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## **KECK SENG INVESTMENTS (HONG KONG) LIMITED**

### **激成投資 ( 香港 ) 有限公司**

*(Incorporated in Hong Kong with limited liability)*

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

(Stock Code: 00184)

#### **2012 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 2012. These results have been reviewed by the Audit 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 draft consolidated financial statements for the year and the amounts were found to be in agreement.

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2012 was HK\$355,585,000 (HK\$1.045 per share), compared to HK\$149,274,000 (HK\$0.439 per share) in 2011.

The Board has recommended the payment of a final dividend of HK\$0.17 (2011: HK\$0.10) per share for the year. Together with the interim dividend of HK\$0.03 (2011: HK\$0.025) per share, the total dividend for the year ended 31 December 2012 will be HK\$0.20 (2011: HK\$0.125) per share. 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 26 June 2013.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>	3	<b>1,363,943</b>	1,182,136
Cost of sales		<b>(161,511)</b>	(140,328)
		<b>1,202,432</b>	1,041,808
Other revenue	4(a)	<b>92,867</b>	27,814
Other net gains/(losses)	4(b)	<b>30,511</b>	(11,258)
Direct costs and operating expenses		<b>(447,363)</b>	(410,435)
Marketing and selling expenses		<b>(54,821)</b>	(58,526)
Depreciation of fixed assets		<b>(94,186)</b>	(88,690)
Administrative and other operating expenses		<b>(231,524)</b>	(222,201)
<b>Operating profit</b>		<b>497,916</b>	278,512
Increase in fair value of investment properties		<b>77,425</b>	53,995
		<b>575,341</b>	332,507
Finance costs	5(a)	<b>(14,732)</b>	(10,665)
Share of profits less losses of associates		<b>13,299</b>	17,060
<b>Profit before taxation</b>	5	<b>573,908</b>	338,902
Income tax	6	<b>(100,718)</b>	(132,018)
<b>Profit for the year</b>		<b>473,190</b>	206,884
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>355,585</b>	149,274
Non-controlling interests		<b>117,605</b>	57,610
<b>Profit for the year</b>		<b>473,190</b>	206,884
<b>Earnings per share, basic and diluted (cents)</b>	7	<b>104.5</b>	43.9

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 COMPREHENSIVE INCOME

For the year ended 31 December

	2012 HK\$'000	2011 HK\$'000
<b>Profit for the year</b>	<b>473,190</b>	206,884
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of financial statements of overseas subsidiaries and associates	(16,955)	18,613
Available-for-sale securities:		
- changes in fair value recognised during the year	<u>11,857</u>	(33)
<b>Total comprehensive income for the year</b>	<b><u>468,092</u></b>	<u>225,464</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	351,835	167,179
Non-controlling interests	<u>116,257</u>	58,285
<b>Total comprehensive income for the year</b>	<b><u>468,092</u></b>	<u>225,464</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>			
Fixed assets	8		
- Investment properties		422,665	823,240
- Other properties and fixed assets		1,203,342	1,247,346
- Interests in leasehold land held for own use under operating lease		239,851	248,950
		<u>1,865,858</u>	2,319,536
Interest in associates		205,775	189,231
Available-for-sale securities		65,317	5,005
		<u>2,136,950</u>	2,513,772
<b>Current assets</b>			
Trading securities		1,938	2,132
Properties held for sale		283,527	303,384
Inventories		4,876	4,833
Trade and other receivables	9	57,553	55,081
Derivative financial assets		459	1,408
Pledged deposits		307,399	542,416
Deposits and cash		1,538,874	1,122,512
Taxation recoverable		6,048	6,092
		<u>2,200,674</u>	2,037,858
<b>Current liabilities</b>			
Bank loans	10	383,145	331,024
Trade and other payables	11	214,061	230,381
Loans from associates		464	464
Loans from non-controlling shareholders		30,664	34,617
Amount due to an affiliated company		19,441	19,499
Derivative financial liabilities		563	-
Taxation payable		65,891	102,585
		<u>714,229</u>	718,570
<b>Net current assets</b>		<u>1,486,445</u>	1,319,288
<b>Total assets less current liabilities</b>		<u>3,623,395</u>	3,833,060
<b>Non-current liabilities</b>			
Bank loans	10	-	593,332
Deferred revenue		7,055	-
Loan from non-controlling shareholders		45,889	42,713
Loan from an affiliated company		48,160	44,958
Deferred tax liabilities		84,670	69,792
		<u>185,774</u>	750,795
<b>NET ASSETS</b>		<u>3,437,621</u>	3,082,265

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 31 December*

	<i>Note</i>	2012 HK\$'000	2011 HK\$'000
<b>Capital and reserves</b>			
Share capital		340,200	340,200
Reserves		2,570,314	2,267,667
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,910,514</b>	<b>2,607,867</b>
Non-controlling interests		527,107	474,398
<b>TOTAL EQUITY</b>		<b>3,437,621</b>	<b>3,082,265</b>

Notes:

## **1. Basis of preparation of the financial statements**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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. These 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 “Listing Rules”).

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011, with the addition of the new and revised HKFRSs as set out in note 2.

## **2. Changes in accounting policies**

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. These include the amendments to HKAS 12, *Income taxes – Deferred tax: recovery of underlying assets*, which the Group has already adopted in the prior period. None of the other developments are relevant to the Group’s financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **3. 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 four 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 operations 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 investment segment is primarily engaged in the businesses of property leasing of the Group's investment properties, which mainly consist of retail and office properties in Macau and residential properties in Japan.
- (iii) Property development segment is primarily engaged in the businesses of development, construction, sales and marketing of the Group's trading properties in Macau.
- (iv) Investment and corporate segment is primarily engaged in the businesses of management of the Group's corporate assets and liabilities, available-for-sale and trading securities, financial instruments and other treasury operations.

#### ***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.

## Analysis of segment results of the Group

	<i>External turnover</i>	<i>Inter-segment turnover</i>	<i>Total turnover</i>	<i>Depreciation of fixed assets</i>	<i>Finance costs</i>	<i>Share of results of associates</i>	<i>Income tax</i>	<i>Contribution to profit</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2012</b>								
Hotel operations	1,146,360	-	1,146,360	(86,003)	(7,082)	13,300	(72,351)	241,940
- Vietnam	638,038	-	638,038	(35,098)	-	12,110	(50,955)	204,228
- United States	405,479	-	405,479	(28,710)	(7,082)	-	(20,561)	33,995
- The People's Republic of China	66,828	-	66,828	(13,360)	-	-	-	345
- Canada	-	-	-	-	-	1,190	-	1,190
- Japan	36,015	-	36,015	(8,835)	-	-	(835)	2,182
Property development	129,597	-	129,597	-	-	-	(13,302)	96,409
- Macau	129,597	-	129,597	-	-	-	(13,302)	96,409
Property investment	85,082	1,430	86,512	(8,093)	(6,492)	-	(14,748)	94,002
- Macau	60,694	1,430	62,124	(8,093)	(15)	-	(11,906)	85,768
- Japan	24,388	-	24,388	-	(6,477)	-	(2,842)	8,234
Investment and corporate	2,904	-	2,904	(90)	(1,158)	(1)	(317)	40,839
- Macau	-	-	-	-	-	(1)	-	6,326
- Others	2,904	-	2,904	(90)	(1,158)	-	(317)	34,513
Inter-segment elimination	-	(1,430)	(1,430)	-	-	-	-	-
<b>Total</b>	<b>1,363,943</b>	<b>-</b>	<b>1,363,943</b>	<b>(94,186)</b>	<b>(14,732)</b>	<b>13,299</b>	<b>(100,718)</b>	<b>473,190</b>

	<i>External turnover</i>	<i>Inter-segment turnover</i>	<i>Total turnover</i>	<i>Depreciation of fixed assets</i>	<i>Finance costs</i>	<i>Share of results of associates</i>	<i>Income tax</i>	<i>Contribution to profit</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2011</b>								
Hotel operations	1,084,895	-	1,084,895	(79,115)	(7,753)	17,069	(119,671)	140,370
- Vietnam	628,957	-	628,957	(36,879)	-	14,764	(105,595)	102,693
- United States	373,619	-	373,619	(26,227)	(7,753)	-	(14,072)	24,163
- The People's Republic of China	71,129	-	71,129	(12,887)	-	-	-	16,681
- Canada	-	-	-	-	-	2,305	-	2,305
- Japan	11,190	-	11,190	(3,122)	-	-	(4)	(5,472)
Property development	17,191	-	17,191	-	-	-	-	14,385
- Macau	17,191	-	17,191	-	-	-	-	14,385
Property investment	77,318	1,469	78,787	(9,490)	(487)	-	(12,060)	78,570
- Macau	46,507	1,469	47,976	(9,490)	(298)	-	(10,422)	59,126
- Japan	30,811	-	30,811	-	(189)	-	(1,638)	19,444
Investment and corporate	2,732	-	2,732	(85)	(2,425)	(9)	(287)	(26,441)
- Macau	-	-	-	-	-	(9)	-	515
- Others	2,732	-	2,732	(85)	(2,425)	-	(287)	(26,956)
Inter-segment elimination	-	(1,469)	(1,469)	-	-	-	-	-
<b>Total</b>	<b>1,182,136</b>	<b>-</b>	<b>1,182,136</b>	<b>(88,690)</b>	<b>(10,665)</b>	<b>17,060</b>	<b>(132,018)</b>	<b>206,884</b>

## Analysis of total assets of the Group

	<i>Segment assets</i> HK\$'000	<i>Interest in associates</i> HK\$'000	<i>Total assets</i> HK\$'000	<i>Capital expenditure</i> HK\$'000
<b>At 31 December 2012</b>				
Hotel operations				
- Vietnam	485,298	109,074	594,372	4,405
- United States	730,579	-	730,579	16,688
- The People's Republic of China	236,883	-	236,883	34,270
- Canada	-	92,565	92,565	-
- Japan	156,067	-	156,067	1,090
Property development	335,931	-	335,931	-
Property investment				
- Macau	873,035	-	873,035	789
Investment and corporate	1,314,056	4,136	1,318,192	-
<b>Total</b>	<b>4,131,849</b>	<b>205,775</b>	<b>4,337,624</b>	<b>57,242</b>
<b>At 31 December 2011</b>				
Hotel operations				
- Vietnam	517,245	96,963	614,208	7,518
- United States	732,532	-	732,532	31,840
- The People's Republic of China	233,417	-	233,417	8,035
- Canada	-	88,124	88,124	-
- Japan	179,753	-	179,753	162,439
Property development	304,157	-	304,157	-
Property investment				
- Macau	701,535	-	701,535	1,943
- Japan	500,731	-	500,731	55
Investment and corporate	1,193,029	4,144	1,197,173	-
<b>Total</b>	<b>4,362,399</b>	<b>189,231</b>	<b>4,551,630</b>	<b>211,830</b>

## Analysis of total liabilities of the Group

	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
<b>At 31 December 2012</b>			
Hotel operations			
- Vietnam	127,631	-	127,631
- United States	77,013	292,638	369,651
- The People's Republic of China	110,383	-	110,383
- Japan	2,403	-	2,403
Property development	-	-	-
Property investment			
- Macau	115,268	-	115,268
Investment and corporate	84,160	90,507	174,667
<b>Total</b>	<b>516,858</b>	<b>383,145</b>	<b>900,003</b>

	<i>Segment liabilities</i> HK\$'000	<i>Bank borrowings</i> HK\$'000	<i>Total liabilities</i> HK\$'000
<b>At 31 December 2011</b>			
Hotel operations			
- Vietnam	209,830	-	209,830
- United States	59,232	345,296	404,528
- The People's Republic of China	103,516	-	103,516
- Japan	1,902	-	1,902
Property development	-	-	-
Property investment			
- Macau	82,403	-	82,403
- Japan	25,666	268,257	293,923
Investment and corporate	62,460	310,803	373,263
<b>Total</b>	<b>545,009</b>	<b>924,356</b>	<b>1,469,365</b>

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

	2012 HK\$'000	2011 HK\$'000
(a) <i>Other revenue</i>		
Interest income from bank deposits	35,132	24,396
Dividend income from listed available-for-sale and trading securities	282	209
Other revenue from hotel and club operations	57,453	3,209
	<b>92,867</b>	<b>27,814</b>

Other revenue from hotel and club operations in 2012 includes HK\$53 million of discounts granted by the third party service providers of the Group's Club in Vietnam in respect of prior year management fees charged to the Group.

(b) <i>Other net gains/(losses)</i>		
Net exchange gains/(losses)	21,169	(10,995)
Net realised and unrealised losses on trading securities	(194)	(412)
Gain on disposal of fixed assets	9,982	44
Others	(446)	105
	<b>30,511</b>	<b>(11,258)</b>

#### 5. Profit before taxation

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

	2012 HK\$'000	2011 HK\$'000
(a) <i>Finance costs</i>		
Interest on bank loans and other borrowings wholly repayable within five years	14,718	10,134
Interest paid on amount due to an affiliated company	14	11
Other borrowing costs	-	520
	<b>14,732</b>	<b>10,665</b>
(b) <i>Staff costs</i>		
Salaries, wages and other benefits	264,557	213,336
Contributions to defined contribution retirement plans	4,629	2,412
	<b>269,186</b>	<b>215,748</b>
(c) <i>Other items</i>		
Cost of properties sold	19,857	2,806
Cost of inventories	141,654	137,522
Net (gain)/loss on forward foreign exchange contracts	(522)	7,476
Auditors' remuneration		
- Audit services	2,539	1,946
- Other services	1,769	743
Operating lease charges for hire of premises	3,659	3,428
Rentals receivable from investment properties less direct outgoings of HK\$15,599,000 (2011: HK\$12,500,000)	(58,042)	(50,620)
Other rental income less direct outgoings	(12,612)	(9,398)

## 6. Income tax

	2012 HK\$'000	2011 HK\$'000
<i>Current tax - Overseas</i>		
Provision for the year	87,917	52,759
(Over)/under-provision in respect of prior years (note (iii))	(1,887)	65,561
	<u>86,030</u>	<u>118,320</u>
<i>Deferred tax</i>		
Change in fair value of investment properties	9,402	6,747
Withholding tax on the distributable profits	1,109	(491)
Origination and reversal of other temporary differences	4,110	7,524
Future benefit of tax losses utilised/(recognised)	67	(82)
	<u>14,688</u>	<u>13,698</u>
	<u>100,718</u>	<u>132,018</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 in 2012 and 2011.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) In 2011, a subsidiary of the Group discussed with the local tax authority in Vietnam in respect of the tax enquiries relating to the tax provision payable on slot machine operation and management fees, and an additional provision of HK\$66,110,000 was made in respect of the under-provision for income tax after the assessment by the tax authority. The above income tax provision was finalised with local tax authority and no addition provision was made in 2012.

## 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\$355,585,000 (2011: HK\$149,274,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2012 and 31 December 2011.

There is no potential diluted ordinary share during the years ended 31 December 2012 and 31 December 2011.

## 8. Fixed assets

During the year ended 31 December 2012, the Group disposed its interest in the investment properties in Japan to an independent third party with an aggregate consideration of JPY4,900,000,000 (equivalent to approximately HK\$488,530,000) and realised a gain on disposal of HK\$9,870,000, being the difference between the net proceeds from the disposal and the appraised value of the properties as at 30 June 2012.

## 9. Trade and other receivables

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis (by transaction date) as of the end of the reporting period:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Within one month	<b>20,642</b>	18,252
One to three months	<b>10,683</b>	10,573
More than three months but less than twelve months	-	5
	<b>31,325</b>	28,830

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 to 30 days. Trade receivables with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. The exposures to these credit risks (including loans to associates) are monitored on an ongoing basis.

The Group does not have significant concentration of credit risk.

## 10. Bank loans

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Repayable within one year or on demand	<b>383,145</b>	331,024
Repayable after one year but within two years	-	325,075
Repayable after two years but within five years	-	268,257
	-	593,332
	<b>383,145</b>	924,356
Unsecured	-	40,756
Secured	<b>383,145</b>	883,600
	<b>383,145</b>	924,356

At 31 December 2012, the banking facilities available to the Company and certain subsidiaries of the Group were secured by:

- (i) land and building on Taipa Island, Macau classified as properties held for sale with a carrying value of HK\$66,767,000 (2011: HK\$85,424,000),
- (ii) hotel property and investment properties of the Group with aggregate carrying value of HK\$661,412,000 (2011: HK\$1,156,961,000),
- (iii) bank deposits of HK\$307,399,000 (2011: HK\$542,416,000), and
- (iv) equity securities with fair value of HK\$1,938,000 (31 December 2011: HK\$2,132,000).

## 11. Trade and other payables

Included in trade and other payables are trade payables with the following ageing analysis:

	2012 HK\$'000	2011 HK\$'000
Due within one month or on demand	24,181	17,578
Due after one month but within three months	20,176	7,750
Due after three months	15,108	56,337
	<b>59,465</b>	81,665

## 12. Dividends

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

	2012 HK\$'000	2011 HK\$'000
Interim dividend declared and paid of HK\$0.03 (2011: HK\$0.025) per ordinary share	10,206	8,505
Final dividend proposed after the end of the reporting period of HK\$0.17 (2011: HK\$0.10) per ordinary share	57,834	34,020
	<b>68,040</b>	42,525

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

	2012 HK\$'000	2011 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.10 (2011: HK\$0.175) per ordinary share	34,020	59,535

### 13. Commitments

- (a) At 31 December 2012, capital commitments outstanding not provided for in the financial statements are as follows:

	2012 HK\$'000	2011 HK\$'000
Contracted for	42,853	52,862
Authorised but not contracted for	1,943	20,972
	<u>44,796</u>	<u>73,834</u>

- (b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 HK\$'000	2011 HK\$'000
Leases on premises expiring:		
- within one year	1,636	401
- after one year but within five years	63	123
	<u>1,699</u>	<u>524</u>

## REVIEW OF OPERATIONS

The Group's turnover for 2012 increased by 15% to HK\$1,363.9 million, as compared to HK\$1,182.1 million in 2011.

A summary and analysis of the operations are as follows.

### **Vietnam**

During the year 2012, the Vietnamese economy continued to go through a period of adjustment. Whilst tourism arrivals have increased marginally in 2013, overall commercial activity in Ho Chi Minh City remains lackluster in comparison to previous years.

***Sheraton Saigon Hotel and Towers*** The hotel has reported a slight reduction in occupancy ratio to 67.9% in 2012, as compared to 69.3% in 2011. Room rates have increased slightly to US\$170 per room night, as compared to US\$166 in 2011. The hotel continues to receive accolades and awards for its outstanding facilities and quality service to customers.

As previously announced to shareholders on 8 January 2013, a court in Ho Chi Minh City, Vietnam has ruled against a subsidiary of the Group in the amount of approximately US\$55 million. This verdict arose from a legal suit brought against the subsidiary by a customer who claimed winnings from a malfunctioning gaming machine located in a hotel owned by the subsidiary. The subsidiary has already lodged an appeal to a higher court in Ho Chi Minh City, and the appeal has been accepted for consideration by the court. After seeking legal opinion from lawyers engaged by the subsidiary, the directors of the Company consider that at the end of the reporting period, the subsidiary does not have a present obligation to pay the plaintiff. Accordingly, no provision for this matter has been made in the financial statements.

***Caravelle Hotel*** For 2012, average room rate has decreased to US\$139, as compared to US\$142 in 2011. Occupancy rate also decreased to 66% in 2012, as compared to 69% in 2011. Share of contribution to profit was HK\$12.1 million for 2012, a drop of 17% from the 2011 level of HK\$14.7 million.

### **The United States (“US”)**

***W San Francisco*** The economy is slowing moving towards a gradual recovery on the back of continuing monetary easing. The hotel continues to operate against the background of strong business demand in the San Francisco area. Occupancy ratio for the hotel increased to 84% for 2012, as compared to 82% in 2011. Room rates also increased to US\$278 per room night during 2012, as compared to US\$262 in 2011. Contribution to profits also increased to HK\$34 million in 2012, as compared to HK\$24.1 million in 2011.

The hotel has further enhanced its reputation as one of the trendiest hotel in US. It was listed as number 24 in the *TripAdvisor 2012 Travelers' Choice Awards – Trendiest*, and was also listed as number 1 *Trendiest in San Francisco*.

### **Macau**

As a result of strong economic activity arising from increased visitors arrivals to Macau, robust gaming receipts, as well as continuing development and construction of hotels and infrastructural projects, the property sector has been significant beneficiary. The sector witnessed enhanced capital values as well as strong increases in rental rates for properties across the board. Profit from sale of properties in Macau rose to HK\$96.4 million during the year as compared to HK\$14.3 million in 2011, whilst profit from leasing activities increased to HK\$85.7 million as compared to HK\$59.1 million in 2011.

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

***Holiday Inn Wuhan Riverside*** As a result of strong competition from newly built hotels in the city, as well as the reduction in room inventory during the year due to ongoing renovation, the hotel has reported significantly lower profits during the year. Occupancy ratio dropped to 62% during 2012 as compared to 69% during 2011. In terms of room rate, 2012 saw an increase to Rmb434 per room night as compared to Rmb416 for 2011. Profit for 2012 was HK\$345,000 as compared to HK\$16.6 million in 2011.

## **Canada**

Economic activity remained steady during 2012. Contribution to profit from Canadian operations for the year 2012 was HK\$1.2 million, as compared to HK\$2.3 million in 2011.

***The Sheraton Ottawa Hotel*** In 2012, the hotel reported occupancy ratio of 70%, which was the same as 2011. Room rate increased to C\$163 per room night as compared to C\$149 in 2011.

***Doubletree by Hilton, Toronto*** In 2012, the hotel reported occupancy ratio of 70%, which is a small reduction compared to the 2011 occupancy ratio of 71%. Room rate also remained steady at C\$105 in 2012, which is virtually the same figure reported for 2011.

In spite of the stiff competition, the hotel earned the "Certificate of Excellence" Award from Tripadvisor in recognition of its exceptional traveller ratings over the past year.

## **Japan**

During the year, the Group has disposed of its portfolio of two blocks of residential apartments in Tokyo, Japan, and reported a profit of around HK\$10 million arising from the transaction.

2012 was the first year of full-year operation of the Best Western Hotel Fino Osaka Shinsaibashi that was acquired in 2011. During 2012, the hotel reported contribution to profit of HK\$2.1 million. Occupancy during 2012 was 79%, and average room rate was Yen6,512 per room night.

## **Other Net Gains/(Losses)**

Net exchange gain for 2012 amounted to HK\$21.1 million, as compared to a net exchange loss of HK\$11 million in 2011.

Net realized and unrealized losses on trading securities amounted to HK\$194,000, as compared to a loss of HK\$412,000 in 2011.

The sale of the residential properties in Tokyo, Japan resulted in a gain on disposal of fixed assets of approximately HK\$10 million.

## **FINANCIAL REVIEW**

The Group's turnover was HK\$1,363.9 million for the year ended 31 December 2012; an increase of 15% over the corresponding period in 2011. The increase was primarily attributable to the combined effect of the increase in sales of properties held for sale situated in Macau, the growth of regional hotel revenue from improvement in average room rates and occupancy rates, and the full year results of the operation of Best Western Hotel Fino Osaka Shinsaibashi in Japan, which was acquired in September 2011.

The Group's operating profit was HK\$497.9 million for the year ended 31 December 2012 as compared to HK\$278.5 million in 2011. Profit attributable to equity shareholders amounted to HK\$355.5 million (2011: HK\$149.2 million).

At 31 December 2012, the Group has total bank loans of HK\$383.1 million (2011: HK\$924.3 million) and deposits and cash of HK\$1,846.2 million (2011: HK\$1,664.9 million). All the bank loans at 31 December 2012 are repayable within one year or on demand, while at 31 December 2011, bank loans of HK\$331.0 million were repayable within one year, HK\$325.1 million were repayable after one year but within two years, and HK\$268.2 million were repayable after two years but within five years.

The Group's bank borrowings are mostly in United States dollars and Japanese Yen. Bank deposits and cash are mostly in Hong Kong dollars, Australian Dollars, United States dollars and Canadian dollars. The Group's bank borrowings are on floating rate. Taking into account cash at bank and in hand and credit facilities available, the Group has sufficient working capital for its present requirements.

## **PLEDGE OF ASSETS**

As at 31 December 2012, a hotel property, investment properties and certain properties held for sale with an aggregate value of HK\$728.1 million (2011: HK\$1,242.3 million), bank deposits of HK\$307.3 million (2011: HK\$542.4 million) and equity securities with fair value of HK\$1.9 million (2011: HK\$2.1 million) were mortgaged to banks to secure bank loans and banking facilities granted to the Group.

## **CONTINGENT LIABILITIES**

At 31 December 2012, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties held for sale amounting to HK\$8.2 million (2011: HK\$8.2 million).

At 31 December 2012, guarantees given by a subsidiary and the Company to a bank to secure banking facilities made available to an associate amounted to HK\$38.9 million (2011: HK\$37.9 million).

A subsidiary of the Group, Ocean Place Joint Venture Company Limited ("OPJV"), is the defendant in litigation arising from its club operations in Vietnam. The plaintiff, a patron of the hotel's club, claimed winnings from a gaming machine in the club in the amount of approximately US\$55.5 million (equivalent to HK\$433 million) plus interest, and filed a lawsuit against OPJV in 2010.

On 7 January 2013, The People's Court of District 1, Ho Chi Minh City (the "Lower Court") made a ruling against OPJV in the amount of approximately US\$55.5 million plus court fees (the "Judgement").

On 18 January 2013, OPJV lodged an appeal to seek reversal of the Judgement (the "Appeal") on the basis that it was not made in compliance with applicable laws. The Appeal has since been accepted for consideration by The People's Court of Ho Chi Minh City. OPJV is currently taking the necessary steps to start the appellate proceedings to seek reversal of the Judgement.

As the outcome of these court proceedings is still uncertain, the directors have taken into account all available evidence, including the opinion of legal experts, in determining whether a present obligation exists in respect of this claim at the end of the reporting period. Based on legal advice received, the directors understand that OPJV has strong grounds for appeal. In particular the directors took into account that the Judgement amount exceeded the gaming machine's maximum payout (of approximately US\$46,000), that the club's rules state that any machine malfunction voids all pays and plays, and that the opinion of legal experts is that the plaintiff lacks sufficient legal basis and evidence to prove his alleged winning. On the basis of such evidence, the directors consider that at the end of the reporting period OPJV does not have a present obligation to pay the plaintiff. Accordingly, no provision for this matter has been made in the financial statements.

## **PROSPECTS**

The Group has throughout the years maintained an investment policy that seeks long-term value and which rewards patience. We also continue to adopt a management philosophy that focuses on operational efficiency and sustains steady profitability.

The global economy remains unstable and unpredictable, with recent events in Cyprus providing ample testimony. The wide geographical diversification of the Group's assets, however, will offer a fair degree of balance and stability. Strong rental income from Macau is expected throughout 2013. The recovery in US also seems to be taking a more assured path and will provide the basis for our hotel property in the US to continue its profitability.

Against this background, the Group will continue to seek investments which offers prospects of creating long-term value for shareholders of the Company.

## **PERSONNEL**

At 31 December 2012, the Group had approximately 1,797 employees. A policy of localizing 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 Company had been in compliance with the Code on Corporate Governance Practices for the three months ended 31 March 2012 and all Code provisions of the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices which is applicable to financial reports covering a period after 1 April 2012) as set out in Appendix 14 to the Listing Rules for the nine months ended 31 December 2012, except that 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 the past years and does not impair the balance of responsibility between the Board and the management of the business. Further, the non-executive directors of the Company were not appointed for a specific term. In practice, however, they are subject to retirement by rotation not less than once every three years. Under Rule 3.10A of Listing Rules, the independent non-executive directors must represent at least one-third of the board of directors by 31 December 2012. As at the date of this announcement, the board of directors comprises less than one-third of its members as independent non-executive directors. The Company is now considering a proposed candidate and will make further announcement by 1 April 2013.

## **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 4 June 2013 (“2013 AGM”), the Register of Members of the Company will be closed from Wednesday, 29 May 2013 to Tuesday, 4 June 2013, both days inclusive. In order to qualify for attending and voting at the 2013 AGM, all transfer documents should be lodged for registration with the Company’s Share Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 May 2013.

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 Thursday, 13 June 2013 to Wednesday, 19 June 2013, 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 Registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 June 2013.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting of the Company will be held on Tuesday, 4 June 2013.

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

Hong Kong, 22 March 2013

*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 as non-executive director, and Dr CHAN Yau Hing Robin, Mr KWOK Chi Shun Arthur and Ms WANG Poey Foon Angela as independent non-executive directors.*