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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)

2023 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 2023.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 was HK\$45,250,000 (HK\$0.133 earnings per share), compared to HK\$6,947,000 (HK\$0.02 earnings per share) for the first six months of 2022.

The Board has declared an interim dividend of HK\$0.03 (2022: Nil) per share for 2023 payable on Thursday, 26 October 2023, to equity shareholders whose names appear on the register of members of the Company on Monday, 9 October 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Revenue	3	831,541	587,109
Cost of sales		<u>(80,121)</u>	<u>(55,087)</u>
		751,420	532,022
Other revenue	4(a)	35,737	11,906
Other net gains	4(b)	12,160	10,887
Direct costs and operating expenses		(352,304)	(245,440)
Marketing and selling expenses		(29,930)	(11,561)
Depreciation		(74,124)	(79,761)
Administrative and other operating expenses		<u>(218,384)</u>	<u>(185,378)</u>
Operating profit		124,575	32,675
(Decrease)/increase in fair value of investment properties		<u>(7,000)</u>	3,900
		117,575	36,575
Finance costs	5(a)	(45,080)	(15,800)
Share of profits of associates		<u>18,475</u>	<u>5,843</u>
Profit before taxation	5	90,970	26,618
Income tax	6	<u>(1,826)</u>	<u>(525)</u>
Profit for the period		89,144	26,093
Attributable to:			
Equity shareholders of the Company		45,250	6,947
Non-controlling interests		<u>43,894</u>	<u>19,146</u>
Profit for the period		89,144	26,093
Earnings per share, basic and diluted (cents)	7	13.3	2.0

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	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	89,144	26,093
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)	(253)	(101)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	1,174	(17,871)
Other comprehensive income for the period	921	(17,972)
Total comprehensive income for the period	90,065	8,121
Attributable to:		
Equity shareholders of the Company	42,821	(10,232)
Non-controlling interests	47,244	18,353
Total comprehensive income for the period	90,065	8,121

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2023 HK\$'000	(Audited) At 31 December 2022 HK\$'000
Non-current assets			
Investment properties		898,400	905,400
Property, plant and equipment		1,497,019	1,541,519
Land		804,752	808,509
		3,200,171	3,255,428
Interest in associates		103,413	85,891
Derivative financial assets		12,506	13,372
Other non-current financial assets		133,728	120,611
Deferred tax assets		452,008	423,611
		3,901,826	3,898,913
Current assets			
Trading securities		11,009	12,154
Properties held for sale		278,873	278,873
Inventories		4,526	4,879
Trade and other receivables	8	86,752	75,674
Deposits and cash		1,358,047	1,341,269
Taxation recoverable		1,119	24,134
		1,740,326	1,736,983
Current liabilities			
Bank loans	9	1,363,568	1,359,323
Trade and other payables	10	399,127	413,947
Loan from an associate		464	464
Loans from non-controlling shareholders		4,174	41,227
Taxation payable		25,418	24,239
		1,792,751	1,839,200
Net current liabilities		(52,425)	(102,217)
Total assets less current liabilities		3,849,401	3,796,696
Non-current liabilities			
Bank loans	9	76,719	76,481
Deferred revenue		3,172	3,172
Loans from non-controlling shareholders		105,728	73,283
Deferred tax liabilities		90,274	91,114
		275,893	244,050
NET ASSETS		3,573,508	3,552,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited)	(Audited)
		At	At 31
		30 June	December
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
Capital and reserves			
Share capital	<i>12</i>	498,305	498,305
Reserves		2,464,305	2,438,494
Total equity attributable to equity shareholders of the Company		2,962,610	2,936,799
Non-controlling interests		610,898	615,847
TOTAL EQUITY		3,573,508	3,552,646

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 2023 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 23 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any 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 2022 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, whose review report is included in the interim report to be sent to shareholders. 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 2022 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 2022 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:

HKFRS 17, *Insurance contracts*

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the above changes in accounting policies has had a material effect on the Group's financial statements. 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	
	2023	2022
	HK\$'000	HK\$'000
Hotel and club operations	786,141	541,265
Rental income	41,884	42,429
Management fee income	3,516	3,415
	<hr/>	<hr/>
	831,541	587,109
	<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 profits of associates</i>	<i>Income tax (expense)/credit</i>	<i>Contribution to profit/(loss)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2023						
Hotel	783,138	(71,846)	(44,132)	18,475	6,595	50,280
- Vietnam	363,131	(24,075)	(99)	11,078	(20,529)	92,616
- United States	345,091	(35,296)	(42,086)	-	27,093	(48,512)
- The People's Republic of China	23,073	(5,603)	(1,750)	-	-	(4,804)
- Canada	39,203	(5,431)	(197)	7,397	34	7,710
- Japan	12,640	(1,441)	-	-	(3)	3,270
Property						
- Macau	47,172	(2,233)	(20)	-	(2,954)	33,856
Investment and corporate	1,231	(45)	(928)	-	(5,467)	5,008
Total	831,541	(74,124)	(45,080)	18,475	(1,826)	89,144

	<i>Revenue</i>	<i>Depreciation</i>	<i>Finance costs</i>	<i>Share of profits of associates</i>	<i>Income tax (expense)/credit</i>	<i>Contribution to profit/(loss)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2022						
Hotel	537,917	(77,552)	(14,887)	5,843	8,360	1,968
- Vietnam	238,362	(24,421)	(1,039)	3,828	(9,967)	40,536
- United States	260,181	(39,055)	(12,012)	-	18,403	(24,609)
- The People's Republic of China	14,573	(5,956)	(1,708)	-	-	(10,688)
- Canada	21,814	(5,792)	(128)	2,015	(73)	871
- Japan	2,987	(2,328)	-	-	(3)	(4,142)
Property						
- Macau	48,202	(2,161)	(16)	-	(3,808)	33,624
Investment and corporate	990	(48)	(897)	-	(5,077)	(9,499)
Total	587,109	(79,761)	(15,800)	5,843	(525)	26,093

(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 2023				
Hotel				
- Vietnam	305,923	65,653	371,576	7,445
- United States	2,405,894	-	2,405,894	10,092
- The People's Republic of China	141,831	-	141,831	1,581
- Canada	133,099	33,599	166,698	4,996
- Japan	73,814	-	73,814	13
Property				
- Macau	1,942,279	-	1,942,279	250
Investment and corporate	535,899	4,161	540,060	22
Total	5,538,739	103,413	5,642,152	24,399
	<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 2022				
Hotel				
- Vietnam	314,797	54,575	369,372	8,073
- United States	2,430,823	-	2,430,823	6,149
- The People's Republic of China	148,724	-	148,724	2,910
- Canada	128,052	27,145	155,197	3,167
- Japan	76,948	-	76,948	-
Property				
- Macau	1,941,833	-	1,941,833	1,331
Investment and corporate	508,828	4,171	512,999	23
Total	5,550,005	85,891	5,635,896	21,653

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 2023			
Hotel			
- Vietnam	142,848	-	142,848
- United States	145,343	1,440,287	1,585,630
- The People's Republic of China	91,218	-	91,218
- Canada	15,597	-	15,597
- Japan	1,944	-	1,944
Property			
- Macau	175,811	-	175,811
Investment and corporate	55,596	-	55,596
Total	628,357	1,440,287	2,068,644
	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
At 31 December 2022			
Hotel			
- Vietnam	155,770	-	155,770
- United States	151,372	1,435,804	1,587,176
- The People's Republic of China	91,340	-	91,340
- Canada	13,849	-	13,849
- Japan	1,315	-	1,315
Property			
- Macau	175,412	-	175,412
Investment and corporate	58,388	-	58,388
Total	647,446	1,435,804	2,083,250

4. Other revenue and other net gains

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(a) <i>Other revenue</i>		
Interest income	28,896	4,756
Dividend income from listed securities	447	298
Others	6,394	6,852
	<u>35,737</u>	<u>11,906</u>
(b) <i>Other net gains</i>		
Net exchange gains/(losses)	4,611	(5,359)
Net unrealised (losses)/gains on derivative financial instruments	(908)	7,877
Net unrealised gains on other non-current financial assets	10,349	8,759
Net unrealised losses on trading securities	(1,145)	(390)
Loss on disposal of property, plant and equipment	(1,250)	-
Others	503	-
	<u>12,160</u>	<u>10,887</u>

5. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(a) <i>Finance costs</i>		
Bank loan interests	42,086	13,179
Discounting effect on loans from non-controlling shareholders	2,677	2,604
Others	317	17
	<u>45,080</u>	<u>15,800</u>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	302,157	213,636
Contributions to defined contribution retirement plans	5,563	3,638
	<u>307,720</u>	<u>217,274</u>
(c) <i>Other items</i>		
Cost of inventories	29,401	18,174
Rentals income from properties less direct outgoings of HK\$1,332,000 (2022: HK\$1,344,000)	(40,552)	(41,085)

6. Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current tax - Overseas		
Provision for the period	29,713	18,326
Under-provision in respect of prior years	99	30
	<u>29,812</u>	<u>18,356</u>
Deferred taxation		
Origination and reversal of other temporary differences	<u>(27,986)</u>	<u>(17,831)</u>
	<u>1,826</u>	<u>525</u>

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2023 and 30 June 2022.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) The applicable income tax rate for the subsidiary established in Vietnam before any incentives is 20% (2022: 20%) for the six months ended 30 June 2023.
- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2022: 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 2023 and 30 June 2022.
- (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 are calculated at a rate of 21% (2022: 21%) and 9.98% (2022: 9.98%) respectively determined by income ranges for the six months ended 30 June 2023. United States sourced interest income received by foreign entities are subject to withholding tax of 30% (2022: 30%) on all gross income received.
- (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% (2022: 21.36%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau, Complementary Tax is calculated at 12% (2022: 12%) of the estimated assessable profits for the six months ended 30 June 2023. Macau Property Tax is calculated at 8% (2022: 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% (2022: 26.5%).

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$45,250,000 (2022: HK\$6,947,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2023 and 30 June 2022.

There is no potential dilutive ordinary share during the six months ended 30 June 2023 and 30 June 2022.

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 2023 HK\$'000	At 31 December 2022 HK\$'000
Within one month	32,792	37,960
One to three months	4,954	3,692
More than three months	6,368	3,235
	<u>44,114</u>	<u>44,887</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 2023 and 31 December 2022, the bank loans were repayable as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Within 1 year or on demand	<u>1,363,568</u>	1,359,323
After 2 years but within 5 years	<u>76,719</u>	76,481
	<u>76,719</u>	76,481
	<u>1,440,287</u>	<u>1,435,804</u>

At 30 June 2023 and 31 December 2022, the bank loans were secured and unsecured as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Bank loans		
- Secured (note 9(b))	1,363,568	1,359,323
- Unsecured	76,719	76,481
	<u>1,440,287</u>	<u>1,435,804</u>

At 30 June 2023 and 31 December 2022, except for the loans received by two of the Group's subsidiaries amounting to HK\$76,719,000 (31 December 2022: HK\$76,481,000) which bear fixed interest rates, all other bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2023, 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 (31 December 2022: HK\$64,366,000); and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$1,812,289,000 (31 December 2022: HK\$1,830,666,000).

Such banking facilities amounted to HK\$1,448,568,000 (31 December 2022: HK\$1,444,323,000) and were utilised to the extent of HK\$1,363,568,000 as at 30 June 2023 (31 December 2022: HK\$1,359,323,000).

(c) Except for the loans received by two of the Group's subsidiaries amounting to HK\$76,719,000 (31 December 2022: HK\$76,481,000), 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 2023 and 31 December 2022, 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 until the loan maturity in October 2023.

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 2023 HK\$'000	At 31 December 2022 HK\$'000
Within one month	60,101	64,866
One to three months	36,536	36,757
More than three months	7,764	3,998
	<u>104,401</u>	<u>105,621</u>

11. Dividends

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of HK\$0.03 (2022: Nil) per share	10,206	-

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.05 (six months ended 30 June 2022: HK\$0.04) per ordinary share	17,010	13,608

12. Share capital

	At 30 June 2023		At 31 December 2022	
	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	At
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Contracted for	45,618	29,056
Authorised but not contracted for	24,575	28,185
	70,193	57,241

REVIEW OF OPERATIONS

During the first half of 2023, the significant easing of global travel restrictions following the COVID-19 pandemic (the “pandemic”) brought positive momentum to the worldwide economy. However, uncertainties persisted due to the Russo-Ukrainian war, escalating inflation, rising interest rates, and other economic and geopolitical factors which continue to cloud the prospect of global economic growth. Sluggish consumer sentiments and weak global trade further contributed to the challenging environment. Though our hotels business showed improvements across most of the markets we operate in, and our property leasing business reported stable revenue, our financial results have yet to return to pre-pandemic levels.

A summary and analysis of the operations are as follows.

Property Operations

Macau

Macau’s economy demonstrated positive signs of recovery during the first half of 2023, as all anti-pandemic measures and travel restrictions in and out of Macau were effectively lifted, facilitating the full re-opening of borders in January 2023 for travellers from China, Hong Kong and Taiwan, followed by in April 2023 for travellers from other countries. The full resumption of people-to-people exchanges between Hong Kong, Macau and China and group tours from mainland China played a significant role in revitalising Macau’s tourism and economic vitality. In the first half of 2023, visitor arrivals surged by 236.1% year-on-year, reaching 11.65 million, representing 57.4% of the figures from the same period in 2019. Macau’s GDP experienced a remarkable 39% year-on-year growth in Q1 2023, marking its first positive growth in five quarters and rebounded to 66.4% of its pre-pandemic level to the first quarter of 2019.

However, leasing activity for the residential sector did not witness a significant rebound and residential rent continued to be soft during the first half of 2023 despite the economic recovery. Consumers remained cautious and cost-conscious due to lingering uncertainty. The Macau SAR Government continue to restrict the issuance of work permits for foreigners, resulting in changes in demand for residential properties and serviced apartments among expatriates in Macau as compared to the pre-pandemic years. Moreover, the global economic slowdown, coupled with China’s economic deceleration in the second quarter of 2023, interest rate hikes, and the overhanging potential supply in the public and subsidised housing sector, all play a part in dampening the recovery of Macau’s real estate market.

During the first half of 2023, rental revenue of the Group from Macau operations decreased slightly to HK\$40.6 million, as compared to HK\$41.4 million in the first half of 2022. The decrease was mainly driven by lower occupancy rate and negative rental reversion of residential units.

Occupancy of our residential property portfolio decreased to 68% in the first half of 2023 as compared to 74% in the first half of 2022, due to the drop in demand amongst expatriates for lease of residential properties and serviced apartments. High occupancy was maintained in our office buildings during the first half of both 2023 and 2022.

A net decrease in fair value of our investment properties of HK\$7 million was recorded, as compared to the net increase in fair value of HK\$3.9 million in the first half of 2022. Our investment properties are held on a long-term basis to earn recurring rental income.

There were no sales of properties during the first half of 2023 due to the post-pandemic impact and the current state of the Macau property market slowdown.

The second half of 2023 holds promise for the Macau economy, driven by a revival in tourism and local spending, and the Group foresees a moderate improvement in leasing renewals, indicating a relatively stable environment for property rentals. However, uncertainties persist due to factors such as surging inflation and interest rates, which may temper the growth potential of the real estate market. The speed of the economic recovery in China will also play a pivotal role in determining the economic recovery of Macau in the second half of 2023. Despite these challenges, the Group remains cautiously positive, anticipating successful leasing renewals and a favourable long-term outlook.

The Group has closely monitored developments in the property market and the state of the economy. The property market in Macau is expected to benefit from significant developments including the increasing utilisation of the Hong Kong-Zhuhai-Macau Bridge, the Qingmao and Hengqin immigration ports, the expansion of the Macau Airport, the extension of Macau Light Rapid Transit to Hengqin Island, and other favourable developments resulting from the continuing integration of the Greater Bay Area. The Group is committed to continuing to pursue a sales strategy which optimises its sale of properties in its ordinary course of business.

Most of the assets in Macau are held by Golden Crown Development Ltd, in which the Group had a 70.61% equity interest.

Hotel Operations

	Occupancy		Average Room Rate	
	2023	2022	2023	2022
The People's Republic of China				
Holiday Inn Wuhan Riverside	54%	50%	RMB 410	RMB 285
Vietnam				
Sheraton Saigon Hotel and Towers	74%	41%	USD 173	USD 125
Caravelle Hotel	69%	38%	USD 155	USD 104
Japan				
Best Western Hotel Fino Osaka Shinsaibashi	73%	24%	JPY 8,935	JPY 5,591
The United States				
W San Francisco	64%	68%	USD 359	USD 303
Sofitel New York	69%	50%	USD 361	USD 340
Canada				
The Sheraton Ottawa Hotel	68%	42%	CAD 216	CAD 188
Delta Hotels by Marriott Toronto Airport & Conference Centre	72%	53%	CAD 180	CAD 137

The Group's hotels division experienced notable improvements across most of the markets during the first half of 2023, with higher occupancy and average room rates, and enhanced contribution to overall hotel operations. This was mainly driven by a surge in visitor arrivals following the relaxation of travel restrictions. However, the growth in China and the US markets was modest as a result of the subdued recovery of business travelling and overall economic slowdown. Despite the signs of recovery within the hotel industry, overall occupancy rates are still below pre-pandemic levels considered as normal. Moreover, the hotel industry continues to face challenges such as economic slowdown, manpower shortages, and inflation, which exert pressure on costs and profit margins. Nonetheless, hotel performance in the first half of 2023 indicates an emerging recovery from the pandemic and management is maintaining a cautiously optimistic outlook for the industry's recovery trajectory, considering positive trends and potential future upswing in economic and commercial activities.

During the first half of 2023, total revenue for the hotel operations increased to HK\$783.1 million, an increase of 45.6% as compared to HK\$537.9 million in the first half of 2022. Profit for the hotel operations for the six months ended 30 June 2023 was HK\$50.28 million as compared to HK\$1.97 million for the first six months of 2022.

The People's Republic of China

The Chinese government's relaxation of dynamic zero-COVID policies and easing of restrictions at the end of 2022 marked a significant turning point following a series of intermittent lockdowns and border closures over a three-year period. Consequently, China's economy gradually stabilised and rebounded in 2023, with a healthy year-on-year GDP growth rate of 5.5% in the first half of the 2023. However, the second quarter of 2023 witnessed a slowdown in growth, as evidenced by a mere 0.8% GDP growth, thereby generating concerns regarding potential obstacles and the prospect of a broader macroeconomic deceleration in China.

Against the backdrop of China's improving economy, the hotel industry in the country experienced a gradual recovery. Nonetheless, this recovery was primarily driven by the rebound in domestic travel following the pandemic. Despite the resumption of travel from overseas, the number of international leisure or business travelers to China remained limited in the first half of 2023. This limitation can be attributed to geopolitical concerns and the partial restoration of normal flight capacity in China. Additionally, the Group's hotel operations in China encountered pressures stemming from the macroeconomic growth slowdown in the country. These factors are expected to persist, adding to the complexities and uncertainties surrounding the Group's hotel operational environment in China throughout the second half of 2023.

Holiday Inn Wuhan Riverside (Group's interest: 41.26%)

Room revenue of the hotel increased to RMB12.2 million as compared to RMB7.9 million in the first half of 2022, an increase of 55%. The food and beverage revenue of the hotel has also increased to RMB5.6 million in the first half of 2023 from RMB2.5 million in the first half of 2022, an increase of 124%.

During the first half of 2023, average occupancy rate was 54.0%, as compared to 50.1% during the first half of 2022. Average room rate has increased to RMB410 per room night during the first half of 2023, as compared to RMB285 per room night during the first half of 2022.

Vietnam

Vietnam has demonstrated strong economic resilience and exhibited signs of continuing recovery in the first half of 2023, particularly in the tourism sector. Vietnam's GDP grew by 3.72% in the first half of the year compared to the same period in 2022, also marking the seventh consecutive quarter of growth. It is worth noting that the services sector experienced the highest growth at 6.33%, fueled by domestic consumption stimulation and tourism promotion policies. Moreover, international arrivals to Vietnam surged by 826% year-on-year in the first half of 2023.

Despite Vietnam having shown signs of continuing recovery in the first half of 2023, the country will continue to face numerous difficulties and challenges in the second half of 2023, including the prospect of global economic slowdown, change in political landscape, as well as upward pressure on global inflation. Furthermore, despite a gradual recovery in the tourism sector following the pandemic, Vietnam is grappling with a severe shortage of trained personnel, particularly in hotel and restaurant sectors.

During the first half of 2023, both Sheraton Saigon Hotel and Towers and Caravelle Hotel experienced a robust recovery in terms of revenue, occupancy, and average rates compared to the first half of 2022. However, the recovery of international travelers has been slower due to limited flight capacity.

During the first six months of 2023, the Group's revenue from Vietnam increased to HK\$363.1 million, as compared to HK\$238.4 million in the first half of 2022, an increase of 52%.

For the third year in a row, both Sheraton Saigon Hotel and Towers and Caravelle Hotel were awarded the Travelers' Choice Winner by TripAdvisor in 2023. Caravelle Hotel was also awarded Top 10 Best City Hotels in Vietnam by Travel+Leisure Awards Asia Pacific.

Sheraton Saigon Hotel and Towers (Group's interest: 64.12%)

For the first half of 2023, occupancy rate has increased to 73.6%, as compared to 41.2% for the first half of 2022. Average room rate was at US\$173.1 per room night during the first half of 2023, as compared to US\$124.5 per room night during the first six months of 2022.

Caravelle Hotel (Group's interest: 24.99%)

For the first half of 2023, occupancy rate has increased to 68.5%, as compared to 37.8% for the first half of 2022. Average room rate was at US\$154.9 per room night during the first half of 2023, as compared to US\$103.8 per room night during the first six months of 2022.

Japan

In the first quarter of 2023, Japan's economy continued on a gradual recovery path, as evidenced by a 1.3% expansion in GDP compared to the previous year. This growth was primarily driven by rebounds in personal consumption and capital investment. Japan's hospitality sector also sustained its recovery momentum, aided by the full reopening of borders to foreign tourists in October 2022 and the lifting of local travel advisories. The return of international demand provided a boost to hotel occupancies and revenues in the first half of 2023, although inbound tourism has yet to reach pre-pandemic levels, which is primarily attributable to the delayed resumption of visitors from China, historically a major source market. However, risks persist for Japan's recovery from elevated global inflation and slowing growth in key export markets. Domestically, acute labor shortages and rising costs also present challenges for labor-reliant sectors like hospitality. However, the foundations is now in place for Japan's gradual economic revival, supported by the normalisation of economic activity, increasing consumer spending fuelled by rising wages, and accommodative fiscal and monetary policies.

Best Western Hotel Fino Osaka Shinsaibashi (Group's interest: 100%)

For the first half of 2023, occupancy rate for the hotel has increased to 73.2%, as compared to 24.4% for the first half of 2022. Average room rate was at JPY8,935 per room night during the first half of 2023, as compared to JPY5,591 per room night for the first half of 2022.

The United States ("US")

In 2023, the US economy exhibited consistent growth, with the GDP increasing by 2% and 2.4% in the first and second quarters respectively. However, the unemployment rate saw a slight rise from 3.5% in December 2022 to 3.6% in June 2023.

The momentum of the strong recovery that we experienced in US hospitality markets in 2022 has lessened. The New York hospitality market still saw a rebound in the first half of 2023, while the San Francisco has lagged behind other major US cities and has struggled to attain its pre-pandemic tourism levels from 2019. Several factors account for San Francisco's sluggish recovery, including reduced convention attendance, decline in tech jobs, migration of some tech companies to other states and cities, increased flexibility in work-from-home arrangements, limitations on inbound Asian visitors, particularly from China, and rising crime and homelessness in the city, which have adversely impacted its image and reputation. Moreover, both international and domestic business travel within US has experienced a decline, posing more significant implications for tech-centric cities like San Francisco.

The overall business environment in the US remains challenging, with potential economic slowdown, persistent inflation, and geopolitical conflicts. Although the performance of the US hotel industry is expected to improve gradually in the second half of 2023 following the lifting of travel restrictions from China in March 2023, the recovery path remains uncertain due to ongoing challenges.

Sofitel New York's service excellence continued to be well recognised. The property has once again been named a Recommended Hotel by Forbes Travel Guide in 2023 and it was also recognised with the prestigious Planners' Choice Excellence Award by Cvent in 2023 for its exceptional services and capabilities, which left a lasting impression on event planners.

W San Francisco (Group's interest: 100%)

For the first half of 2023, occupancy rate was 63.6%, as compared to 67.5% for the first half of 2022. Average room rate was at US\$359.4 per room night during the first half of 2023, as compared to US\$303.2 per room night during the first half of 2022.

Sofitel New York (Group's interest: 100%)

For the first half of 2023, Sofitel New York's occupancy rate was 69.4%, as compared to 49.7% for the first half of 2022. Average room rate was at US\$361.4 per room night during the first half of 2023, as compared to US\$340.3 per room night during the first half of 2022.

Canada

Canada has demonstrated a strong performance in its economy, marked by a robust post-pandemic recovery. Canada has showcased its resilience, with an unemployment rate of 5.4% in June 2023, which is below pre-pandemic levels, and recording the highest GDP growth of 3.1% among G7 countries in the first quarter of the year. However, the economy faces challenges as inflation remains elevated both domestically and globally, resulting in rising interest rates and the potential for an economic slowdown. Looking ahead, despite a further slowdown in GDP and labour markets is expected in the second half of 2023, Canada continues to navigate global price pressures while striving to maintain its positive trajectory.

The Canadian hotel industry continues to strengthen and recover after the pandemic. Delta Hotels by Marriott Toronto Airport & Conference Centre experienced a strong recovery in terms of revenue, occupancy and average rates, compared to the first half of 2022. Sheraton Ottawa Hotel is also seeing a reasonable recovery towards the end of the reporting period. However, hospitality sector in Canada is expected to still face the adverse impact of staff shortages, inflation and rising commodity prices in the second half of the year.

The Sheraton Ottawa Hotel (Group's interest: 85%)

For the first half of 2023, occupancy rate has increased to 67.7%, as compared to 41.5% for the first half of 2022. Average room rate was at C\$216.0 per room night during the first half of 2023, as compared to C\$188.3 per room night during the first six months of 2022.

Delta Hotels by Marriott Toronto Airport & Conference Centre (Group's interest: 25%)

For the first half of 2023, occupancy rate has increased to 71.6%, as compared to 52.7% for the first half of 2022. Average room rate was at C\$179.5 per room night during the first half of 2023, as compared to C\$137.4 per room night during the first six months of 2022.

Other net gains

Other net gains were at an amount of HK\$12.2 million, as compared to HK\$10.9 million in the first half of 2022. It was mainly attributable to net unrealised gains on other non-current financial assets which amounted to HK\$10.3 million for the first half of 2023, as compared to HK\$8.8 million for the first half of 2022.

FINANCIAL REVIEW

The Group's revenue was HK\$831.5 million for the first six months of 2023, an increase of 41.6% as compared to the corresponding period in 2022. The increase was primarily due to ongoing recovery of the Group's hotel business.

The Group's operating profit was HK\$124.6 million for the period ended 30 June 2023, as compared to the HK\$32.7 million for the corresponding period in 2022.

Profit attributable to equity shareholders was HK\$45.3 million for the period ended 30 June 2023 as compared to the HK\$6.9 million in the first half of 2022. The increase in profit of the Group for the first half year of 2023 was mainly attributable to increase in hotel business.

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\$1,358.0 million as at 30 June 2023 (as at 31 December 2022: HK\$1,341.3 million). The Group also has undrawn facility from the bank loans facility agreement amounting to HK\$85.0 million as at 30 June 2023 (as at 31 December 2022: HK\$85.0 million). The Group's gearing ratio (defined as the ratio of total outstanding bank loans to total assets) was 25.5% as at 30 June 2023, compared to 25.5% as at 31 December 2022.

PLEDGE OF ASSETS

As at 30 June 2023, hotel properties including land with an aggregate value of HK\$1,812.3 million (31 December 2022: HK\$1,830.7 million) were pledged to bank to secure bank loans borrowed by the Group.

CONTINGENT LIABILITIES

As at 30 June 2023, 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 2022: HK\$8,252,000).

As at 30 June 2023, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees.

PROSPECTS

The global economy saw recovery of varying degrees in the first half of 2023. The notable exception was China which turned in a relatively strong performance in the first quarter, but began to slide into areas of uncertainty with declining external trade, weak capital investment, lacklustre property sales, and high unemployment figures amongst youth. Given the size and reach of the Chinese economy and its impact on global economic activity, the direction of the Chinese economy in the coming months will have a direct bearing on economic performance worldwide.

The continuing prospect of high interest rates is also casting a long shadow on global economic and investment activities. In addition, ongoing geopolitical tensions, trade conflicts, investment restrictions, and heightened macroeconomic volatility will continue to overshadow the prospects for growth.

Macau's economy is expected to sustain its gradual post-pandemic recovery throughout the second half of 2023. However, the outlook for the real estate market remains uncertain due to potential adverse effects from global economic slowdown, China's economic deceleration, and worldwide interest rate hikes, could also dampen the recovery of Macau's real estate sector. However, the real estate market in Macau should remain stable due to limited new supply, especially in the luxury sector. Furthermore, the growing integration with the Greater Bay Area presents significant long-term growth prospects for both the local economy and the real estate market. During the second half of 2023, our focus will remain on enhancing occupancy rates and maximising tenant retention through the implementation of competitive leasing strategies.

The hospitality sector is expected to continue its recovery in the second half of 2023. However, it is important to remain vigilant as the pace of normalisation varies across regions. The Asian markets, with the exception of China, are expected to continue their recovery, while the rebound in our US and Canada markets may be slower due to potential economic slowdown, persistent inflationary pressure, and high interest rates. Given these degrees of uncertainties and with numerous hurdles and setbacks to overcome, the outlook for the hospitality sector remains uncertain, and a prolonged and arduous path to recovery is anticipated in the second half of 2023.

As we approach the second half of 2023, the Group remains committed to adopting conservative and responsible measures to maintain a strong and sustainable financial structure. The Group's liquidity position has remained high, with HK\$1.36 billion in cash, bank balances, and short-term deposits as at 30 June 2023. The Board is confident that the Group possesses sufficient resources to meet its working capital needs and ensure operational integrity.

The Group will maintain a cautious approach and prioritise the evaluation of potential investments that generate sustainable long-term value for shareholders. Additionally, we will adopt a disciplined and pragmatic approach when considering acquisitions, specifically targeting industries, countries, or regions where the Group possesses expertise and comparative advantages.

PERSONNEL AND RETIREMENT SCHEMES

As at 30 June 2023, the Group had approximately 1,713 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.

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 2023.

CORPORATE GOVERNANCE

The Board 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 2023, save and except for the deviations as explained below.

- (1) Code Provision C.2.1, as the role of chairman and chief executive officer of the Company is not segregated.
- (2) Code provision F.2.2 – as the chairman of the Nomination Committees didn't attend the Annual General Meeting.

Pursuant to Code Provision C.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.

Pursuant to Code Provision F.2.2, the chairman of the board should invite the chairmen of the board's committees to attend the annual general meeting. Mr. KWOK Chi Shun Arthur, an Independent Non-executive Director and the chairman of the Nomination Committee of the Company, was unable to attend the Annual General Meeting held on 31 May 2023 due to other work commitment. All other members of the Nomination Committee attended and were available to answer questions at the Annual General Meeting.

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 2023.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five 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 five 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 four members, three of whom are Independent Non-executive Directors. The Committee 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.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' entitlement to the interim dividend, the Company's Register of Members will be closed as set out below:

For determining entitlement to the interim dividend:

- Ex-dividend date Wednesday, 4 October 2023
- Latest time to lodge transfer documents for registration with the Company's registrar and transfer office At 4:30 p.m. (*Hong Kong time*) on Thursday, 5 October 2023
- Closure of Register of Members Friday, 6 October 2023 to Monday, 9 October 2023, *both days inclusive*
- Record date Monday, 9 October 2023

During the above closure periods, no transfer of shares will be registered. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar and transfer office, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than the aforementioned latest time.

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

Hong Kong, 23 August 2023

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 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.