(82,357)	(24,230)	(4,715)	53,748	(141,289)

	Revenue	Inter-segment revenue	Total	Depreciation	Finance costs	Share of profits of associates	Income tax credit/ (expense)	Contribution to (loss)/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

(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 2020				
Hotel				
- Vietnam	464,789	80,529	545,318	68,151
- United States	2,528,101	-	2,528,101	119,078
- The People's Republic of China	162,128	-	162,128	880
- Canada	127,607	31,256	158,863	6,015
- Japan	107,049	-	107,049	-
Property				
- Macau	1,908,554	-	1,908,554	217
Investment and corporate	1,023,930	4,153	1,028,083	6
Total	6,322,158	115,938	6,438,096	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 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

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 2020			
Hotel			
- Vietnam	131,214	128,310	259,524
- United States	69,952	1,601,674	1,671,626
- The People's Republic of China	81,123	-	81,123
- Canada	2,630	20,484	23,114
- Japan	1,452	-	1,452
Property			
- Macau	173,228	-	173,228
Investment and corporate	83,816	-	83,816
Total	543,415	1,750,468	2,293,883
	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
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

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
(a) <i>Other revenue</i>		
Interest income	14,720	23,103
Dividend income from listed and unlisted securities	265	5,059
Others	12,091	11,346
	<u>27,076</u>	<u>39,508</u>
(b) <i>Other net (losses)/gains</i>		
Net exchange losses	(11,317)	(2,604)
Net unrealised losses on derivative financial instruments	(6,330)	(4,450)
Net unrealised (losses)/gains on other non-current financial assets	(59,700)	25,066
Net unrealised (losses)/gains on trading securities	(523)	1,744
Loss on disposal of property, plant and equipment	-	(2,309)
	<u>(77,870)</u>	<u>17,447</u>

5. (Loss)/profit before taxation

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

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
(a) <i>Finance costs</i>		
Bank loan interests	22,646	28,301
Discounting effect on loans from non-controlling shareholders	1,560	2,470
Other interest expenses	24	119
	<u>24,230</u>	<u>30,890</u>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	208,571	302,947
Contributions to defined contribution retirement plans	4,063	4,839
	<u>212,634</u>	<u>307,786</u>
(c) <i>Other items</i>		
Cost of inventories	14,213	34,895
Rentals income from properties less direct outgoings of HK\$676,000 (2019: HK\$1,262,000)	(45,393)	(45,599)
	<u>(45,393)</u>	<u>(45,599)</u>

6. Income tax credit/(expense)

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	9,225	30,006
Over-provision in respect of prior years	(4)	-
Tax concession in the United States (note(v))	(34,734)	-
	<u>(25,513)</u>	<u>30,006</u>
Deferred taxation		
Origination and reversal of other temporary differences	<u>(28,235)</u>	<u>(17,530)</u>
	<u>(53,748)</u>	<u>12,476</u>

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2020 and 30 June 2019.
- (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% (2019: 20%) for the six months ended 30 June 2020.
- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2019: 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 2020 and 30 June 2019.
- (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 ("US subsidiaries") are calculated at a rate of 21% (2019: 21%) and 12.20% (2019: 12.64%) respectively for the six months ended 30 June 2020.

On 27 March 2020, Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in the United States under which the US subsidiaries are allowed for a five-year carry back of net operating losses ("NOLs") arising in tax years 2018 to 2020. As a result, tax concession of HK\$34.7 million has been recognised as "Tax recoverable" as at 30 June 2020, with HK\$21.5 million realised from the "Deferred tax assets" recognised as at 31 December 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 21.36% (2019: 21.42%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau, Complementary Tax is calculated at 12% (2019: 12%) of the estimated assessable profits for the six months ended 30 June 2020. Macau Property Tax is calculated at 8% (2019: 8%) 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% (2019: 26.5%).

7. (Loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$149,013,000 (2019: profit of HK\$73,262,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2020 and 30 June 2019.

There is no potential dilutive ordinary share during the six months ended 30 June 2020 and 30 June 2019.

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 2020 HK\$'000	At 31 December 2019 HK\$'000
Within one month	10,616	33,329
One to three months	790	6,838
More than three months	1,104	688
	<u>12,510</u>	<u>40,855</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 2020 and 31 December 2019, the bank loans were repayable as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 1 year or on demand	<u>1,687,617</u>	1,701,024
After 1 year but within 2 years	62,851	64,857
After 2 years but within 5 years	-	18,843
	<u>62,851</u>	<u>83,700</u>
	<u>1,750,468</u>	<u>1,784,724</u>

At 30 June 2020 and 31 December 2019, the bank loans were secured and unsecured as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Bank loans		
- Secured (note 9(b))	1,622,158	1,663,906
- Unsecured	128,310	120,818
	<u>1,750,468</u>	<u>1,784,724</u>

At 30 June 2020 and 31 December 2019, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2020, 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 (31 December 2019: HK\$64,336,000); and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,419,611,000 (31 December 2019: HK\$2,709,974,000).

Such banking facilities amounted to HK\$1,707,213,000 (31 December 2019: HK\$1,748,975,000) and were utilised to the extent of HK\$1,662,158,000 as at 30 June 2020 (31 December 2019: HK\$1,663,906,000).

(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. As at 30 June 2020, certain covenant ratios of two bank loans (referred as "Loan 1" and "Loan 2", respectively) entered into by two of the Group's subsidiaries deviated from the requirements as stated in the relevant loan agreements. At 30 June 2020, Loan 1 amounting to HK\$924,356,000 and Loan 2 amounting to HK\$20,484,000 were repayable within 1 year and after 1 year respectively pursuant to the relevant loan agreements. For Loan 1, the management has obtained a waiver from the bank to waive the testing of the covenant prior to the end of the interim period. For Loan 2, the management has obtained a waiver from the bank to waive the testing of the covenant subsequent to the end of the interim period. The Group has presented the entire loan balance of both Loan 1 and Loan 2 as "Current liabilities".

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 2020 HK\$'000	At 31 December 2019 HK\$'000
Within one month or on demand	27,855	69,711
One to three months	18,635	30,178
More than three months	29,447	1,712
	<u>75,937</u>	<u>101,601</u>

11. Dividends

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

	2020	2019
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period: Nil (2019: HK\$0.035) per share	-	11,907

(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	
	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and payable/paid during the following interim period, of HK\$0.045 (six months ended 30 June 2019: HK\$0.12) per share	15,309	40,824

12. Share capital

	At 30 June 2020		At 31 December 2019	
	No. of	Amount	No. of	Amount
	shares	HK\$'000	shares	HK\$'000
	'000	'000	'000	'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	At
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
Contracted for	17,825	39,156
Authorised but not contracted for	19,928	23,244
	37,753	62,400

REVIEW OF OPERATIONS

To facilitate review of the Group's performance and in preparation of the consolidated financial statements for the first half of 2020, the operations and reportable segments were presented by geographical locations. These locations are divided into Macau, the People's Republic of China (the "PRC"), Vietnam, Japan, the United States (the "US"), Canada and other markets.

In the first half of 2020, the global economy was significantly impacted by the unprecedented outbreak of the COVID-19 pandemic (the "pandemic"). Different levels of lockdown, quarantine and social distancing measures in reaction to the pandemic have drastically reduced the human flows, social and business travelling, and tourism activities worldwide and have directly led to unprecedented reductions in global economic activities. Such extreme negative business environment has imposed intense pressure on the Group's hotel businesses and has adversely affected the overall operating condition of the Group in the first half of 2020.

A summary and analysis of the operations are as follows.

Macau

The pandemic has significantly dampened Macau economic activity, especially in tourism, hotel, retail and gaming sectors. Macau's gambling revenue for the first half of 2020 was MOP33.7 billion, down 77.4% year-on-year. The number of visitors arriving in Macau fell to 3.3 million in the first half of 2020, down 83.9% from over 20.3 million in the first half of 2019. Macau's GDP was MOP 56.58 billion in the first quarter of 2020, down by 47.7% year-on-year. Unemployment rate in June 2020 stood at 2.5%, which is still relatively low but was the highest reported figure since 2011, compared to 1.8% in June 2019.

Macau property sector was less affected by the pandemic. During the first half of 2020, rental revenue of the Group from Macau operations slightly increased to HK\$46.1 million, as compared to HK\$46.0 million in the first half of 2019. This is primarily due to higher reversionary rental rates being achieved, which more than offset concessionary rental rates granted to retail tenants in the second quarter of the year on a selective basis. Occupancy of our office building and residential units in the property portfolio were broadly stable with an occupancy rate of over 95% and 97% respectively in the first half of 2020.

There were no sales of properties during the first half of 2020.

Although market sentiment in the property sector has improved as the pandemic was widely seen to be progressively under control in Macau, it is expected that a downward adjustment in the economy will continue in the second half of 2020 as compared to 2019, and that the Macau property market is only likely to resume a strong upward trend only after travel restrictions are fully lifted, enabling local buyers and potential buyers from mainland China or Hong Kong to restore strength to the market. After reviewing Macau property market conditions and the state of the economy, the Group has decided to continue deferring sale of the properties currently classified under properties held for sale to a later time in order to fully capture the benefits to be accrued with the opening of the Hong Kong-Zhuhai-Macau Bridge, the newly opened Macau light-rail transit system, and the gradual integration of the Greater Bay Area post COVID-19. In the meantime, the Group will continue to lease out vacant units in order to maximise income.

The People's Republic of China

In the first quarter of 2020, the Chinese economy had shrank by 6.8 per cent, the first contraction since implementation of economic reform and liberalisation in 1970s. For the first half of the year, the economy contracted by 1.6 percent over the same period of 2019.

Holiday Inn Wuhan Riverside

Results of the first half of 2020 were severely impacted by the COVID-19 outbreak. Room revenue of the hotel decreased to RMB7.5 million as compared to RMB16.5 million in the first half of 2019, a reduction of 54.5%. The food and beverage revenue of the hotel has also decreased to RMB3.9 million in the first half of 2020 from RMB8.4 million in the first half of 2019, a reduction of 53.2%.

During the first half of 2020, occupancy rate has decreased to 41.5%, as compared to 70.3% during the first half of 2019. Average room rate was at RMB327 per room night during the first half of 2020, as compared to RMB426 per room night during the first half of 2019.

Vietnam

Due to success in containing the pandemic, Vietnam GDP increased by 1.8% in the first half of 2020, which is nevertheless still lower than the 6.8% expansion reported in the first half of 2019. However, hotel industry is expected to see a significant recovery only after the global economy recovers and global travel restrictions are lifted.

During the first six months of 2020, the Group's revenue from Vietnam decreased to HK\$194.3 million, as compared to HK\$374.7 million in the first half of 2019, a decrease of 48.1%. This is mainly due to the closure of borders and suspension of international flights since 22 March 2020.

Sheraton Saigon Hotel and Towers

For the first half of 2020, occupancy rate has decreased to 19.6%, as compared to 64.8% for the first half of 2019. Average room rate was at US\$174 per room night during the first half of 2020, as compared to US\$187 per room night during the first six months of 2019.

Caravelle Hotel

For the first half of 2020, occupancy rate has decreased to 16.0%, as compared to 74.5% for the first half of 2019. Average room rate was at US\$144 per room night during the first half of 2020, as compared to US\$147 per room night during the first six months of 2019.

Japan

The Japanese economy is estimated to shrink 4.2% in the first half of 2020, as compared to a growth rate of 1.37% for the same period in 2019.

Best Western Hotel Fino Osaka Shinsaibashi

Osaka experienced an extensive shortfall on travellers and visitors driven by the travel restrictions for the city, particular in the second quarter of 2020. For the first half of 2020, occupancy rate has decreased to 23.2%, as compared to 89.7% for the first half of 2019. Average room rate was at JPY7,746 per room night during the first half of 2020, as compared to JPY8,894 per room night for the first half of 2019.

The United States ("US")

The economic impact of the COVID-19 pandemic in the United States has been grossly disruptive. It has adversely affected employment, financial markets, travel and retail industries, etc., particularly in the second quarter of 2020.

In the first quarter of 2020, real GDP decreased by 5%. It was reported that the real GDP decreased at an annual rate of almost 33% in the second quarter of 2020.

As affected by the outbreak of the pandemic, the Group temporarily suspended our hotel operations in US since end of March 2020, which caused severe adverse effects on the Group's operations. These hotels currently remain closed and a majority of staff are put on furlough.

W San Francisco

For the first half of 2020, occupancy rate has decreased to 27.0%, as compared to 61.2% for the first half of 2019. Average room rate was at US\$428 per room night during the first half of 2020, as compared to US\$381 per room night during the first six months of 2019.

Sofitel New York

For the first half of 2020, occupancy rate has decreased to 30.6%, as compared to 85.8% for the first half of 2019. Average room rate was at US\$247 per room night during the first half of 2020, as compared to US\$325 per room night during the first six months of 2019.

Canada

Canada has closed its landed ports of entry along the Canada-US border to non-essential travel. It has also banned international travel since 21 March 2020. The Canadian economy shrank 2.1% in the first quarter of 2020, compared to 1.3% growth in the first quarter of 2019.

In reaction to the outbreak of the pandemic and various lockdown measures, the Group temporarily suspended our hotel operations in Canada since 1 April 2020.

The Sheraton Ottawa Hotel

For the first half of 2020, occupancy rate has decreased to 34.1%, as compared to 75.7% for the first half of 2019. Average room rate was at C\$181 per room night during the first half of 2020, as compared to C\$186 per room night during the first six months of 2019.

Delta Hotels by Marriott Toronto Airport & Conference Centre

For the first half of 2020, occupancy rate has decreased to 30.0%, as compared to 70.4% for the first half of 2019. Average room rate was at C\$145 per room night during the first half of 2020, as compared to C\$143 per room night during the first six months of 2019.

Delta Hotel by Marriott Toronto Airport & Conference Centre's service excellence continues to be well recognised. It was awarded the Travelers' Choice Winner by TripAdvisor in 2020.

Other net losses

Other net losses were at an amount of HK\$77.9 million, as compared to net gains of HK\$17.4 million in the first half of 2019. It was mainly attributable to net unrealised losses on other non-current financial assets for the first half of 2020 which amounted to HK\$59.7 million, as compared to net unrealised gains of HK\$25.1 million for the first half of 2019.

FINANCIAL REVIEW

The Group's revenue was HK\$428.9 million for the first six months of 2020, a decrease of 53.2% as compared to the corresponding period in 2019. The decrease was primarily due to the decline of hotel business during the unprecedented outbreak of the COVID-19 pandemic.

The Group turned into operating loss of HK\$162.5 million for the period ended 30 June 2020, as compared to operating profit of HK\$151.0 million for the corresponding period in 2019.

Losses attributable to equity shareholders was HK\$149.0 million as compared to profit attributable to equity shareholders of HK\$73.3 million in the first half year of 2019. The decrease in profit of the Group for the first half year of 2020 was mainly attributable to decrease in hotel business and net unrealised losses on other non-current financial assets.

IMPACT CAUSED BY THE OUTBREAK OF COVID-19

As described in the Group's 2019 annual report, followed by various business updates and the profit warning announcements issued by the Group on 13 March 2020, 28 May 2020 and 6 August 2020 respectively, the COVID-19 outbreak has had a materially adverse effect on our operating results in the first half of 2020, which has placed unprecedented pressure on the group's operating performance position.

The Group's hotel segment was significantly affected by the pandemic. With global travel lockdown, quarantine and safety concerns deterring people from travelling for the foreseeable future, travels were sharply curtailed around the world and it also triggered cancellations of rooms and events bookings. Revenue from hotel operations amounted to HK\$375.1 million, a reduction of 56.3% as compared to HK\$857.8 million for the corresponding period in 2019. The reduction was mainly attributable to the decline of hotel business, including the impact of temporarily suspension of hotel business operations in US and Canada due to the outbreak of the pandemic since 22 March 2020 and 1 April 2020 respectively.

Whilst the Group's property business was less affected by the Pandemic, the rental revenues from Macau operations slightly increased to HK\$46.1 million during the Period, as compared to HK\$46.0 million in the first half of 2019.

In addition, the Group reported an unrealised losses of HK\$59.7 million on our investment in A2I Holdings S.A.R.L., which owns 7.02% equity shares of AccorInvest Group S.A.

Despite the Group has put in place various cost control measures in response to the challenging operating environment, the Group sustained a consolidated operating loss of HK\$162.5 million for the six months ended 30 June 2020, as compared to an operating profit of HK\$151.0 million for the corresponding period in 2019.

PLEDGE OF ASSETS

As at 30 June 2020, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,483.9 million (31 December 2019: HK\$ 2,774.3 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 2019: HK\$8,252,000).

As at 30 June 2020, 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 global economy were hit hard by COVID-19 pandemic in unprecedented proportions and the spread of the pandemic has yet to be brought under control. Under such a volatile scenario, the duration and extent of its impact cannot be easily determined. Ongoing adverse economic, financial, trade and technological disputes between major countries have also injected additional elements of uncertainty in international as well as local business models. It is widely anticipated that businesses worldwide will continue to face challenges and disruptions in the rest of 2020 and 2021.

Notwithstanding the above information, and despite the extraordinary operating conditions brought about by the pandemic, the overall financial position of the Group remains sound and solid, and the various operating units are well positioned to take advantage of any upturn in the various markets.

The Group will continue to be cautious and will only focus on seeking investment that creates long-term value on a sustainable basis for shareholders. We will also continue to adopt a disciplined and pragmatic approach towards possible acquisitions, targeting industries and countries or regions where the Group has experience and comparative advantages.

PERSONNEL AND RETIREMENT SCHEMES

As at 30 June 2020, the Group had approximately 1,414 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 2020, 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; and
2. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term.

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.

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 2020.

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.

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 2020.

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

Hong Kong, 25 August 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.