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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: 00184)

2016 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 2016.

The consolidated profit attributable to equity shareholders of the Company for the six months ended 30 June 2016 was HK\$81,574,000 (HK\$0.240 per share), compared to HK\$129,993,000 (HK\$0.382 per share) for the first six months of 2015.

The Board has declared an interim dividend of HK\$0.03 (2015: HK\$0.03) per share for 2016 payable on Friday, 21 October 2016, to equity shareholders whose names appear on the register of members of the Company on Friday, 7 October 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Unaudited)

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
Revenue	3	957,130	950,466
Cost of sales		<u>(90,682)</u>	(87,395)
		866,448	863,071
Other revenue	4(a)	14,115	14,730
Other net (losses)/gains	4(b)	(14,567)	2,871
Direct costs and operating expenses		(373,465)	(362,398)
Marketing and selling expenses		(44,887)	(51,084)
Depreciation of property, plant and equipment		(66,523)	(66,386)
Administrative and other operating expenses		<u>(209,270)</u>	(208,039)
Operating profit		171,851	192,765
(Decrease)/increase in fair value of investment properties		<u>(14,000)</u>	49,000
Finance costs	5(a)	157,851	241,765
Share of profits less losses of associates		(16,522)	(16,093)
		<u>5,632</u>	5,331
Profit before taxation	5	146,961	231,003
Income tax	6	<u>(28,274)</u>	(40,981)
Profit for the period		<u>118,687</u>	190,022
Attributable to:			
Equity shareholders of the Company		81,574	129,993
Non-controlling interests		<u>37,113</u>	60,029
Profit for the period		<u>118,687</u>	190,022
Earnings per share, basic and diluted (cents)	8	<u>24.0</u>	38.2

Details of dividends payable to equity shareholders of the Company are set out in note 7.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (Unaudited)**

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	118,687	190,022
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
- financial statements of overseas subsidiaries and associates	20,350	(25,643)
Available-for-sale securities:		
- changes in fair value recognised during the period	323	(599)
Other comprehensive income for the period	20,673	(26,242)
Total comprehensive income for the period	139,360	163,780
Attributable to:		
Equity shareholders of the Company	100,414	110,629
Non-controlling interests	38,946	53,151
Total comprehensive income for the period	139,360	163,780

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) At 30 June 2016 HK\$'000	(Audited) At 31 December 2015 HK\$'000
Non-current assets			
Investment properties		764,000	778,000
Property, plant and equipment		2,530,408	2,553,321
Land		838,290	831,425
		4,132,698	4,162,746
Interest in associates		133,227	148,588
Derivative financial assets		6,266	5,918
Available-for-sale securities		4,042	3,719
Deferred tax assets		6,167	5,571
		4,282,400	4,326,542
Current assets			
Trading securities		9,389	8,053
Properties held for sale		280,658	280,658
Inventories		5,635	6,422
Trade and other receivables	9	91,388	92,606
Pledged deposits		48,044	38,119
Deposits and cash		1,830,416	1,790,706
Taxation recoverable		6,850	6,818
		2,272,380	2,223,382
Current liabilities			
Bank loans, secured	10	94,810	91,493
Trade and other payables	11	303,678	317,226
Loan from an associate		464	464
Loans from non-controlling shareholders		30,793	30,760
Taxation payable		21,131	26,137
		450,876	466,080
Net current assets		1,821,504	1,757,302
Total assets less current liabilities		6,103,904	6,083,844
Non-current liabilities			
Bank loans, secured	10	1,705,609	1,739,005
Deferred revenue		7,035	7,297
Loans from non-controlling shareholders		83,498	80,903
Derivative financial liabilities		4,939	1,409
Deferred tax liabilities		146,394	149,790
		1,947,475	1,978,404
NET ASSETS		4,156,429	4,105,440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		(Unaudited)	(Audited)
		At 30 June	At 31 December
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
CAPITAL AND RESERVES			
Share capital	<i>12</i>	498,305	498,305
Reserves		3,007,064	2,947,474
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		3,505,369	3,445,779
Non-controlling interests		651,060	659,661
		<hr/>	<hr/>
TOTAL EQUITY		4,156,429	4,105,440
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Notes:

1. Basis of preparation

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2016 but are extracted from the report.

This 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 issued on 26 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, 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.

This 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 2015 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.

The financial information relating to the financial year ended 31 December 2015 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 2015 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. These revised HKFRSs have no material impact on the interim report of the Group for the period ended 30 June 2016 and 2015 respectively. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Segmental reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (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, 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 payables 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

	External revenue	Inter- segment revenue	Total revenue	Depreciation of property, plant and equipment	Finance costs	Share of profits less losses of associates	Income tax	Contribution to profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2016								
Hotel	903,460	-	903,460	(64,003)	(16,455)	5,632	(26,143)	113,566
- Vietnam	339,498	-	339,498	(13,611)	-	5,034	(16,705)	75,363
- United States	457,219	-	457,219	(39,553)	(13,621)	-	(3,487)	22,789
- The People's Republic of China	33,392	-	33,392	(6,231)	(2,460)	-	-	(1,961)
- Canada	46,099	-	46,099	(2,869)	(374)	598	(2,242)	6,803
- Japan	27,252	-	27,252	(1,739)	-	-	(3,709)	10,572
Property								
- Macau #	52,314	802	53,116	(2,477)	(8)	-	(2,116)	11,701
Investment and corporate	1,356	-	1,356	(43)	(59)	-	(15)	(6,580)
Inter-segment elimination	-	(802)	(802)	-	-	-	-	-
Total	957,130	-	957,130	(66,523)	(16,522)	5,632	(28,274)	118,687

	External revenue	Inter- segment revenue	Total revenue	Depreciation of property, plant and equipment	Finance costs	Share of profits less losses of associates	Income tax	Contribution to profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2015								
Hotel	896,055	-	896,055	(63,905)	(15,977)	5,331	(24,874)	119,700
- Vietnam	339,036	-	339,036	(12,956)	-	6,287	(19,996)	78,353
- United States	456,633	-	456,633	(38,730)	(14,762)	-	(8,213)	25,390
- The People's Republic of China	33,651	-	33,651	(7,315)	(778)	-	-	(1,493)
- Canada	45,419	-	45,419	(3,052)	(437)	(956)	4,520	9,738
- Japan	21,316	-	21,316	(1,852)	-	-	(1,185)	7,712
Property								
- Macau #	53,083	244	53,327	(2,436)	(22)	-	(16,092)	68,977
Investment and corporate	1,328	-	1,328	(45)	(94)	-	(15)	1,345
Inter-segment elimination	-	(244)	(244)	-	-	-	-	-
Total	950,466	-	950,466	(66,386)	(16,093)	5,331	(40,981)	190,022

External revenue from property segment in Macau includes rental income from investment properties of HK\$14,993,000 (2015: HK\$12,041,000), rental income from properties held for sale of HK\$29,834,000 (2015: HK\$32,639,000) and club operations and others of HK\$7,487,000 (2015: HK\$8,403,000).

Analysis of total assets of the Group

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
At 30 June 2016				
Hotel				
- Vietnam	388,309	101,426	489,735	9,763
- United States	2,881,063	-	2,881,063	13,943
- The People's Republic of China	215,143	-	215,143	1,329
- Canada	123,377	27,664	151,041	1,518
- Japan	124,663	-	124,663	-
Property				
- Macau	1,664,274	-	1,664,274	540
Investment and corporate	1,024,724	4,137	1,028,861	9
Total	6,421,553	133,227	6,554,780	27,102

At 31 December 2015

Hotel				
- Vietnam	415,032	119,178	534,210	10,731
- United States	2,906,503	-	2,906,503	37,413
- The People's Republic of China	217,841	-	217,841	876
- Canada	111,794	25,278	137,072	1,180
- Japan	109,414	-	109,414	114
Property				
- Macau	1,781,520	-	1,781,520	537
Investment and corporate	859,232	4,132	863,364	-
Total	6,401,336	148,588	6,549,924	50,851

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

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
At 30 June 2016			
Hotel			
- Vietnam	103,162	-	103,162
- United States	167,014	1,750,935	1,917,949
- The People's Republic of China	96,693	-	96,693
- Canada	9,657	28,865	38,522
- Japan	2,661	-	2,661
Property			
- Macau	154,998	-	154,998
Investment and corporate	63,747	20,619	84,366
Total	597,932	1,800,419	2,398,351

At 31 December 2015

Hotel			
- Vietnam	109,256	-	109,256
- United States	167,675	1,785,288	1,952,963
- The People's Republic of China	94,683	-	94,683
- Canada	10,917	27,711	38,628
- Japan	8,451	-	8,451
Property			
- Macau	156,130	-	156,130
Investment and corporate	66,874	17,499	84,373
Total	613,986	1,830,498	2,444,484

4. Other revenue and net (losses)/gains

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<i>(a) Other revenue</i>		
Interest income from bank deposits	10,595	9,876
Dividend income from listed available-for-sale and trading securities	278	263
Other revenue from hotel and club operations	3,242	4,591
	14,115	14,730
<i>(b) Other net (losses)/gains</i>		
(Loss)/gain on disposal of property, plant and equipment	(20)	9
Net exchange (losses)/gains	(15,883)	2,936
Net realised gains/(losses) on trading securities	1,336	(74)
	(14,567)	2,871

5. Profit before taxation

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<i>(a) Finance costs</i>		
Interest on bank loans wholly repayable within five years	14,054	15,294
Interest expenses on loans from non-controlling shareholders	2,460	777
Other interest expenses	8	22
	16,522	16,093
<i>(b) Staff costs</i>		
Salaries, wages and other benefits	304,491	261,678
Contributions to defined contribution retirement plans	2,372	2,207
	306,863	263,885
<i>(c) Other items</i>		
Cost of inventories	37,729	41,606
Rentals receivable from investment properties less direct outgoings of HK\$551,000 (2015: HK\$205,000)	(14,442)	(11,836)
Rental receivable from properties held for sale and other rental income less direct outgoings of HK\$1,235,000 (2015: HK\$1,247,000)	(30,346)	(33,837)

6. Income tax

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current tax – Overseas		
Provision for the period	31,778	41,818
Deferred taxation		
Origination and reversal of other temporary differences	(3,504)	(837)
	28,274	40,981

Notes:

- (a) 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 2016 and 30 June 2015.
- (b) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (c) The provision for Corporate Income Tax (“CIT”) in Vietnam is calculated at 20% (2015: 22%) of the estimated taxable profits for the period. Under the terms of the investment license of a subsidiary of the Group that is incorporated in Vietnam, the subsidiary has an obligation to pay the CIT at the rate of 15% on taxable income for the first 12 years commencing from the first year of operation in 2002 and at a rate of 25% on taxable income thereafter. The income tax rate was reduced to 22% for 2015, and to 20% from 2016.
- (d) The applicable PRC Corporate Income Tax of the subsidiary established in the PRC is calculated at 25% (2015: 25%) of the estimated taxable profits for the period. No provision has been made for PRC Corporate Income Tax as the subsidiary sustained a loss for taxation purpose or had unutilised tax loss to set-off against taxable income for the six months ended 30 June 2016 and 30 June 2015.
- (e) 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 34% (2015: 34%) and 10.01% (2015: 10.75%) respectively determined by income ranges.
- (f) 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 20% (2015: 20%) on all gross profit distributions from the subsidiary.
- (g) Provision for Macau, Complementary Tax is calculated at 12% (2015: 12%) of the estimated assessable profits for the six months ended 30 June 2016. Macau Property Tax is calculated at 10% (2015: 10%) of the assessable rental income in Macau.
- (h) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2015: 26.5%).
- (i) Share of associates’ tax for the six months ended 30 June 2016 of HK\$1,799,000 (2015: HK\$1,779,000) is included in the share of profits less losses of associates.

7. Dividends

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend declared and paid after the interim period of HK\$0.03 per share (2015: HK\$0.03 per share)	10,206	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	
	2016	2015
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK\$0.12 per share (six months ended 30 June 2015: HK\$0.12 per share)	40,824	40,824

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$81,574,000 (2015: HK\$129,993,000) and on the 340,200,000 ordinary shares in issue during the six months ended 30 June 2016 and 30 June 2015.

There is no potential dilutive ordinary share during the six months ended 30 June 2016 and 30 June 2015.

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:

	At 30 June	At 31 December
	2016	2015
	HK\$'000	HK\$'000
Within one month	23,612	30,625
One to three months	9,484	13,146
	33,096	43,771

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 receivables with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted.

10. Bank loans, secured

(a) At 30 June 2016 and 31 December 2015, the secured bank loans were repayable as follows:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within one year or on demand	94,810	91,493
After one year but within two years	1,705,609	73,993
After two years but within five years	-	1,665,012
	1,705,609	1,739,005
	1,800,419	1,830,498

All bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 30 June 2016, 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\$63,898,000 (31 December 2015: HK\$63,898,000),
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,721,972,000 (31 December 2015: HK\$2,740,129,000), and
- (iii) Bank deposits of HK\$48,044,000 (31 December 2015: HK\$38,119,000).

Such banking facilities amounted to HK\$2,172,425,000 (31 December 2015: HK\$2,206,447,000) and were utilised to the extent of HK\$1,800,419,000 at 30 June 2016 (31 December 2015: HK\$1,830,498,000).

11. Trade and other payables

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

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Due within one month or on demand	32,404	41,223
Due after one month but within three months	16,426	16,380
Due after three months	13,753	9,590
	62,583	67,193

12. Share capital

	At 30 June 2016		At 31 December 2015	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January and at 30 June / 31 December	340,200	498,305	340,200	498,305

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

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Contracted for	34,265	14,160
Authorised but not contracted for	199,798	1,345
	234,063	15,505

REVIEW OF OPERATIONS

The Group's business is organized by geographical locations. These locations are mainly divided into Macau, Vietnam, the United States of America (the "US"), the People's Republic of China (the "PRC"), Japan, Canada and other markets.

A summary and analysis of the operations are as follows.

Macau

During the first half of 2016, revenue from Macau operations decreased slightly to HK\$53.1 million, as compared to HK\$53.3 million in the first half of 2015, a decrease of 0.4%. The decrease came about mostly as a result of reduction in rental income arising from lower rental rates. Occupancy rates, however, have remained high and there was take up of commercial space. There were no sales of properties during the first six months of 2016.

Tourist arrivals and turnover of the gaming industry appeared to have stabilized in the first half of 2016. It is expected that there will be two to three luxurious hotels being completed in Cotai of Macau in the second half of 2016.

According to the latest data released by Macau Government, total transaction volume increased 1.37 times from previous quarter to 2,679 residential units in the second quarter of 2016. The average transaction price of second-hand residential units rose by 7% up to MOP75,127 per square meter (net) as compared to the first quarter of 2016.

After reviewing the property market conditions and the state of the Macau economy, directors considered that the properties held for sale were to be disposed of at an opportune moment in order to maximize value for the Group. The property market was expected to improve after the current period of adjustment in the market. Over the longer term, capital values of properties in Macau will be further enhanced after the completion of the Hong Kong-Zhuhai-Macau Bridge and the Macau light-rail transit line, with one of the stations immediately adjacent to Ocean Gardens, the Group's premier development. In the short term, the Group will therefore continue to maximize revenue by leasing out the properties held for sale.

Vietnam

Vietnam's economy expanded an estimated 5.55% year-on-year in the second quarter of 2016, compared to 5.48% growth in the first quarter and lower than 6.47% in the same quarter last year. The economy is still heavily dependent on manufacturing and agricultural sectors as the main drivers of economic growth. With impending visits by President of China and President of US respectively, we foresee that Vietnam shall continue to be an attractive destination for investors.

During the first six months of 2016, the Group's revenue from Vietnam increased to HK\$339.5 million, as compared to HK\$339.0 million in the first half of 2015, an increase of 0.1%.

Sheraton Saigon Hotel and Grand Towers

For the first half of 2016, average room rate was at US\$162 per room night, as compared to US\$176 per room night during the first six months of 2015. Occupancy rate has increased to 69.0% during the first half of 2016, as compared to 66.7% for the first half of 2015.

Caravelle Hotel

For the first half of 2016, average room rate was at US\$127 per room night, as compared to US\$143 per room night during the first six months of 2015. Occupancy rate has increased to 56.5% during the first half of 2016, as compared to 51.4% for the first half of 2015.

The United States (“US”)

The U.S. economy grew less than expected in the second quarter of 2016. Gross domestic product in the second quarter of 2016 grew at an annual rate of 1.23% as compared to 1.57% annual growth rate in the first quarter of 2016. However, as reported by the U.S. Bureau of Economic Analysis, Consumer Spending in the United States increased to US\$11,482 billion in the second quarter of 2016 from US\$11,365 billion in the first quarter of 2016. Consumer Spending in the United States averaged US\$5,221 billion from 1950 until 2016, reaching a record high (an all time high of US\$11,482 billion) in the second quarter of 2016.

W San Francisco

For the first half of 2016, average room rate was at US\$365 per room night, as compared to US\$342 per room night during the first six months of 2015. Occupancy rate has dropped to 89.2% during the first half of 2016, as compared to 91.2% for the first half of 2015.

Sofitel New York

For the first half of 2016, average room rate was at US\$325 per room night, as compared to US\$346 per room night during the first six months of 2015. Occupancy rate has increased to 86.5% during the first half of 2016, as compared to 84.5% for the first half of 2015. According to Hotels.com, Sofitel New York has been ranked third in a poll of Best Luxury Hotels in the World in 2016.

The People’s Republic of China

The Chinese economy was undergoing a period of consolidation. The GDP of first quarter in 2016 grew by 6.7%, as compared to annual growth rate of 6.9% in 2015.

Holiday Inn Wuhan Riverside

During the first half of 2016, the room revenue of the hotel increased to RMB16.2 million as compared to RMB14.7 million in the first half of 2015. However, the food and beverage revenue of the hotel has dropped to RMB9.3 million from RMB9.9 million in the first half of 2015.

For the first half of 2016, average room rate was at RMB406 per room night, as compared to RMB413 per room night during the first six months of 2015. Occupancy rate has increased to 71.9% during the first half of 2016, as compared to 64.8% for the first half of 2015.

Canada

The Canadian economy expanded by 1.1% year-on-year in the first quarter of 2016, following a 0.3% growth in the previous period of the fourth quarter in 2015.

Sheraton Ottawa Hotel

For the first half of 2016, average room rate was at C\$183 per room night, as compared to C\$174 per room night during the first six months of 2015. Occupancy rate has increased slightly to 77.8% during the first half of 2016, as compared to 77.7% for the first half of 2015.

International Plaza Hotel

For the first half of 2016, average room rate was at C\$103 per room night, as compared to C\$94 per room night during the first six months of 2015. Occupancy rate has increased to 75.8% during the first half of 2016, as compared to 71.6% for the first half of 2015.

Japan

The GDP of first quarter in 2016 grew by 0.02%, as compared to 0.54% for the full year of 2015.

Best Western Hotel Fino Osaka Shinsaibashi

For the first half of 2016, average room rate was at JPY12,572 per room night, as compared to JPY11,019 per room night during the first six months of 2015. Occupancy rate has increased to 92.2% during the first half of 2016, as compared to 88.9% for the first half of 2015.

Other net losses

Other net losses were at an amount of HK\$14.6 million, as compared to a net gain of HK\$2.9 million in the first half of 2015. It was mainly attributable to a net exchange loss for the first half of 2016 which amounted to HK\$15.9 million, as compared to a net exchange gain of HK\$2.9 million in the first half of 2015.

FINANCIAL REVIEW

The Group's revenue was HK\$957 million for the first six months of 2016, an increase of 0.7% as compared to the corresponding period in 2015. The increase was primarily attributable to the improvement in hotel operations situation in Canada and Japan.

Revenue from hotel and club operations amounted to HK\$904 million, an increase of 0.8% as compared to HK\$896 million in the corresponding period in 2015. The increase was primarily attributable to the improvement in the Sheraton Ottawa Hotel in Canada and also the improvement in Best Western Hotel Fino Osaka Shinsaibashi in Japan. The Group's operating profit was HK\$172 million for the period ended 30 June 2016, as compared to HK\$193 million for the corresponding period in 2015. Profit attributable to equity shareholders was HK\$82 million as compared to HK\$130 million in the first half year of 2015.

PLEDGE OF ASSETS

At 30 June 2016, hotel properties and properties held for sale with an aggregate value of HK\$2,786 million (31 December 2015: HK\$2,840 million) and bank deposits of HK\$48 million (31 December 2015: HK\$38 million) were mortgaged to banks to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

- (a) At 30 June 2016, 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\$8,252,000 (31 December 2015: HK\$8,252,000).
- (b) At 30 June 2016, guarantees of HK\$29,990,000 (C\$5,000,000) (31 December 2015: HK\$27,935,000 (C\$5,000,000)) were given by the Company to a bank to secure banking facilities made available to a subsidiary.

At 30 June 2016, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group have 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

Uncertainties surrounding the world economy and global financial markets continue to cast a long shadow over the prospect of economic growth. The relative strength of the US economy inspires little confidence against the background of continuing conundrum surrounding European economies, the weak Japanese economic recovery, as well as the systemic risks inherent in the Chinese economy. A critical question continuing to confront all major economies is the lack of willingness on the part of its business enterprises to invest in property, plant and equipment on a long-term basis to generate growth and employment. By now, it is clear that the prolonged quantitative easing by almost all central banks have lent varying degrees of strength to financial markets but have done little to generate investments in the real economy.

Against this background, the Group will continue to view its prospects with caution and will remain conservative in sourcing and selecting new investments. The objective continues to be the creation of long-term and sustainable value for shareholders in markets and products in which the Group has experience.

PERSONNEL AND RETIREMENT SCHEMES

At 30 June 2016, the Group had approximately 2,226 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 different countries in which the Company and its subsidiaries operate. The Group has defined contribution schemes in Hong Kong, Macau, the People's Republic of China, Vietnam, the United States, Canada and Japan.

CORPORATE GOVERNANCE

The board of directors (the "Board") of the Company has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company has complied with the principles set out in the CG Code during the period from 1 January to 30 June 2016, save and except for the deviations as explained below.

1. Code Provision A.2.1, as the role of chairman and chief executive officer of the Company is not segregated;
2. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term;
3. Code Provision D.1.2, as the Company did not formalize functions reserved to the Board and those delegated to management and did not conduct review periodically;
4. Code Provision D.1.3, as the Company did not disclose the respective responsibilities, accountabilities and contributions of the Board and management;
5. Code Provision D.1.4, as the Company did not have formal letters of appointment for directors setting out the key terms and conditions of their appointment; and
6. Code Provision E.1.4, as the Board did not establish a shareholders' communication policy and review it on a regular basis.

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has not appointed a Chief Executive Officer, since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the Executive Directors. In respect of the management of the Board, the role was undertaken by Mr HO Kian Guan, Executive Chairman of the Company. The Board is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term. Although the Non-executive Directors of the Company were not appointed for a specific term, all Directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a Director will not exceed three years.

Pursuant to Code Provisions D.1.2, D.1.3 and D.1.4, the Company should formalise functions reserved to the board and those delegated to management and should conduct review periodically. The Company should disclose the respective responsibilities, accountabilities and contributions of the board and management. The Company should also have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As the Executive Directors have been closely involved in the day-to-day management of the Company and its major subsidiaries, the Company considers that it is not necessary at this time to have a distinction between the respective responsibilities, accountabilities and contributions of the Board and management. The Company is now planning to have formal letters of appointment for Directors.

Under Code Provision E.1.4, the board should establish a shareholders' communication policy and review it on a regular basis. The Company is now planning to set up the relevant policy in order to comply with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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 COMMITTEE

The Audit Committee presently comprises four Independent Non-executive Directors. The Audit Committee meets with the Group's senior management and internal 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 2016.

REMUNERATION COMMITTEE

The Remuneration Committee comprises six members, four of whom are Independent Non-executive Directors. The Committee reviews matters relating to the remuneration for senior management and Directors of the Company. In compliance with Listing Rules, an Independent Non-executive Director currently chairs the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee comprises six members, four of whom are Independent Non-executive Directors. The Committee gives recommendations to the Directors as to the recruitment of Directors. In compliance with Listing Rules, an Independent Non-executive Director currently chairs the Remuneration Committee.

BOOK CLOSE

The register of members will be closed from Wednesday, 5 October 2016 to Friday, 7 October 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4 October 2016.

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 2016.

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

Hong Kong, 26 August 2016

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, Ms WANG Poey Foon Angela and Mr YU Hon To David as independent non-executive directors.