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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](http://www.keckseng.com.hk)

(Stock Code: 184)

**2020 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 2020. These results have been reviewed by the Audit and Compliance 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 loss attributable to equity shareholders of the Company for the year ended 31 December 2020 was HK\$562,586,000 (HK\$1.654 per share), compared to consolidated profit attributable to equity shareholders of the Company of HK\$5,516,000 (HK\$0.016 per share) in 2019.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK\$0.045).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

		2020	2019
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>665,709</b>	1,943,399
Cost of sales		<b>(89,631)</b>	(201,444)
		<b>576,078</b>	1,741,955
Other revenue	4(a)	<b>37,484</b>	81,438
Other net (losses)/gains	4(b)	<b>(124,116)</b>	11,367
Direct costs and operating expenses		<b>(334,523)</b>	(837,617)
Marketing and selling expenses		<b>(14,861)</b>	(61,711)
Depreciation		<b>(164,341)</b>	(166,809)
Administrative and other operating expenses		<b>(352,600)</b>	(434,354)
		<b>(376,879)</b>	334,269
<b>Operating (loss)/profit</b>		<b>(376,879)</b>	334,269
Net increase in fair value of investment properties		<b>23,400</b>	39,000
Impairment loss on a hotel property	5	<b>(345,430)</b>	(274,115)
		<b>(698,909)</b>	99,154
Finance costs	6(a)	<b>(43,520)</b>	(59,749)
Share of net (losses)/profits of associates		<b>(15,347)</b>	5,682
		<b>(757,776)</b>	45,087
<b>(Loss)/profit before taxation</b>	6	<b>(757,776)</b>	45,087
Income tax	7	<b>211,815</b>	79,238
		<b>(545,961)</b>	124,325
<b>(Loss)/profit for the year</b>		<b>(545,961)</b>	124,325
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(562,586)</b>	5,516
Non-controlling interests		<b>16,625</b>	118,809
		<b>(545,961)</b>	124,325
<b>(Loss)/profit for the year</b>		<b>(545,961)</b>	124,325
<b>(Loss)/earnings per share, basic and diluted (cents)</b>	8	<b>(165.4)</b>	1.6

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

	2020 HK\$'000	2019 HK\$'000
<b>(Loss)/profit for the year</b>	<b>(545,961)</b>	124,325
<b>Other comprehensive income for the year</b>		
<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)	(140)	43
<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	8,902	(1,912)
<b>Other comprehensive income for the year</b>	<b>8,762</b>	(1,869)
<b>Total comprehensive income for the year</b>	<b>(537,199)</b>	122,456
<b>Attributable to:</b>		
Equity shareholders of the Company	(558,625)	1,651
Non-controlling interests	21,426	120,805
<b>Total comprehensive income for the year</b>	<b>(537,199)</b>	122,456

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>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Non-current assets</b>			
Investment properties		<b>897,100</b>	873,700
Property, plant and equipment		<b>1,817,377</b>	2,252,984
Land		<b>822,814</b>	824,274
		<b>3,537,291</b>	3,950,958
Interest in associates		<b>105,825</b>	121,060
Derivative financial assets		-	865
Other non-current financial assets		<b>132,947</b>	250,997
Deferred tax assets		<b>303,088</b>	116,081
		<b>4,079,151</b>	4,439,961
<b>Current assets</b>			
Trading securities		<b>13,625</b>	11,899
Properties held for sale		<b>278,873</b>	280,473
Inventories		<b>4,006</b>	6,074
Trade and other receivables	9	<b>69,411</b>	113,271
Deposits and cash		<b>1,262,729</b>	1,978,472
Taxation recoverable		<b>46,731</b>	1,971
		<b>1,675,375</b>	2,392,160
<b>Current liabilities</b>			
Bank loans	10	<b>747,072</b>	1,701,024
Trade and other payables	11	<b>315,464</b>	441,317
Loan from an associate		<b>464</b>	464
Loans from non-controlling shareholders		<b>714</b>	106,991
Taxation payable		<b>8,460</b>	16,655
		<b>1,072,174</b>	2,266,451
<b>Net current assets</b>		<b>603,201</b>	125,709
<b>Total assets less current liabilities</b>		<b>4,682,352</b>	4,565,670
<b>Non-current liabilities</b>			
Bank loans	10	<b>748,919</b>	83,700
Deferred revenue		<b>4,560</b>	4,690
Loans from non-controlling shareholders		<b>100,810</b>	-
Derivate financial liabilities		<b>3,187</b>	-
Deferred tax liabilities		<b>89,607</b>	99,608
		<b>947,083</b>	187,998
<b>NET ASSETS</b>		<b>3,735,269</b>	4,377,672

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

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>498,305</b>	498,305
Reserves		<b>2,603,168</b>	3,200,903
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,101,473</b>	3,699,208
Non-controlling interests		<b>633,796</b>	678,464
<b>TOTAL EQUITY</b>		<b>3,735,269</b>	4,377,672

Notes:

## 1. Basis of preparation

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 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 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:

	2020 HK\$'000	2019 HK\$'000
Hotel and club operations	564,004	1,835,049
Proceeds from sales of properties	-	6,080
Rental income	95,467	96,075
Management fee income	6,238	6,195
	<u>665,709</u>	<u>1,943,399</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

	<i>Revenue</i>	<i>Depreciation</i>	<i>Impairment loss of a hotel property</i>	<i>Finance costs</i>	<i>Share of losses of associates</i>	<i>Income tax</i>	<i>Contribution to (loss)/profit</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2020</b>							
Hotel	557,344	(160,378)	(345,430)	(42,668)	(15,345)	220,122	(489,972)
- Vietnam	347,250	(54,657)	-	(7,987)	(7,485)	(14,303)	(5,036)
- United States	152,491	(81,277)	(345,430)	(30,534)	-	226,413	(441,552)
- The People's Republic of China	33,852	(10,363)	-	(3,648)	-	-	(7,482)
- Canada	17,554	(10,537)	-	(499)	(7,860)	5,500	(23,055)
- Japan	6,197	(3,544)	-	-	-	2,512	(12,847)
Property							
- Macau	106,533	(3,868)	-	(59)	-	906	79,008
Investment and corporate	1,832	(95)	-	(793)	(2)	(9,213)	(134,997)
<b>Total</b>	<b>665,709</b>	<b>(164,341)</b>	<b>(345,430)</b>	<b>(43,520)</b>	<b>(15,347)</b>	<b>(211,815)</b>	<b>(545,961)</b>

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



## 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
<b>As at 31 December 2020</b>				
Hotel				
- Vietnam	421,264	75,582	496,846	5,074
- United States	2,385,173	-	2,385,173	44,764
- The People's Republic of China	174,492	-	174,492	6,185
- Canada	126,212	26,091	152,303	6,322
- Japan	103,955	-	103,955	11,010
Property				
- Macau	1,837,235	-	1,837,235	940
Investment and corporate	600,370	4,152	604,522	-
Total	<b>5,648,701</b>	<b>105,825</b>	<b>5,754,526</b>	<b>74,295</b>

	<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
<b>As at 31 December 2019</b>				
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	<b>6,711,061</b>	<b>121,060</b>	<b>6,832,121</b>	<b>335,186</b>

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
<b>As at 31 December 2020</b>			
Hotel			
- Vietnam	<b>126,931</b>	<b>125,913</b>	<b>252,844</b>
- United States	<b>85,591</b>	<b>1,349,022</b>	<b>1,434,613</b>
- The People's Republic of China	<b>87,179</b>	-	<b>87,179</b>
- Canada	<b>3,055</b>	<b>21,056</b>	<b>24,111</b>
- Japan	<b>1,498</b>	-	<b>1,498</b>
Property			
- Macau	<b>165,238</b>	-	<b>165,238</b>
Investment and corporate	<b>53,774</b>	-	<b>53,774</b>
<b>Total</b>	<b>523,266</b>	<b>1,495,991</b>	<b>2,019,257</b>
	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
<b>As at 31 December 2019</b>			
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
<b>Total</b>	<b>669,725</b>	<b>1,784,724</b>	<b>2,454,449</b>

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

	2020 HK\$'000	2019 HK\$'000
<i>(a) Other revenue</i>		
Interest income	17,669	46,848
Dividend income from listed and unlisted securities	461	10,653
Government grants	4,046	-
Others	15,308	23,937
	<b>37,484</b>	<b>81,438</b>
<i>(b) Other net (losses)/gains</i>		
Net exchange gains/(losses)	7,782	(10,862)
Net realised and unrealised losses on derivative financial instruments	(4,050)	(4,399)
Net unrealised (losses)/gains on other non-current financial assets	(130,687)	34,376
Net unrealised gains on trading securities	1,726	2,959
Gain/(loss) on disposal of property, plant and equipment	558	(11,290)
Others	555	583
	<b>(124,116)</b>	<b>11,367</b>

#### 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 2020, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is significantly impacted due to the outbreak of COVID-19 coronavirus. 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\$1,093,900,000 (2019: HK\$1,479,910,000). Accordingly, impairment loss of HK\$345,430,000 (2019: 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 26% in 2021, 6% to 15% from 2022 to 2025 and 3% from 2026 to 2030 and terminal capitalization rate of 5.75% (2019: 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 8.5% (2019: 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.

## 6. (Loss)/profit before taxation

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

	2020	2019
	HK\$'000	HK\$'000
(a) <i>Finance costs</i>		
Bank loan interests	39,040	54,591
Discounting effect on loans from non-controlling shareholders	4,440	4,949
Other interest expenses	40	209
	<b>43,520</b>	<b>59,749</b>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	313,970	617,462
Contributions to defined contribution retirement plans	6,094	8,839
	<b>320,064</b>	<b>626,301</b>
(c) <i>Other items</i>		
Cost of inventories	89,631	201,444
Auditors' remuneration		
- Audit services	4,923	3,882
- Interim review	923	849
- Tax advisory and other services	420	562
Rentals income from investment properties less direct outgoings of HK\$1,075,000 (2019: HK\$889,000)	(33,325)	(30,575)
Rentals income from properties held for sale and other rental income less direct outgoings of HK\$1,257,000 (2019: HK\$1,646,000)	(61,469)	(62,885)

## 7. Income tax

	2020	2019
	HK\$'000	HK\$'000
<i>Current tax - Overseas</i>		
Provision for the year	(21,841)	19,129
Under-provision in respect of prior years	7,353	5,430
	<b>(14,488)</b>	<b>24,559</b>
<i>Deferred tax</i>		
Origination and reversal of other temporary differences	(197,327)	(103,797)
	<b>(197,327)</b>	<b>(103,797)</b>
	<b>(211,815)</b>	<b>(79,238)</b>

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 2020 and 2019.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 8. (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\$562,586,000 (2019: profit of HK\$5,516,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2020 and 2019.

There are no potential dilutive ordinary shares during the years ended 31 December 2020 and 2019.

## 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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Within one month	<b>13,537</b>	33,329
One to three months	<b>109</b>	6,838
More than three months	<b>162</b>	688
	<b>13,808</b>	40,855

98% of trade receivables at 31 December 2020 (2019: 82%) 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 2020 and 2019.

## 10. Bank loans

(a) At 31 December 2020, the bank loans were repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year or on demand	<u>747,072</u>	1,701,024
After 1 year but within 2 years	71,698	64,857
After 2 years but within 5 years	<u>677,221</u>	18,843
	<u>748,919</u>	83,700
	<u><b>1,495,991</b></u>	<u>1,784,724</u>

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

	2020 HK\$'000	2019 HK\$'000
Bank loans		
- Secured	1,370,079	1,663,906
- Unsecured	<u>125,912</u>	120,818
	<u><b>1,495,991</b></u>	<u>1,784,724</u>

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

(b) At 31 December 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 (2019: HK\$64,336,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,044,238,000 (2019: HK\$2,709,974,000).

Such banking facilities amounted to HK\$1,455,126,000 (2019: HK\$1,748,975,000) and were utilised to the extent of HK\$1,370,077,000 as at 31 December 2020 (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, depositing or prepaying the shortfall balance will be required. The Group regularly monitors its compliance with these covenants. As at 31 December 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 (2019: one). The Group has obtained waivers from the banks for testing the covenants for the current year. As the waivers from the banks for Loan 1 and Loan 2 covered a period of less than twelve months from 31 December 2020, the Group has reclassified a portion of the loan amounted to HK\$99,680,000 for Loan 1 and HK\$211,958,000 for Loan 2 from non-current liabilities to current liabilities that may be repayable in the coming twelve months upon the banks' demand, if any, in accordance with the loan agreements. Subsequent to the end of the reporting period, the Group has obtained waivers from the banks for Loan 1 and Loan 2 to exempt those covenants testing for the period from 1 January 2021 to 31 December 2021.

## 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:

	2020 HK\$'000	2019 HK\$'000
Within one month	40,923	69,711
One to three months	2,129	30,178
More than three months	33,620	1,712
	<u>76,672</u>	<u>101,601</u>

## 12. Dividends

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

	2020 HK\$'000	2019 HK\$'000
No interim dividend declared and paid (2019: HK\$0.035 per ordinary share)	-	11,907
No final dividend proposed after the end of the reporting period (2019: HK\$0.045 per ordinary share)	-	15,309
	<u>-</u>	<u>27,216</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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.045 (2019: HK\$0.12) per ordinary share	<b>15,309</b>	40,824

### 13. Share capital

	2020		2019	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	<b>340,200</b>	<b>498,305</b>	340,200	498,305

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. Capital commitments outstanding not provided for in the financial statement

- (a) At 31 December 2020, capital commitments outstanding not provided for in the financial statement were as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Contracted for	<b>10,451</b>	39,156
Authorised but not contracted for	<b>19,738</b>	23,244
	<b>30,189</b>	62,400



## **REVIEW OF OPERATIONS**

The protracted COVID-19 pandemic (the “pandemic”) has far-reaching economic and social consequences worldwide and made 2020 one of the most challenging and disruptive years in recent decades for businesses across the globe. Social and commercial activities had been significantly curtailed which inevitably caused the global economy to contract. In addition, the continuing geopolitical developments have introduced additional uncertainties to the global economic and political environment. Such an unprecedentedly adverse operating environment on a worldwide basis had major negative impact on our business as well.

The Group’s revenue for 2020 was HK\$665.7 million, a decrease of 65.7% as compared to HK\$1,943.4 million in 2019. Operating loss for the Group was HK\$376.9 million, as compared to an operating profit of HK\$334.3 million in 2019.

The Group’s statutory result, which included impairment loss on a hotel property of HK\$345.4 million and revaluation of loss of other non-current financial assets of HK\$130.7 million, came to a loss after tax of HK\$546.0 million in 2020, as compared to a profit after tax of HK\$124.3 million in 2019.

A summary and analysis of the operations are as follows.

### **Property Leasing and Management Operations**

#### **Macau**

Macau was severely impacted by the pandemic, which led to closure of Macau casinos for 15 days in February 2020, as well as ongoing restrictions on entry from Hong Kong and other major feeder markets, curtailment of transportation channels and strict quarantine requirements. Tourism arrivals fell to 5.9 million visits in 2020, a decrease of 85% compared to last year, and the overall unemployment rate of Macau has increased from 1.7% at the end of 2019 to 2.7% in the fourth quarter of 2020. Macau’s GDP shrank by 56.3% in 2020.

Despite the challenging business environment, the Macau property sector was not severely affected by the pandemic. Income from leasing of Macau properties of the Group decreased marginally by 0.7% in 2020 as compared to HK\$94.3 million in 2019. The decrease was mainly driven by lower occupancy rate and the concessionary rental rates given to retail tenants due to the pandemic since March 2020. Occupancy of our office buildings and residential units in the property portfolio were broadly stable with an occupancy rate of 92% and 91% respectively in 2020.

A net increase in fair value of our investment properties of HK\$23.4 million (2019: HK\$39.0 million) was recorded. Our investment properties are held to earn recurring rental income as long-term investments.

There were no sales of properties in 2020.

At the date of this announcement, several travel and entry restrictions in Macau, Hong Kong and mainland China remain in place and we believe that the pandemic will continue to impact Macau in 2021. Although Macau and other cities are proceeding with their COVID-19 vaccination rollout plans, Macau property market is likely to pick up only after travel restrictions are significantly lifted, enabling a critical mass of commercial activities and potential buyers from mainland China or Hong Kong to return to Macau.

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 opening of the Hong Kong-Zhuhai-Macau Bridge, the newly opened Macau light-rail transit system and the Hengqin immigration port, as well as the gradual integration of the Greater Bay Area post-pandemic. In the meantime, the Group will continue to lease out vacant units in order to maximise income.

## **Hotel Operations**

The year 2020 was a devastating year for the global hospitality sector. The performance of our overseas hotels for 2020 has been severely impacted by the outbreak of the pandemic and the related containment measures. All of our hotels have seen continuing and significantly weak demand in 2020 due to strict controls on travel and social distancing implemented in every jurisdiction. Several of our hotels suspended operation during certain months in 2020. Owing to a collapse in hotel room demand, our hotel business recorded an unprecedentedly steep loss in 2020.

Total revenue for the hotel operations dropped to HK\$557.3 million in 2020, a decrease of 69.5% as compared to HK\$1,827.9 million in 2019. Loss for the hotel operations, which included an impairment loss on a hotel property of HK\$345.4 million was HK\$490.0 million as compared to HK\$17.0 million in 2019.

### **The People's Republic of China**

The spread of the pandemic was better contained in China than all other major economies. Despite the grave and complex challenges posed by the pandemic, China demonstrated strong recovery with economic growth of 2.3% in 2020, the only major economy in the world that had positive economic growth.

Although China's overall economic environment is gradually picking up, the hospitality sector in China is still under pressure.

#### ***Holiday Inn Wuhan Riverside***

Results of the 2020 were severely impacted by the pandemic. Travel restrictions crushed demand for hotel rooms and catering services in the first half of 2020. Revenue and occupancy rate has then gradually risen throughout the rest of the year after May 2020, when business and domestic travels resumed gradually while room rates still remained depressed.

Room revenue of the hotel decreased to RMB16.3 million in 2020 as compared to RMB33.4 million in 2019, a reduction of 51.1%. The food and beverage revenue of the hotel has also decreased to RMB10.4 million in 2020 from RMB17.4 million in 2019, a reduction of 40.1%.

During 2020, occupancy rate has decreased to 42.2%, as compared to 70.8% in 2019. Average room rate was at RMB346 per room night in 2020, as compared to RMB424 per room night in 2019.

### **Vietnam**

Despite the negative socio-economic consequences of the pandemic, Vietnam GDP still increased by 2.9% in 2020, after having posted GDP growth of above 7% for two consecutive years. However, hotel industry is still depressed and the pandemic has caused significant disruption to the Vietnam tourism industry, with international arrivals to Vietnam in 2020 at only 3.8 million, down 78% compared to 2019. The country is expected to see a significant recovery only after the global economy recovers and travel restrictions are relaxed.

The Group's revenue from Vietnam decreased to HK\$347.3 million in 2020, as compared to HK\$788.1 million in 2019, a decrease of 55.9%. This is mainly due to the suspension of international flights since 22 March 2020 during the year.

### ***Sheraton Saigon Hotel and Towers***

Sheraton Saigon Hotel & Towers' occupancy rate has decreased to 14.8% as compared to 64.4% in 2019. Average room rate was at US\$156 per room night in 2020, as compared to US\$188 per room night in 2019. The hotel's financial performance in terms of gross operating profit in 2020 was down by 78.5% year-on-year.

### ***Caravelle Hotel***

Occupancy rate has decreased to 11.1% as compared to 65.2% in 2019. Average room rate was at US\$139 per room night in 2020, as compared to US\$142 per room night in 2019. Gross operating revenue of the hotel has been reduced to US\$5.7 million as compared to US\$11.0 million in 2019.

### **Japan**

Japan faced 3 pandemic waves in 2020 and the pandemic situation in Japan remains unstable with various surges of reported cases. The Japanese economy shrank 4.8% in 2020, marking the first contraction since 2009 and the hotel's performance for 2020 was severely impacted as leisure and business volumes remained low due in large part to global travel restrictions.

### ***Best Western Hotel Fino Osaka Shinsaibashi***

The hotel experienced an extensive shortfall on travellers and visitors driven by various border restrictions and social distancing measures. Whilst it has sought to focus on the domestic Japanese market and travelers, occupancy rate has decreased to 16.9%, as compared to 84.9% in 2019. Average room rate was at JPY6,991 per room night in 2020, as compared to JPY8,499 per room night in 2019.

### **The United States ("US")**

The economic impact of the pandemic in the United States has been devastatingly disruptive. The US economy contracted by 3.5% in 2020 amid the pandemic fallout, compared with an increase of 2.2% in 2019, the largest annual decline of US GDP since 1946. Unemployment rate stood at 8.1% in 2020, as compared to 3.7% in 2019.

The leisure and hospitality sector in US has been one of the most heavily affected by the pandemic due to government travel restrictions, state-mandated closures, and consumers' fear of travel. The number of overseas arrivals to the United States in 2020 dropped to approximately 7.2 million, as compared to 40.4 million in 2019, which has resulted in an outsized impact on hotels in urban markets. Unemployment rate in cities reliant on the tourism economy, including San Francisco and New York, also increase significantly.

As affected by the pandemic with the prolongation of lockdown, the Group temporarily suspended our hotel operations in US since end of March 2020, which caused adverse effects on the Group's operations conditions. Although W San Francisco has reopened in Oct 2020, business recovered slowly as restrictions on public gatherings and indoor dining continued to be in place. Sofitel New York remains closed and a majority of staff have been put on furlough.

### ***W San Francisco***

W San Francisco's occupancy dropped to 16.4% in 2020, as compared to 69.5% in 2019. Average room rate was US\$381 per room night in 2020, as compared to US\$362 per room night in 2019.

W San Francisco's service excellence continued to be well recognised. For the third consecutive year, the property received the Verified Luxury awarded by Forbes Travel Guide in 2020.

### ***Sofitel New York***

New York City's tourism industry continued to languish as the effects of the pandemic and associated restrictions continue to encumber travel. Number of international passengers remained 86% below last year's level.

Sofitel New York's occupancy rate has dropped to 15.2%, as compared to 89.0% in 2019. Average room rate was at US\$246 per room night in 2020, as compared to US\$352 per room night in 2019.

Given the uncertainty in the hotel operating environment resulting from the pandemic and the dampened economic outlook of the New York hospitality industry which will take time to fully recover, the Group had assessed the recoverable amount of the hotel and recognised HK\$345.4 million as impairment loss during the year.

### **Canada**

The Canada economy was adversely affected by the pandemic throughout the year 2020 as in all other major economies in the world. GDP shrank 5.4% in 2020, the most since record were kept in 1961, which was mainly due to the shutdown of large parts of the economy in March and April during the first wave of the pandemic. In addition, Canada has closed its land ports of entry along the Canada-US border and banned international travel since 21 March 2020 for non-essential travel.

In light of the pandemic situation and imposed lockdown measures, the Group temporarily suspended our hotel operations in Canada since April 2020. Although the Group has reopened Sheraton Ottawa Hotel and Delta Hotels by Marriott Toronto Airport & Conference Centre in November and September 2020 respectively, both hotels have witnessed extremely low occupancies coupled with depressed average room rates after reopening. Furthermore, our hotel's food and beverage businesses were impacted by a reduction in seating capacity, as well as restrictions on public gathering and social distancing measures imposed by government.

#### ***The Sheraton Ottawa Hotel***

Occupancy rate of Sheraton Ottawa Hotel dropped to 15.0% in 2020 versus 76.9% in 2019. Average room rate was C\$178 per room night in 2020 versus C\$182 per room night in 2019.

#### ***Delta Hotels by Marriott Toronto Airport & Conference Centre***

Occupancy rate of Delta Hotels by Marriott Toronto Airport & Conference Centre dropped to 16.8% in 2020 versus 71.6% in 2019. Average room rate was C\$139 per room night in 2020 versus C\$138 per room night in 2019.

Delta Hotels by Marriott Toronto Airport & Conference Centre's service excellence to be well recognised, it was obtained Travelers' Choice Winner awarded by Tripadvisor in 2020.

## **Other net losses**

Net exchange gain for 2020 amounted to HK\$7.8 million, as compared to a net exchange loss of HK\$10.9 million in 2019.

Net realised and unrealised losses on derivative financial instruments amounted to HK\$4.1 million in 2020, as compared to losses of HK\$4.4 million in 2019.

Net unrealised loss on other non-current financial assets amount to HK\$130.7 million recognised in 2020, as compared to the net unrealised gains of HK\$34.4 million in 2019. These were mainly related to our investment in A2I Holdings S.A.R.L., which owns 7.01% equity shares of AccorInvest Group S.A.. The revaluation loss reflects the deterioration in the macro-economic environment and the tourism sector as a result of the impact of the pandemic, it is non-cash in nature with no material effect on cash flows.

Net unrealised gains on trading securities for 2020 amounted to HK\$1.7 million, as compared to gains of HK\$3.0 million in 2019.

There was a gain on disposal of property, plant and equipment in 2020 amounting to HK\$0.6 million, as compared to a loss of HK\$11.3 million in 2019. These were related to disposal of furniture, fixtures and equipment.

## **Government grants**

During the year, the Company and its subsidiaries received subsidies of approximately HK\$4.0 million (2019: Nil) from respective local governments, including HK\$3.0 million (2019: Nil) from the Temporary Wage Subsidy Scheme implemented by the Canada Government, HK\$0.6 million (2019: Nil) from the Business Subsidy Scheme implemented by the Macau SAR Government and HK\$0.4 million (2019: Nil) from the Employee Support Scheme implemented by the HKSAR Government.

## **FINANCIAL REVIEW**

The Group's revenue was HK\$665.7 million for the year ended 31 December 2020, a decrease of 65.7% as compared to the year 2019. The decrease was primarily due to the adverse impact of the unprecedented outbreak and prolonged situation of the COVID-19 pandemic on the Group's hotel operations.

During the year ended 31 December 2020, the Group assessed the recoverable amount of one of the hotel properties of the Group, namely the Sofitel New York, and as a result the overall carrying amount of the hotel property was written down to its recoverable amount of HK\$1,093.9 million. Accordingly, impairment loss of HK\$345.4 million (2019: HK\$274.1 million) was recognised as a separate line item in the Group's consolidated statement of profit or loss.

The Group turned into operating loss of HK\$376.9 million for the year ended 31 December 2020, as compared to operating profit of HK\$334.3 million for the year 2019.

The Group recorded a substantial loss attributable to equity shareholders for the year 2020 amounted to HK\$562.6 million as compared to a profit of HK\$5.5 million for the last year. The substantial loss for the year 2020 was mainly attributable to decrease in hotel business, impairment loss on a hotel property and net unrealised losses on other non-current financial assets.

## **PLEDGE OF ASSETS**

As at 31 December 2020, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,108.6 million (2019: HK\$2,774.3 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, 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\$8.3 million (2019: HK\$8.3 million).

As at 31 December 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**

After an extremely difficult year in 2020, the business environment continues to be highly challenging in 2021. Despite the rolling out of vaccination programs in various countries, the course of the pandemic and the pace of vaccinations remain fraught with uncertainties. Extensive social distancing measures and travel restrictions have remained for the most parts, with some even at their severest, in some of our key feeder markets. It is unclear as to when there will be a more sustainable easing in pandemic-related restrictions. The development of China-US relations under the new US administration is also a continuing uncertainty. Hence, the Group will adhere to a prudent approach in managing its business and strategies.

We believe that the pandemic will continue to impact Macau in the immediate future. However, since Mainland China, Hong Kong and Macau have been progressively easing the social distancing measures and travel restrictions, and with the emergence of the COVID-19 vaccinations and low interest rate environment, the real estate market in 2021 will still face downside pressure but should still remain stable due to the restricted supply. In the coming year, we will endeavour to maintain occupancy for our properties portfolio.

Hospitality sector continues to be greatly affected by travel restrictions in place amid the ongoing pandemic. The implementation of COVID-19 vaccination campaigns around the world is expected to bring back global travel activities gradually, but the process is likely to be lengthy, with border controls and quarantine measures in place for the time being. As such, there is clearly still some way to go before we see a gradual return to pre-pandemic levels of travel activities. Given uncertainty of the length of time of the pandemic and our subdued outlook for the global hotel and tourism industry, we expect the performance of our Group's hotel segment to be under enormous pressure in 2021 until travel restrictions and social distancing measures are fully lifted. Therefore, implementing strict cost control measures will be of utmost importance in 2021.

Looking ahead, the Group will closely monitor the exposure to the risk and uncertainties and take necessary measures to safeguard the interests of its employees and business operations and minimise the impact to the financial and operational performances to the Group post-pandemic and its aftermath. The Group has also taken various cost control measures to minimize cash outflow of non-essential items.

Despite the extraordinary operating conditions brought about by the pandemic, the overall financial position of the Group remains healthy. We have a strong balance sheet and sufficient liquidity in place, with cash, bank balances and short-term bank deposits totalling HK\$1,262.7 million as at 31 December 2020. We remain optimistic of overcoming the current global difficulties.

The Group will also continue to review investments that creates long-term value on a sustainable basis for shareholders and will also continue to adopt a disciplined approach towards possible acquisitions, focusing on industries and countries or regions where the Group has experience and comparative advantage.

## **PERSONNEL**

As at 31 December 2020, the Group had approximately 1,435 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 2020, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year 2020, 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; and
2. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term.

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.

## **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, 31 May 2021 (“2021 AGM”), the Register of Members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, both days inclusive. In order to qualify for attending and voting at the 2021 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, 25 May 2021 (Hong Kong time), being the last share registration date.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting of the Company will be held on Monday, 31 May 2021.

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

Hong Kong, 25 March 2021

*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.*