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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 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 2021. 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 2021 was HK\$194,700,000 (HK\$0.572 per share), compared to HK\$562,600,000 (HK\$1.654 per share) in 2020.

The Board has recommended the payment of a final dividend of HK\$0.04 per share (2020: Nil) for the year. Subject to equity shareholders’ approval of the payment of the final dividend at the forthcoming Annual General Meeting of the Company, the proposed final dividend is expected to be paid on or before Thursday, 30 June 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	482,878	665,709
Cost of sales		<u>(44,032)</u>	<u>(89,631)</u>
		438,846	576,078
Other revenue	4(a)	19,532	37,484
Other net losses	4(b)	(3,929)	(124,116)
Direct costs and operating expenses		(200,035)	(334,523)
Marketing and selling expenses		(11,004)	(14,861)
Depreciation		(154,428)	(164,341)
Administrative and other operating expenses		<u>(291,537)</u>	<u>(352,600)</u>
Operating loss		(202,555)	(376,879)
Net increase in fair value of investment properties		4,400	23,400
Impairment loss on a hotel property	5	<u>-</u>	<u>(345,430)</u>
		(198,155)	(698,909)
Finance costs	6(a)	(32,293)	(43,520)
Share of net losses of associates		<u>(11,628)</u>	<u>(15,347)</u>
Loss before taxation	6	(242,076)	(757,776)
Income tax	7	<u>57,872</u>	<u>211,815</u>
Loss for the year		<u>(184,204)</u>	<u>(545,961)</u>
Attributable to:			
Equity shareholders of the Company		(194,724)	(562,586)
Non-controlling interests		<u>10,520</u>	<u>16,625</u>
Loss for the year		<u>(184,204)</u>	<u>(545,961)</u>
Loss per share, basic and diluted (cents)	8	<u>(57.2)</u>	<u>(165.4)</u>

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

	2021 HK\$'000	2020 HK\$'000
Loss for the year	(184,204)	(545,961)
Other comprehensive income for the year		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income - net movement in fair value reserve (non-recycling)	(437)	(140)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of: - financial statements of overseas subsidiaries and associates	<u>3,002</u>	<u>8,902</u>
Other comprehensive income for the year	<u>2,565</u>	<u>8,762</u>
Total comprehensive income for the year	<u>(181,639)</u>	<u>(537,199)</u>
Attributable to:		
Equity shareholders of the Company	(193,833)	(558,625)
Non-controlling interests	<u>12,194</u>	<u>21,426</u>
Total comprehensive income for the year	<u>(181,639)</u>	<u>(537,199)</u>

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>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investment properties		901,500	897,100
Property, plant and equipment		1,699,985	1,817,377
Land		820,312	822,814
		3,421,797	3,537,291
Interest in associates		84,645	105,825
Derivative financial assets		2,724	-
Other non-current financial assets		116,994	132,947
Deferred tax assets		376,979	303,088
		4,003,139	4,079,151
Current assets			
Trading securities		11,940	13,625
Properties held for sale		278,873	278,873
Inventories		4,080	4,006
Trade and other receivables	9	69,146	69,411
Deposits and cash		1,175,977	1,262,729
Taxation recoverable		35,869	46,731
		1,575,885	1,675,375
Current liabilities			
Bank loans	10	366,887	747,072
Trade and other payables	11	339,772	315,464
Loan from an associate		464	464
Loans from non-controlling shareholders		4,313	714
Taxation payable		8,841	8,460
		720,277	1,072,174
Net current assets		855,608	603,201
Total assets less current liabilities		4,858,747	4,682,352
Non-current liabilities			
Bank loans	10	1,121,417	748,919
Deferred revenue		3,560	4,560
Loans from non-controlling shareholders		106,796	100,810
Derivative financial liabilities		-	3,187
Deferred tax liabilities		90,287	89,607
		1,322,060	947,083
NET ASSETS		3,536,687	3,735,269

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

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Capital and reserves			
Share capital	<i>13</i>	498,305	498,305
Reserves		2,409,335	2,603,168
Total equity attributable to equity shareholders of the Company		2,907,640	3,101,473
Non-controlling interests		629,047	633,796
TOTAL EQUITY		3,536,687	3,735,269

Notes:

1. Basis of preparation

The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform - phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

None of these amendments have had a material impact on the Group's financial results and the financial position. 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:

	2021 HK\$'000	2020 HK\$'000
Hotel and club operations	387,612	564,004
Rental income	87,929	95,467
Management fee income	7,337	6,238
	<u>482,878</u>	<u>665,709</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 credit/ (expense)</i>	<i>Contribution to (loss)/profit</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2021							
Hotel	380,351	(150,228)	-	(30,378)	(11,627)	75,948	(204,859)
- Vietnam	186,163	(52,431)	-	(4,833)	(6,889)	(1,073)	(2,118)
- United States	131,145	(70,201)	-	(21,774)	-	70,760	(163,324)
- The People's Republic of China	43,671	(12,038)	-	(3,287)	-	-	(7,892)
- Canada	16,604	(11,203)	-	(484)	(4,738)	6,267	(22,077)
- Japan	2,768	(4,355)	-	-	-	(6)	(9,448)
Property							
- Macau	100,620	(4,106)	-	(34)	-	(8,624)	58,946
Investment and corporate	1,907	(94)	-	(1,881)	(1)	(9,452)	(38,291)
Total	482,878	(154,428)	-	(32,293)	(11,628)	57,872	(184,204)

	<i>Revenue</i>	<i>Depreciation</i>	<i>Impairment loss of a hotel property</i>	<i>Finance costs</i>	<i>Share of loss 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	HK\$'000
2020							
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)
Total	665,709	(164,341)	(345,430)	(43,520)	(15,347)	211,815	(545,961)

Analysis of total assets of the Group

	<i>Segment assets</i> HK\$'000	<i>Interest in associates</i> HK\$'000	<i>Total assets</i> HK\$'000	<i>Capital expenditure</i> HK\$'000
As at 31 December 2021				
Hotel				
- Vietnam	330,119	57,991	388,110	491
- United States	2,413,954	-	2,413,954	11,284
- The People's Republic of China	170,671	-	170,671	4,456
- Canada	119,350	22,482	141,832	2,934
- Japan	86,823	-	86,823	-
Property				
- Macau	1,899,667	-	1,899,667	1,834
Investment and corporate	473,795	4,172	477,967	-
Total	5,494,379	84,645	5,579,024	20,999

	<i>Segment assets</i> HK\$'000	<i>Interest in associates</i> HK\$'000	<i>Total assets</i> HK\$'000	<i>Capital expenditure</i> HK\$'000
As at 31 December 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.

Analysis of total liabilities of the Group

	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
As at 31 December 2021			
Hotel			
- Vietnam	109,057	54,927	163,984
- United States	108,369	1,433,377	1,541,746
- The People's Republic of China	90,395	-	90,395
- Canada	8,483	-	8,483
- Japan	692	-	692
Property			
- Macau	181,048	-	181,048
Investment and corporate	55,989	-	55,989
	554,033	1,488,304	2,042,337

	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
As 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
	523,266	1,495,991	2,019,257

4. Other revenue and other net losses

	2021 HK\$'000	2020 HK\$'000
<i>(a) Other revenue</i>		
Interest income	8,059	17,669
Dividend income from listed securities	595	461
Government grants	4,968	4,046
Others	5,910	15,308
	<u>19,532</u>	<u>37,484</u>
<i>(b) Other net losses</i>		
Net exchange (losses)/gains	(2,017)	7,782
Net realised and unrealised gains/(losses) on derivative financial instruments	5,912	(4,050)
Net unrealised losses on other non-current financial assets	(6,248)	(130,687)
Net unrealised (losses)/gains on trading securities	(1,685)	1,726
Gain on disposal of property, plant and equipment	109	558
Others	-	555
	<u>(3,929)</u>	<u>(124,116)</u>

5. Impairment loss on a hotel property

The value of hotel properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. These indications include continuing adverse changes in the local market conditions in which the hotel operates, particularly when the hotel continues to operate at a loss and when its operating performance is behind budget. The valuations assess the recoverable amount of each hotel property being higher of its fair value less costs of disposal using the market comparison approach and value in use using the income approach.

During the year ended 31 December 2021, no impairment loss nor reversal of impairment loss on a hotel property is recognised.

During the year ended 31 December 2020, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, was 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. Accordingly, impairment loss of HK\$345,430,000 was recognised in the Group's consolidated statement of profit or loss.

6. Loss before taxation

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

	2021 HK\$'000	2020 HK\$'000
(a) <i>Finance costs</i>		
Bank loan interests	27,092	39,040
Discounting effect on loans from non-controlling shareholders	5,168	4,440
Other interest expenses	33	40
	<u>32,293</u>	<u>43,520</u>
(b) <i>Staff costs (Note)</i>		
Salaries, wages and other benefits	247,713	313,970
Contributions to defined contribution retirement plans	4,106	6,094
	<u>251,819</u>	<u>320,064</u>

Note: During the year ended 31 December 2021, staff costs of HK\$122,447,000 (2020: HK\$133,128,000) are included in “Administrative and other operating expenses”.

(c) <i>Other items</i>		
Cost of inventories	44,032	89,631
Auditors' remuneration		
- Audit services	4,655	4,923
- Other services	1,522	1,343
Government rent and rates (Note)	53,608	56,490
Rentals income from investment properties less direct outgoings of HK\$1,357,000 (2020: HK\$1,075,000)	(33,874)	(33,325)
Rentals income from properties held for sale and other rental income less direct outgoings of HK\$1,707,000 (2020: HK\$1,257,000)	(52,090)	(61,469)

Note: Government rent and rates are included in “Administrative and other operating expenses”.

7. Income tax

	2021 HK\$'000	2020 HK\$'000
<i>Current tax - Overseas</i>		
Provision for the year	17,956	14,470
Tax credit/concession	(5,093)	(36,311)
Under-provision in respect of prior years	467	7,353
	<u>13,330</u>	<u>(14,488)</u>
<i>Deferred tax</i>		
Origination and reversal of other temporary differences	(71,202)	(197,327)
	<u>(57,872)</u>	<u>(211,815)</u>

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income during years ended 31 December 2021 and 2020.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. Loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$194,724,000 (2020: HK\$562,586,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2021 and 2020.

There are no potential dilutive ordinary shares during the years ended 31 December 2021 and 2020.

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:

	2021	2020
	HK\$'000	HK\$'000
Within one month	12,427	13,537
One to three months	2,752	109
More than three months	703	162
	15,882	13,808

78% of trade receivables at 31 December 2021 (2020: 98%) 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 years ended 31 December 2021 and 2020.

10. Bank loans

(a) At 31 December 2021, the bank loans were repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year or on demand	366,887	747,072
After 1 year but within 2 years	1,045,066	71,698
After 2 years but within 5 years	76,351	677,221
	1,121,417	748,919
	1,488,304	1,495,991

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

	2021 HK\$'000	2020 HK\$'000
Bank loans		
- Secured	1,357,026	1,370,079
- Unsecured	131,278	125,912
	1,488,304	1,495,991

At 31 December 2021, except for the loans received by two of the Group's subsidiaries amounting to HK\$76,351,000 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 31 December 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\$64,366,000 (2020: HK\$64,366,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$1,893,998,000 (2020: HK\$2,044,238,000).

Such banking facilities amounted to HK\$1,442,026,000 (2020: HK\$1,455,126,000) and were utilised to the extent of HK\$1,357,026,000 as at 31 December 2021 (2020: HK\$1,370,079,000).

- (c) As at 31 December 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 reporting period and the waivers to exempt those covenants testing covered a period of twelve months from 31 December 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.

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:

	2021 HK\$’000	2020 HK\$’000
Within one month	59,478	40,923
One to three months	1,120	2,129
More than three months	26,033	33,620
	86,631	76,672

12. Dividends

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

	2021 HK\$’000	2020 HK\$’000
No interim dividend declared and paid (2020: Nil)	-	-
Final dividend proposed after the end of the reporting period of HK\$0.04 (2020: Nil) per ordinary share	13,608	-
	13,608	-

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

	2021	2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil (2020: HK\$0.045) per ordinary share	-	15,309

13. Share capital

	2021		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 31 December	<u>340,200</u>	<u>498,305</u>	<u>340,200</u>	<u>498,305</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

14. Capital commitments outstanding not provided for in the financial statement

- (a) At 31 December 2021, capital commitments outstanding not provided for in the financial statement were as follows:

	2021	2020
	HK\$'000	HK\$'000
Contracted for	2,660	10,451
Authorised but not contracted for	<u>20,081</u>	<u>19,738</u>
	<u>22,741</u>	<u>30,189</u>

REVIEW OF OPERATIONS

Since early 2020, the COVID-19 pandemic (the “pandemic”) has become one of the biggest shocks to the global economic system in recent years and has posed continuing significant challenges to the operating environment for our business for two consecutive years. This is particularly true of its impact to our hotel operations. Though we have seen some improvements in our hotel business in the second half of 2021, the disruption from the pandemic is expected to persist in the near future with the pace of recovery remaining slow and uneven.

The Group’s revenue for 2021 was HK\$482.9 million, a decrease of 27.5% as compared to HK\$665.7 million in 2020. Operating loss for the Group has narrowed to HK\$202.6 million, as compared to HK\$376.9 million in 2020, inclusive of net unrealised losses on other non-current financial assets of HK\$6.2 million (2020: HK\$130.7 million).

A summary and analysis of the operations are as follows.

Property Leasing and Management Operations

Macau

The pandemic has continued to adversely undermined the Macau economy. The Macau SAR Government has been implementing a series of enhanced precautionary and control measures such as partial lockdowns, quarantines, travel restrictions and vaccination rollout in the last 2 years. The stringent zero-COVID strategy has helped to preserve people’s health and safety and has contained the spread of the pandemic in Macau. It has however also resulted in significant slow-down of business activities. According to the Macau Government statistics, Macau’s GDP shrank by 4.4% in 2021. The overall unemployment rate of Macau has increased from 2.7% at the end of 2020 to 3.1% in the fourth quarter of 2021. On the positive side, the number of visitors to Macau has increased by 30.7% in 2021 compared with 2020, but still remained at less than 20% of the pre-pandemic level in 2019.

Despite the lingering impact of the pandemic and the challenging business environment, the Macau property sector was not severely affected and our Macau property leasing and management operation has remained largely stable. Income from leasing of Macau properties of the Group decreased slightly to HK\$85.8 million in 2021 as compared to HK\$93.6 million in 2020. The decrease was mainly driven by lower occupancy rate, impact of lower rental upon rent reversion of residential units, and concessionary rental rates given to some retail tenants for the first three quarters in 2021. Occupancy of our residential units decreased to 79% in 2021 as compared to 91% in 2020, as serviced apartments were prone to the impact of citywide lockdown, travel restrictions and drop in expatriate demand for lease of residential properties. Occupancy of our office buildings has slightly increased to 93% in 2021 as compared to 91% in 2020.

A net increase in fair value of our investment properties of HK\$4.4 million (2020: HK\$23.4 million) was recorded. Our investment properties are held long-term investments to earn recurring rental income as.

There were no sales of properties in 2021.

As at the date of this announcement, certain 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 2022. Although Macau’s COVID-19 infection numbers remain remarkably low despite the emergence of the highly transmissible Delta and Omicron variants, it is likely that the Macau property market will only see an opportunity for a sound growth path only after travel restrictions are lifted in a meaningful manner, enabling a critical mass of commercial activities, and the return of potential buyers from mainland China or 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 Hengqin immigration port, the Passenger Terminal Building expansion of the Macau Airport, as well as the further integration with the Guangdong-Hong Kong-Macau-Macau Greater Bay Area.

Hotel Operations

	Occupancy		Average Room Rate (local currency)	
	2021	2020	2021	2020
The People's Republic of China				
Holiday Inn Wuhan Riverside	46%	42%	397	346
Vietnam				
Sheraton Saigon Hotel and Towers	19%	15%	90	156
Caravelle Hotel	12%	11%	73	139
Japan				
Best Western Hotel Fino Osaka Shinsaibashi	10%	17%	5,899	6,991
The United States				
W San Francisco	43%	16%	197	381
Sofitel New York ^	4%	15%	338	246
Canada				
The Sheraton Ottawa Hotel	20%	15%	141	178
Delta Hotels by Marriott Toronto Airport & Conference Centre	29%	17%	108	139

^ Sofitel New York suspended its operation since end of Mar 2020 and reopened in Nov 2021.

The pandemic has brought the global hospitality industry to a unprecedented freefall since the second quarter of 2020. The prolonged pandemic continues to adversely affect the Group's hotel performance in 2022, as certain prevention and control policies such as travel restrictions and quarantine requirements in various countries continue to limit the rebound in visitations.

Although there is gradual easing of social distancing and travel restrictions in most countries in the second half of 2021, which gradually improved our hotel performances, occupancy rates and room rates of our hotels still remained depressed.

Total revenue for the hotel operations dropped to HK\$380.4 million in 2021, a decrease of 31.7% as compared to HK\$557.3 million in 2020. Loss for the hotel operations was HK\$204.9 million as compared to HK\$490.0 million in 2020, which included a net tax effect of impairment loss on a hotel property of HK\$187.0 million in 2020.

The People's Republic of China

China is adhering to its stringent zero-COVID strategy and has proven its ability to respond swiftly to bring infection and death rates under control, which also puts China in a good position for economic recovery. According to the National Bureau of Statistics of China, China's economy posted a strong recovery in 2021 and grew 8.1% compared to the year before.

However, since most pandemic-related restrictions, including international travel controls, social distancing and quarantine measures, are still in place in most of China, the hospitality sector in China is still under pressure and signs of a slowdown were observed in the second half of 2021, particularly after the sporadic Delta and Omicron variants outbreaks in certain parts of China in the fourth quarter of 2021.

Holiday Inn Wuhan Riverside

After a difficult period in 2020, the hospitality sector in Wuhan showed signs of recovery in the first half of 2021. However, the intermittent resurgence of infections in Wuhan and nearby provinces has hampered our business results in the second half of 2021, resulting largely from provincial travel restrictions and tightened quarantine and social distancing requirements.

Room revenue of the hotel increased to RMB20.1 million in 2021 as compared to RMB16.3 million in 2020, an increase of 23.3%. The food and beverage revenue of the hotel has also increased to RMB11.1 million in 2021 from RMB10.4 million in 2020, an increase of 6.7%.

During 2021, occupancy rate has slightly increased to 45.6%, as compared to 42.2% in 2020. Average room rate was at RMB397 per room night in 2021, as compared to RMB346 per room night in 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

While Vietnam was lauded globally for containing new pandemic infections in 2020, the Delta variant proved overwhelming resulting in stringent lockdowns which affected economic growth in 2021. Vietnam recorded its first-ever negative GDP in the 3rd quarter of 2021 since 2000. The harsh effects of the Delta variant also slowed down Vietnam's GDP growth to 2.6% in 2021, dropping from the 2.91% recorded the year before.

Specifically, the fourth wave of the pandemic in May 2021 has caused significant disruption to the Vietnam tourism industry. Only 3,500 international tourists arrived in Vietnam in 2021, compared to 18 million and 3.7 million in 2019 and 2020 respectively. In order to stabilise our business, we had turned our focus to corporate long-stays and industrial group stays during the year.

The Group's revenue from Vietnam decreased to HK\$186.2 million in 2021, as compared to HK\$347.3 million in 2020, a decrease of 46.4%.

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

Sheraton Saigon Hotel and Towers

Sheraton Saigon Hotel & Towers' occupancy rate has increased to 18.7% as compared to 14.8% in 2020. Average room rate was at US\$90 per room night in 2021, as compared to US\$156 per room night in 2020. The hotel's financial performance in terms of gross operating profit in 2021 was down by 19.8% year-on-year.

Caravelle Hotel

Occupancy rate has slightly increased to 12.1% as compared to 11.1% in 2020. Average room rate was at US\$73 per room night in 2021, as compared to US\$139 per room night in 2020. The gross operating loss in 2021 was slightly increase by 9.6% year-on-year.

Japan

Japan's economy was adversely impacted by the "State of Emergency" restrictions which were in place for most of the first 3 quarters in 2021. Although the threat of the fourth pandemic waves progressively receded and Japan fully lifted the "State of Emergency" restrictions at the end of September 2021, which boosted economic activity and domestic consumptions through to the end of 2021, the recent spike in new Omicron variant infections in 13 prefectures, including Osaka, resulted in "Quasi-state of Emergency" restrictions in Osaka being put in place. Limits on restaurants business hours and travelling across prefectures in January 2022 were further extended to 31 of Japan's 47 prefectures for a period of two months.

Best Western Hotel Fino Osaka Shinsaibashi

Osaka is currently the prefecture with the second highest number of coronavirus infections in Japan. The closure of borders combined with the "State of Emergency" restrictions during 2021 have disrupted the recovery of international and domestic tourism and continued to severely affect our hotel's performance. Occupancy rate has decreased to 9.5%, as compared to 16.9% in 2020. Average room rate was at JPY5,899 per room night in 2021, as compared to JPY6,991 per room night in 2020.

The United States ("US")

After the US government injected trillions of dollars into the economy, and the majority of cities eased pandemic restrictions, economic activity started to rebound in the second half of 2021. The US economy expanded by 5.7% in 2021, the strongest growth in nearly four decades, as compared to a 3.4% contraction in 2020. Unemployment rate also dropped to 5.3% in 2021, as compared to 8.1% in 2020.

Despite seeing some recovery in the US hospitality industry, hotels in San Francisco and New York continue to lag in its recovery as they rely mostly on business travellers, convention attendees and international guests, all of which are still exhibiting signs of continuing weakness. Food and beverage sector also continued to be impacted by the various social distancing measures during 2021.

Sofitel New York re-opened in November 2021, after a prolonged closure since March 2020, but business recovered slowly.

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

W San Francisco

W San Francisco's occupancy increased to 42.7% in 2021, as compared to 16.4% in 2020. Average room rate was US\$197 per room night in 2021, as compared to US\$381 per room night in 2020.

Sofitel New York

Sofitel New York's occupancy rate was 4% after re-opening in November 2021, as compared to 15.2% in 2020. Average room rate was at US\$338 per room night in 2021, as compared to US\$246 per room night in 2020.

Canada

Along with the introduction of pandemic vaccines and the implementation of economic recovery measures, Canada's economy has steadily rebounded in 2021. Canada's GDP grew 4.6% in 2021, compared with a decline of 5.2% in 2020. Unemployment rate fell to 6% in December 2021 from the recent peak of 9.4% in January 2021.

Although Canada progressively eased their border measures since third quarter of 2021 for fully vaccinated US and international travellers entering Canada, the recovery of the hospitality sector was still slow in 2021. It was largely affected by high aversion to air travel, threat of new variants emerging, and the restrictions that ensued, including the tightening of social distancing measures.

Last year, the Group temporarily suspended our hotel operations in Canada at the end of March 2020. 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 low occupancies coupled with depressed average room rates after re-opening, but have begun to gradually improve in the second half of 2021.

The Sheraton Ottawa Hotel

Occupancy rate of Sheraton Ottawa Hotel increased to 20.0% in 2021 versus 15.0% in 2020. Average room rate was C\$141 per room night in 2021 versus C\$178 per room night in 2020.

During the year, government relief subsidies amounted to HK\$4.8 million (2020: HK\$3.0 million) was booked for the hotel.

Delta Hotels by Marriott Toronto Airport & Conference Centre

Occupancy rate of Delta Hotels by Marriott Toronto Airport & Conference Centre increased to 28.6% in 2021 versus 16.8% in 2020. Average room rate was C\$109 per room night in 2021 versus C\$139 per room night in 2020.

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

Other net losses

Net exchange loss for 2021 amounted to HK\$2.0 million, as compared to gains of HK\$7.8 million in 2020.

Net realised and unrealised gains on derivative financial instruments amounted to HK\$5.9 million in 2021, as compared to losses of HK\$4.1 million in 2020.

Net unrealised losses on other non-current financial assets amount to HK\$6.2 million recognised in 2021, as compared to HK\$130.7 million in 2021. These were mainly related to our investment in A2I Holdings S.A.R.L., which owns 6.75% (2020: 7.01%) equity shares of AccorInvest Group S.A..

Net unrealised losses on trading securities for 2021 amounted to HK\$1.7 million, as compared to gains of HK\$1.7 million in 2020.

Government grants

During the year, the Company and its subsidiaries received subsidies of approximately HK\$5.0 million (2020: 4.0 million) from respective local governments, including HK\$4.8 million (2020: HK\$3 million) from the Temporary Wage Subsidy Scheme implemented by the Canadian Government, HK\$0.2 million (2020: HK\$0.6 million) from the Business Subsidy Scheme implemented by the Macau SAR Government. In 2020, subsidies of HK\$0.4 million was also received from the Employee Support Scheme implemented by the HKSAR Government.

FINANCIAL REVIEW

The Group's revenue was HK\$482.9 million for the year ended 31 December 2021, a decrease of 27.5% as compared to the year 2020. The decrease was primarily due to the adverse impact resulted from the lack of international travel and various social distancing measures imposed on the Group's hotel operations during this prolonged pandemic situation.

The Group's operating loss was HK\$202.6 million for the year ended 31 December 2021 as compared to HK\$376.9 million in 2020.

Loss attributable to equity shareholders amounted to HK\$194.7 million (2020: HK\$562.6 million). 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 2021, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$1,958.4 million (2020: HK\$2,108.6 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2021, 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 (2020: HK\$8.3 million).

As at 31 December 2021, 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

Heading into 2022, the global macro-economic situation is expected to remain fluid and unpredictable. The confluence of the prolonged impact of Covid, geopolitical tensions in various parts of the world, worldwide supply chain disruptions, worsening global inflation, oil price shocks, monetary and fiscal policy adjustments, and possibility of inflation, can well derail the economic recovery which all were hoping to see in the year. Against such a backdrop, challenges and difficulties for the business and operating models of the Group will continue to be tested in 2022.

The economy in Macau has been facing challenges during the two preceding years. We believe that the pandemic will continue to impact Macau in the short term due to absence of international travellers, the continuation of various travel and entry restrictions in Macau, Hong Kong and mainland China, particularly in light of the recent outburst of the new Omicron variant in Hong Kong. However, we remain confident in the future prospects of Macau in the medium to longer term due to the robustness of its tourism and gaming infrastructure. The real estate market in Macau in 2022 will still face short term downside pressure but should remain stable due to the limited new supply, especially in the luxury sector.

Looking ahead, the Group will remain vigilant on cost control and adopt conservative and prudent business strategies in order to rebuild revenue and business activity levels and enhance its financial and operational efficiency. Robust measures will be taken to safeguard the physical wellbeing of hotel guests and the interests of employees. The Group will continue to closely monitor and preserve its high liquidity position. The Group's financial position remains healthy with cash, bank balances and short-term bank deposits totalling HK\$1,176.0 million as at 31 December 2021.

The Group will also continue to be cautious and will only focus on reviewing potential investments 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

As at 31 December 2021, the Group had approximately 1,192 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 2021, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year 2021, 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 Tuesday, 31 May 2022 (“2022 AGM”), the Register of Members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive. In order to qualify for attending and voting at the 2022 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 Wednesday, 25 May 2022 (Hong Kong time), being the last share registration date.

The proposed final dividend is subject to the approval of the Shareholders of the Company at the 2022 AGM. For the purpose of determining shareholders who qualify for the final dividend (if approved), the Register of Members of the Company will be closed from Tuesday, 7 June 2022 to Thursday, 9 June 2022, both days inclusive. In order to qualify for the final dividend (if approved), all transfer documents should be lodged for registration with the Company’s Share Registrars & Transfer Office, Tricor Tengis Limited, at the above address for registration no later than 4:30 p.m. on Monday, 6 June 2022 (Hong Kong time), being the last share registration date. The payment of final dividend (if approved) will be scheduled on or before Thursday, 30 June 2022.

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting of the Company will be held on Tuesday, 31 May 2022.

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

Hong Kong, 25 March 2022

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.