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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)

2021 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 2021.

The consolidated loss attributable to equity shareholders of the Company for the six months ended 30 June 2021 was HK\$104,400,000 (HK\$0.307 loss per share), compared to loss attributable to equity shareholders of the Company of HK\$149,013,000 (HK\$0.438 loss per share) for the first six months of 2020.

The Board does not recommend the payment of interim dividend for 2021 (2020: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Revenue	3	235,866	428,916
Cost of sales		<u>(30,235)</u>	<u>(49,793)</u>
		205,631	379,123
Other revenue	4(a)	6,562	27,076
Other net losses	4(b)	(8,986)	(77,870)
Direct costs and operating expenses		(87,680)	(224,366)
Marketing and selling expenses		(3,271)	(8,151)
Depreciation		(78,459)	(82,357)
Administrative and other operating expenses		<u>(152,179)</u>	<u>(175,947)</u>
Operating loss		(118,382)	(162,492)
Increase/(decrease) in fair value of investment properties		<u>5,800</u>	<u>(3,600)</u>
		(112,582)	(166,092)
Finance costs	5(a)	(16,599)	(24,230)
Share of losses of associates		<u>(5,416)</u>	<u>(4,715)</u>
Loss before taxation	5	(134,597)	(195,037)
Income tax credit	6	<u>37,783</u>	<u>53,748</u>
Loss for the period		<u>(96,814)</u>	<u>(141,289)</u>
Attributable to:			
Equity shareholders of the Company		(104,400)	(149,013)
Non-controlling interests		<u>7,586</u>	<u>7,724</u>
Loss for the period		<u>(96,814)</u>	<u>(141,289)</u>
Loss per share, basic and diluted (cents)	7	<u>(30.7)</u>	<u>(43.8)</u>

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	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period	(96,814)	(141,289)
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)	(672)	(625)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	2,482	(14,946)
Other comprehensive income for the period	1,810	(15,571)
Total comprehensive income for the period	(95,004)	(156,860)
Attributable to:		
Equity shareholders of the Company	(104,967)	(162,403)
Non-controlling interests	9,963	5,543
Total comprehensive income for the period	(95,004)	(156,860)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2021 HK\$'000	(Audited) At 31 December 2020 HK\$'000
Non-current assets			
Investment properties		902,900	897,100
Property, plant and equipment		1,753,400	1,817,377
Land		820,090	822,814
		3,476,390	3,537,291
Interest in associates		102,180	105,825
Other non-current financial assets		116,008	132,947
Deferred tax assets		347,036	303,088
		4,041,614	4,079,151
Current assets			
Trading securities		12,989	13,625
Properties held for sale		278,873	278,873
Inventories		3,945	4,006
Trade and other receivables	8	55,039	69,411
Deposits and cash		1,199,609	1,262,729
Taxation recoverable		36,808	46,731
		1,587,263	1,675,375
Current liabilities			
Bank loans	9	374,071	747,072
Trade and other payables	10	295,838	315,464
Loan from an associate		464	464
Loans from non-controlling shareholders		8,057	714
Taxation payable		14,332	8,460
		692,762	1,072,174
Net current assets		894,501	603,201
Total assets less current liabilities		4,936,115	4,682,352
Non-current liabilities			
Bank loans	9	1,116,241	748,919
Deferred revenue		4,760	4,560
Loans from non-controlling shareholders		100,494	100,810
Derivative financial liabilities		962	3,187
Deferred tax liabilities		90,303	89,607
		1,312,760	947,083
NET ASSETS		3,623,355	3,735,269

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited)	(Audited)
		At	At 31
		30 June	December
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital	<i>12</i>	498,305	498,305
Reserves		2,498,201	2,603,168
Total equity attributable to equity shareholders of the Company		2,996,506	3,101,473
Non-controlling interests		626,849	633,796
TOTAL EQUITY		3,623,355	3,735,269

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 2021 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 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 and Compliance Committee.

The financial information relating to the financial year ended 31 December 2020 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 2020 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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. Other than the amendment to HKFRS 16, 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, 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	
	2021	2020
	HK\$'000	HK\$'000
Hotel and club operations	187,745	378,055
Rental income	44,390	46,994
Management fee income	3,731	3,867
	<hr/>	<hr/>
	235,866	428,916
	<hr/>	<hr/>

(b) Segment results, assets and liabilities

Information regarding the Group's reportable segments is provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Segment assets principally comprise all tangible assets, other non-current assets and current assets directly attributable to each segment with the exception of interest in associates.

Segment liabilities include all trade and other payables attributable to the individual segments and other borrowings managed directly by the segments with the exception of bank borrowings.

(c) Analysis of segment results of the Group

	<i>Revenue</i>	<i>Depreciation</i>	<i>Finance costs</i>	<i>Share of losses of associates</i>	<i>Income tax credit/(expense)</i>	<i>Contribution to (loss)/profit</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2021						
Hotel	183,737	(76,425)	(15,718)	(5,416)	46,477	(102,352)
- Vietnam	129,064	(26,522)	(3,149)	(2,303)	(1,815)	5,335
- United States	29,326	(35,341)	(10,601)	-	43,711	(82,075)
- The People's Republic of China	22,089	(6,172)	(1,620)	-	-	(4,234)
- Canada	2,159	(5,602)	(348)	(3,113)	4,584	(15,834)
- Japan	1,099	(2,788)	-	-	(3)	(5,544)
Property						
- Macau	51,210	(1,988)	-	-	(3,983)	32,473
Investment and corporate	919	(46)	(881)	-	(4,711)	(26,935)
Total	235,866	(78,459)	(16,599)	(5,416)	37,783	(96,814)

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

(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 2021				
Hotel				
- Vietnam	332,889	73,278	406,167	98
- United States	2,357,378	-	2,357,378	4,074
- The People's Republic of China	172,669	-	172,669	1,527
- Canada	124,215	24,744	148,959	2,104
- Japan	93,604	-	93,604	-
Property				
- Macau	1,874,218	-	1,874,218	587
Investment and corporate	571,724	4,158	575,882	-
Total	5,526,697	102,180	5,628,877	8,390
	<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 2020				
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	5,648,701	105,825	5,754,526	74,295

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 2021			
Hotel			
- Vietnam	103,826	63,551	167,377
- United States	76,005	1,426,761	1,502,766
- The People's Republic of China	89,129	-	89,129
- Canada	6,847	-	6,847
- Japan	454	-	454
Property			
- Macau	181,361	-	181,361
Investment and corporate	57,588	-	57,588
Total	515,210	1,490,312	2,005,522
	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
At 31 December 2020			
Hotel			
- Vietnam	126,931	125,913	252,844
- United States	85,591	1,349,022	1,434,613
- The People's Republic of China	87,179	-	87,179
- Canada	3,055	21,056	24,111
- Japan	1,498	-	1,498
Property			
- Macau	165,238	-	165,238
Investment and corporate	53,774	-	53,774
Total	523,266	1,495,991	2,019,257

4. Other revenue and other net losses

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
<i>(a) Other revenue</i>		
Interest income	4,324	14,720
Dividend income from listed and unlisted securities	451	265
Others	1,787	12,091
	6,562	27,076
<i>(b) Other net losses</i>		
Net exchange gains/(losses)	1,852	(11,317)
Net unrealised gains/(losses) on derivative financial instruments	2,229	(6,330)
Net unrealised losses on other non-current financial assets	(12,431)	(59,700)
Net unrealised losses on trading securities	(636)	(523)
	(8,986)	(77,870)

5. Loss before taxation

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
<i>(a) Finance costs</i>		
Bank loan interests	14,098	22,646
Discounting effect on loans from non-controlling shareholders	2,501	1,560
Other interest expenses	-	24
	16,599	24,230
<i>(b) Staff costs</i>		
Salaries, wages and other benefits	102,508	208,571
Contributions to defined contribution retirement plans	3,418	4,063
	105,926	212,634
<i>(c) Other items</i>		
Cost of inventories	9,935	14,213
Rentals income from properties less direct outgoings of HK\$1,407,000 (2020: HK\$676,000)	(42,983)	(45,393)

6. Income tax credit

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	4,665	9,225
Under/(over)-provision in respect of prior years	155	(4)
Tax concession in the United States (note(v))	-	(34,734)
	4,820	(25,513)
Deferred taxation		
Origination and reversal of other temporary differences	(42,603)	(28,235)
	(37,783)	(53,748)

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 2021 and 30 June 2020.
- (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% (2020: 20%) for the six months ended 30 June 2021.
- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2020: 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 2021 and 30 June 2020.
- (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% (2020: 21%) and 9.98% (2020: 8.95%) respectively for the six months ended 30 June 2021.

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 was recognised as "Tax recoverable" for the six months ended 30 June 2020.

- (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% (2020: 21.36%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau, Complementary Tax is calculated at 12% (2020: 12%) of the estimated assessable profits for the six months ended 30 June 2021. Macau Property Tax is calculated at 8% (2020: 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% (2020: 26.5%).

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$104,400,000 (2020: loss of HK\$149,013,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2021 and 30 June 2020.

There is no potential dilutive ordinary share during the six months ended 30 June 2021 and 30 June 2020.

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 2021 HK\$'000	At 31 December 2020 HK\$'000
Within one month	10,450	13,537
One to three months	915	109
More than three months	219	162
	<u>11,584</u>	<u>13,808</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 2021 and 31 December 2020, the bank loans were repayable as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 1 year or on demand	374,071	747,072
After 1 year but within 2 years	-	71,698
After 2 years but within 5 years	1,116,241	677,221
	<u>1,116,241</u>	<u>748,919</u>
	<u>1,490,312</u>	<u>1,495,991</u>

At 30 June 2021 and 31 December 2020, the bank loans were secured and unsecured as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Bank loans		
- Secured (note 9(b))	1,350,762	1,370,079
- Unsecured	139,550	125,912
	<u>1,490,312</u>	<u>1,495,991</u>

At 30 June 2021, except for the loans related to the Paycheck Protection Program received by two of the Group's subsidiaries which bear fixed interest rates, all other bank loans bear interest at floating interest rates which approximate to market rates of interest.

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

- (b) At 30 June 2021, 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 2020: HK\$64,336,000); and
 - (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$1,911,734,000 (31 December 2020: HK\$2,044,238,000).

Such banking facilities amounted to HK\$1,435,762,000 (31 December 2020: HK\$1,455,126,000) and were utilised to the extent of HK\$1,350,762,000 as at 30 June 2021 (31 December 2020: HK\$1,370,079,000).

- (c) Except for the loans related to the Paycheck Protection Program received by two of the Group's subsidiaries, all of the Group's other 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 2021, 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. For both Loan 1 and Loan 2, the Group has obtained waivers from the banks to waive the testing of the covenant prior to the end of the interim period and the waivers to exempt those covenants testing covered a period of twelve months from 30 June 2021.

As at 31 December 2020, certain covenant ratios of Loan 1 and Loan 2 deviated from the requirements as stated in the relevant loan agreements. The Group has obtained waivers from the banks for testing the covenants for the year ended 31 December 2020. 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.

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 2021 HK\$'000	At 31 December 2020 HK\$'000
Within one month	73,110	40,923
One to three months	3,106	2,129
More than three months	1,244	33,620
	77,460	76,672

11. Dividends

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

No interim dividend was declared and paid after the interim period in respect of the six months ended 30 June 2021 (2020: Nil).

- (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	
	2021 HK\$'000	2020 HK\$'000
Final dividend in respect of the previous financial year, approved and payable/paid during the following interim period, of Nil (six months ended 30 June 2020: HK\$0.045) per share	-	15,309

12. Share capital

	At 30 June 2021		At 31 December 2020	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January and at 30 June/31 December	340,200	498,305	340,200	498,305

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Contracted for	6,932	10,451
Authorised but not contracted for	19,871	19,738
	26,803	30,189

REVIEW OF OPERATIONS

The COVID-19 pandemic (the “pandemic”) has resulted in a profound impact to the Group in 2020, and is continuing to pose significant challenges in the first half of 2021, particularly to our hotel operations which continue to be severely affected by the pandemic. Though we saw some improvement in our hotel business especially in the second quarter of 2021, the pace of recovery was slow and uneven.

A summary and analysis of the operations are as follows.

Property Leasing and Management Operations

Macau

Macau continued to suffer from the adverse effects of the pandemic, including various travel and entry restrictions which remain in place in Macau, Hong Kong, mainland China and elsewhere. Other limitations include suspension of ferries, nucleic acid testing requirements, mandatory quarantine requirements, bans on entry, and enhanced quarantine requirements for visitors from high-risk areas. Naturally, business environment in Macau has yet to recover to pre-pandemic levels.

According to the Macau Government Statistics and Census Service, tourism arrivals to Macau increased over 20% year-on-year to 3.9 million in the first half of 2021, but was still only 19% of the number of visitors to Macau in the first half of 2019. Similarly, gross gaming revenue in Macau increased by 45% year-on-year in the first half of 2021, but was just 33% of the level achieved in the first half of 2019. Average unemployment rate in second quarter of 2021 stood at 2.9%, as compared to pre-pandemic level of around 1.8% in second quarter of 2019.

Despite the challenging business environment, the Macau property sector was not severely affected by the pandemic. During the first half of 2021, rental revenue of the Group from Macau operations slightly decreased to HK\$43.5 million, as compared to HK\$46.1 million in the first half of 2020. The decrease was mainly driven by lower occupancy rate of residential properties and the concessionary rental rates given to some retail tenants, the latter of which was at a much reduced level period-on-period in 2021 as the market continued to stabilize. Occupancy of our residential units decreased to 79% in the first period of 2021 as compared to 97% for the corresponding period in 2020, as serviced apartments were prone to the impact of citywide lockdown and travel restrictions. There has also been a drop in expatriate demand for lease of residential properties. Occupancy of our office buildings was broadly stable with an occupancy rate of over 91% in the first half of 2021. Against this background, but as a result of the efforts of the marketing team, total rental revenue of Ocean Gardens, the Group’s premier property portfolio, only dropped by 7% to HK\$37.5 million in the first half of 2021.

A net increase in fair value of our investment properties of HK\$5.8 million was recorded in the first half of 2021, as compared to a net decrease in fair value of HK\$3.6 million in the first half of 2020. Our investment properties are held as long-term investments to earn recurring rental income.

There were no sales of properties during the first half of 2021.

We believe that the pandemic will continue to impact Macau in the second half of 2021. Although the progress of vaccination is encouraging, Macau property market is likely to be on a sound growth track only after travel restrictions are fully lifted, enabling a critical mass of commercial activities and the return of potential buyers from mainland China and Hong Kong.

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 opening of Macau light-rail transit system and the Hengqin immigration port, the Passenger Terminal Building expansion of the Macau Airport, as well as the gradual integration of the Greater Bay Area.

In the meantime, the Group will continue to lease out vacant units in order to maximise income.

Hotel Operations

The first half of 2021 remained a most challenging period for the Group's hotel operations. The prolonged pandemic continued to adversely affect the hotel performance of the Group in the first half of 2021 as certain prevention and control policies such as social distancing, travel restrictions and quarantine requirements imposed by various countries continued to limit the rebound in visitors. These policies also severely diminished the demand for dining and catering at our hotel restaurant outlets.

With the increasingly successful anti-pandemic measures and higher levels of vaccination rates in various countries, there have been additional relief and a gradual re-bounce of our hotel occupancy rates in China and North America in the first half of 2021. The improvements in pandemic control, however, still vary in different countries. Revenues still have not recovered sufficiently to cover basic operating costs in most of the countries in which the Group operates hotels.

The People's Republic of China

As the pandemic was largely under control in China, China's economy maintained the momentum of stable recovery in the first half of 2021, achieving a year-on-year GDP growth of 12.7%, and which outpaced other major economies.

Most pandemic-related restrictions, including international travel controls and quarantine measures, are still in place in most of China. Infections from the Delta-variant is also increasing. The hospitality sector in China is therefore still lacklustre.

Holiday Inn Wuhan Riverside

After a difficult period in 2020, the hospitality sector in Wuhan showed a recovery in the first half of this year. Room sales rebounded as domestic travels resumed. Food and beverage income increased as F&B outlets gradually resumed full service. Demand for meetings and events also began to materialize in the second quarter of 2021.

Room revenue of the hotel increased to RMB10.3 million as compared to RMB7.5 million in the first half of 2020, an increase of 36%. Food and beverage revenue has also increased to RMB5.6 million in the first half of 2021 from RMB3.9 million in the first half of 2020, an increase of 43%.

During the first half of 2021, occupancy rate has risen to 44.9%, as compared to 41.5% during the first half of 2020. Average room rate was at RMB414 per room night during the first half of 2021, as compared to RMB327.2 per room night during the first half of 2020.

Holiday Inn Wuhan Riverside has always excelled by providing excellent service and delivering hospitality experiences to hotel guests. The hotel was awarded the Travelers' Choice Winner by TripAdvisor in 2021.

Vietnam

Vietnam successfully contained the virus for much of last year but has since late April 2021 been faced with a surge in infections fuelled by the highly contagious Delta-variant.

Despite impact from two successive waves of pandemic outbreaks in the first half of 2021, Vietnam still reported gross domestic product (GDP) growth of 5.6%, which was much higher than 1.8% recorded in the same period last year.

However, as the pandemic situation in Vietnam suddenly took a turn for the worse in late April 2021 with the highly contagious Delta-variant, stringent epidemic control measures were imposed and dampened much of the recovery momentum. Projecting into the second half of 2021, the uncertainty associated with the pandemic in Vietnam is expected to continue to be high.

During the first six months of 2021, the Group's revenue from Vietnam decreased to HK\$129.1 million, as compared to HK\$194.3 million in the first half of 2020, a reduction of 33.6%. This is mainly due to the countrywide lockdown, as well as social distancing measures which have been strictly enforced since 31 May 2021.

Both Sheraton Saigon Hotel and Towers and Caravelle Hotel were awarded the Travelers' Choice Winner by TripAdvisor in 2021.

Sheraton Saigon Hotel and Towers

For the first half of 2021, occupancy rate has decreased to 15.7%, as compared to 19.6% for the first half of 2020. Average room rate was at US\$106.7 per room night during the first half of 2021, as compared to US\$173.8 per room night during the first six months of 2020.

Caravelle Hotel

For the first half of 2021, occupancy rate has decreased to 6.8%, as compared to 16.0% for the first half of 2020. Average room rate was at US\$107.8 per room night during the first half of 2021, as compared to US\$142.5 per room night during the first six months of 2020.

Japan

The Japanese economy shrank by 1% in the first quarter of 2021 and was expected to grow by only 0.2% in the second quarter of 2021. The weak rebound of Japan GDP is mainly due to the sluggish personal consumption pattern under the ongoing "State of Emergency" restrictions, which placed limits on "non-essential" activities including travel and dining out. These restrictions were in force during most of the first half of 2021 in Tokyo and three neighbouring prefectures. It has been extended to another seven prefectures in central and western Japan, including Osaka, in August 2021.

Best Western Hotel Fino Osaka Shinsaibashi

Osaka is currently the prefecture with the second highest number of coronavirus infections in Japan. The city is experiencing an extensive shortfall in travellers and visitors this year resulting from the various border restrictions and social distancing measures.

For the first half of 2021, occupancy rate has decreased to 7.1%, as compared to 23.2% for the first half of 2020. Average room rate was at JPY6,055 per room night during the first half of 2021, as compared to JPY7,746 per room night for the first half of 2020.

The United States (“US”)

The US economy is poised for strong growth in 2021 after being thwacked by the pandemic last year. Real GDP increased by 6.3% in the first quarter of 2021. It was also reported that the real GDP increased at an annual rate of 6.5% in the second quarter of 2021. Strong growth in consumer spending was the most significant contributor, which accounted for more than two-thirds of the GDP increase. Unemployment rate also fell from 6.7% in December 2020 to 5.9% in June 2021.

With the continuing increase in vaccinations and the easing of pandemic-related business restrictions, US hotel occupancy has been steadily increasing in 2021 although room rates remain depressed. Domestic leisure travel is expected to drive recovery at this stage, particularly nature-based travel. Corporate and international travel, which have a higher economic impact, are expected to recover at a much slower pace. The Delta-variant is also expected to have a dampening effect on the recovery of the hospitality industry.

Due to the pandemic and lockdowns, the Group at the end of March 2020 has temporarily suspended our hotel operations of W San Francisco and Sofitel New York. W San Francisco resumed operations in October 2020. Sofitel New York remains closed.

Both W San Francisco and Sofitel New York were also awarded the Travelers’ Choice Winner by TripAdvisor in 2021. Sofitel New York was also awarded the Readers’ Choice Winner by Condé Nast Traveler for 4 consecutive years.

W San Francisco

For the first half of 2021, occupancy rate was 26.6%, approximately the same as compared to the first half of 2020. Average room rate was at US\$171.8 per room night during the first half of 2021, as compared to US\$428.2 per room night during the first six months of 2020.

Sofitel New York

Sofitel New York remains closed since April 2020 and a majority of staff are still put on furlough.

Canada

Canada has been on a steady upward trend after the pandemic outbreak in March last year. The real GDP grew 1.4% in the first quarter of 2021, following increases of 9.1% in the third quarter and 2.2% in the fourth quarter of 2020. Unemployment rate fell to 7.8% in June 2021 from the recent peak of 9.4% in January 2021.

However, the recovery of the hospitality sector in Canada is still slow, which is largely affected by the continued tightening of social distancing measures and various border restrictions remaining in place in the first half of 2021.

Last year, the Group temporarily suspended our hotel operations in Canada at the end of March 2020. Although the Group re-opened Sheraton Ottawa Hotel and Delta Hotels by Marriott Toronto Airport & Conference Centre in November and September 2020 respectively, both hotels still experienced very low occupancies coupled with depressed average room rates in 2021 after re-opening.

Looking ahead, with continuing decline in pandemic infections and as one of the countries with the highest vaccination rate, Canada’s economic prospects are positive. In mid-August 2021, Canada started allowing fully vaccinated American travellers into the country.

The Sheraton Ottawa Hotel

For the first half of 2021, occupancy rate has decreased to 6.5%, as compared to 28.5% for the first half of 2020. Average room rate was at C\$125.6 per room night during the first half of 2021, as compared to C\$181.3 per room night during the first six months of 2020.

Delta Hotels by Marriott Toronto Airport & Conference Centre

For the first half of 2021, occupancy rate has decreased to 14.4%, as compared to 30% for the first half of 2020. Average room rate was at C\$86.6 per room night during the first half of 2021, as compared to C\$145.3 per room night during the first six months of 2020.

Delta Hotel by Marriott Toronto Airport & Conference Centre's service excellence continues to be well recognized. It was awarded the Travelers' Choice Winner by TripAdvisor in 2021.

FINANCIAL REVIEW

The Group's revenue was HK\$235.9 million for the first six months of 2021, a decrease of 45% as compared to the corresponding period in 2020. The decrease was primarily due to the adverse impact of the lack of international travel and various social distancing measures imposed on the Group's hotel operations.

The Group's operating loss was HK\$118.4 million for the period ended 30 June 2021, as compared to HK\$162.5 million for the corresponding period in 2020.

Losses attributable to equity shareholders was HK\$104.4 million for the period ended 30 June 2021 (2020: HK\$149.0 million), inclusive of net unrealised losses on other non-current financial assets of HK\$12.4 million (2020: HK\$59.7 million), which has been reflected in other net losses.

LIQUIDITY AND FINANCIAL RESOURCES

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\$1,200.0 million as at 30 June 2021. The Group also has undrawn facility from the bank loans facility agreement amounting to HK\$85.0 million as at 30 June 2021. The Group's gearing ratio (defined as the ratio of total outstanding bank loans to total assets) was 26.5% as at 30 June 2021, compared to 26.0% as at 31 December 2020.

PLEDGE OF ASSETS

As at 30 June 2021, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$1,976.1 million (31 December 2020: HK\$2,108.6 million) were pledged to bank to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2021, 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 2020: HK\$8,252,000).

As at 30 June 2021, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees.

PROSPECTS

The pandemic and geopolitical tension continue to impact the global economy. The business and operating environments of the Group will remain difficult and challenging in 2021.

There have been positive signs of recovery following the global roll-out of vaccines that has slowed the spread of the pandemic and has provided confidence to major economies. The global economy is however still faced with high uncertainty with wide variations in the rates of recovery across different regions. In addition, the upsurge in mutated COVID-19 variants and slow pace of vaccination in several countries could also hinder the economic recovery. Supply chains disruptions are also in evidence which might lead to further disruptions in manufacturing and commercial activities.

We believe that the pandemic will continue to impact Macau in the immediate future. Even though the increasing rate of vaccination is encouraging, various travel and entry restrictions in Macau, Hong Kong and mainland China remain in place. It is also expected that social distancing measures and travel restrictions are likely to remain in place until the virus is significantly contained. Full economic recovery will take time. In the coming year, we will endeavour to maintain high occupancy for our properties portfolio.

The international hospitality sector is expected to face continuing pressure in the absence of international travellers. Although easing of domestic travel restrictions in the first half of 2021 has partially revived pent-up domestic-led travel, the hotel operation business is not likely to recover significantly until borders progressively re-open and until travel constraints are lifted. These developments will only be realised when sufficiently high vaccination levels are achieved. In addition, the recent upsurge of the Delta-variant of COVID-19 in some countries has inevitably overshadowed the hospitality sector.

Looking ahead to the second half of 2021, the Group will continue to exercise strong cost-control measures and adopt conservative and prudent business strategies in order to sustain business operations. Robust measures will be taken to safeguard the physical wellbeing of hotel guests and the interests of employees. Business models of the Group's operations will be reviewed and enhanced to optimise financial and operational performance.

The Group will also continue to be cautious and will only focus on reviewing potential investment that creates long-term value for shareholders on a sustainable basis. 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 2021, the Group had approximately 937 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 2021, 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 AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee presently comprises four Independent Non-executive Directors. The Audit and Compliance Committee meets with the Group’s senior management, internal and external 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 2021.

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.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises five members, three of whom are Independent Non-executive Directors. The Committees is responsible for assisting the Board to oversee the effectiveness of the Group’s risk management system and framework, to review and develop risk management policy, manual and guideline, and to advise the Board on the appropriateness and effectiveness of risk controls/mitigation tools and risk management functions. An Independent Non-executive Director currently chairs the Risk Management 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 2021.

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

Hong Kong, 30 August 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.