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# MIRAMAR GROUP

## MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

### 美麗華酒店企業有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 71)

## 2019 INTERIM RESULTS ANNOUNCEMENT

### INTERIM RESULTS

The Board of Directors of Miramar Hotel and Investment Company, Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

#### Highlights

- The Group’s revenue decreased by 0.9% to HK\$1,586 million (2018: HK\$1,600 million)
- Profit attributable to shareholders decreased by 10.1% to HK\$770 million (2018: HK\$856 million)
- Underlying profit attributable to shareholders\* increased by 3.4% to HK\$420 million (2018: HK\$406 million)
- Earnings per share (basic) and underlying earnings per share (basic)\* of HK\$1.11 (2018: HK\$1.25) and HK\$0.61 (2018: HK\$0.59) respectively
- Interim dividends per share of HK24 cents (2018: HK24 cents) are payable in cash

\* *Underlying profit attributable to shareholders and underlying earnings per share (basic) excluded the post-tax effects of the investment properties revaluation movements and other non-operating and non-recurring items such as net gain on liquidation of a subsidiary*

## CHAIRMAN AND CEO'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Miramar Hotel and Investment Company, Limited (the “Company”), I am pleased to present my report on the operations of the Company and its subsidiaries (the “Group”), together with the financial performance for the six months ended 30 June 2019 (the “Reporting Period”).

### Consolidated Results

The Group's revenue for the six months ended 30 June 2019 amounted to approximately HK\$1,586 million, similar to the last corresponding period (2018: HK\$1,600 million). Profit attributable to shareholders for the reporting period decreased by 10.1% to HK\$770 million (2018: HK\$856 million). The Group's property rental business and travel business both registered growth but the net increase in fair value of our investment properties was comparatively lower than the last corresponding period. Excluding the net increase of HK\$350 million in the fair value of the investment properties and other net gain from non-core businesses, the underlying profit attributable to shareholders\* increased by 3.4% to approximately HK\$420 million (2018: HK\$406 million). The underlying earnings per share (basic)\* have risen by 3.4%, compared to the last corresponding period, to HK\$0.61 (2018: HK\$0.59).

### Interim Dividend

The Directors declare the payment of an interim dividend of HK24 cents per share in respect of the six months ended 30 June 2019 to shareholders listed on the Register of Members at the close of business on 25 September 2019 (Wednesday). Dividend warrants for the interim dividend will be dispatched by mail to shareholders by 11 October 2019.

### Business Outlook

Hong Kong's economy moderated to tepidity in the first half of 2019 under the constriction of the US-China trade tensions. Since the beginning of the second half of the year, uncertainties arising from Hong Kong's social atmosphere and global political economy, which are characterised by great complexity and vicissitude, have further weakened general market sentiments and rendered the Group a more arduous business environment. However, the Group is confident to cope with the challenging economic cycles with the backing of its solid financial position. I will continue to lead the Group's management team vigilantly in perpetrating our goals of improving service quality and strengthening operational efficiency, while at the same time on the lookout for appropriate investment opportunities with a view to increasing shareholder return.

\* Underlying profit attributable to shareholders and underlying earnings per share (basic) excluded the post-tax effects of the investment properties revaluation movements and other non-operating and non-recurring items such as net gain on liquidation of a subsidiary

## **Director**

Dr. Lee Shau Kee retired as director of the Company during the first half of the fiscal year. The Board of Directors offered him their best wishes and would like to express gratitude for his valuable contributions and wise counsel in the past years.

## **Appreciation**

I would like to take this opportunity to express my gratitude to the Board of Directors for their immense leadership, steering the Group towards steady development. On behalf of all the shareholders and the Board of Directors, I would like to express our sincere gratitude to the management team and all team members for their valuable contributions to the Group.

**Lee Ka Shing**

*Chairman and CEO*

Hong Kong, 15 August 2019

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

#### *Hotels and Serviced Apartments Business*

During the reporting period, revenue from hotels and serviced apartments business decreased by 3.5% to HK\$330 million while EBITDA (earnings before interest and taxes, depreciation and amortisation) declined 8.6% to HK\$119 million, compared to the last corresponding period.

With the weakening market and the rocketing room supply in Tsim Sha Tsui area, occupancy rates of The Mira Hong Kong and Mira Moon Hotel of the Group remained stable at over 90% in the first six months, whilst the average room rate for available rooms maintained at similar levels as in the last corresponding period.

#### *Property Rental Business*

Revenue from property rental business was HK\$462 million, with EBITDA amounting to HK\$409 million, representing steady rises of 1.0% and 0.6% respectively compared with the last corresponding period.

The Group continued to upgrade the overall image and positioning of its property assets by constantly improving its facilities and service quality. Further to the launch of the Mira Place mobile application in 2017, the Group launched Hong Kong's first new smart parking solution for shopping mall "e-PARKING", which has simplified the parking process and take customer experience to the next level, and won the Silver Award of the Hong Kong ICT Awards 2019 — Smart Mobility Award (Smart Transportation). In addition, Mira Place regularly launched popular promotional activities to augment the mall with style and vibrancy, such as "OINK for Happiness" collaborated with renown Japanese illustrator Ogawa Kohei during the Lunar New Year, "Secret PetGarden" Pop-up Store, "All About Coffee" Coffee Mart, and "MIRAcle Voice" which contributed to the increase in average footfall and overall tenants' sales. The Group will continue to optimise the tenant mix of its office and shopping malls, and enhance customers' shopping experience in order to increase revenue and the value of the property.

#### *Net Increase in Fair Value of Investment Properties*

In accordance with the Group's accustomed accounting policies, investment properties are measured at fair value. Independent professional surveyor Cushman & Wakefield Limited was appointed by the Group to perform valuation of its investment properties as at 30 June 2019. Owing to continued increase in rental income from the Group's major investment property — Mira Place — the fair value of the Group's total investment properties increased by HK\$350 million during the reporting period. Total book value of the investment properties amounted to over HK\$15.2 billion.

### ***Food and Beverage Business***

Revenue from food and beverage business recorded approximately HK\$137 million, while EBITDA was approximately HK\$15 million, representing a drop of 16.3% and an increase of 452.2% respectively over the last corresponding period. Throughout the reporting period, the management committed to optimise the business portfolio by focusing to improve the restaurants' operational efficiency and to terminate unprofitable outlets. Such measures resulted in a significant improvement in EBITDA during the reporting period. The management will continue to strive for enhancement in service and product quality, and to adopt effective measures to improve performance.

### ***Travel Business***

Revenue from travel business was HK\$657 million, 3.2% up from the last corresponding period. EBITDA recorded approximately HK\$44 million, an increase of 48.1% compared to the same period of last year.

### ***Operating and Other expenses***

The overall operating costs of the Group during the reporting period was HK\$108 million, similar to the same period last year (2018: HK\$107 million).

## **CORPORATE FINANCE**

As of 30 June 2019, the gearing ratio (calculated as total consolidated borrowings divided by total consolidated shareholders' equity) was merely 0.1% (31 December 2018: 0.1%). The Group operates primarily in Hong Kong and its related cash flows, assets and liabilities are denominated in Hong Kong dollars. The main exchange rate risk derives from businesses located in Mainland China, RMB and USD bank deposits and equity investments denominated in USD and EUR. The Group's financing arrangements are mainly in EUR and RMB, mostly with fixed interest rates. As of 30 June 2019, the total banking facilities obtained amounted to approximately HK\$1.3 billion (31 December 2018: HK\$1.3 billion), of which 0.2% (31 December 2018: 0.2%) was used. On 30 June 2019, consolidated net cash was approximately HK\$5.2 billion (31 December 2018: HK\$4.7 billion), and bank loans amounted to HK\$2.83 million (31 December 2018: HK\$2.85 million). The Group adopts a prudent financial policy, with sufficient funds and credit lines to cope with the uncertain economic environment in the foreseeable future and to carry out business development plans that offer good investment yields.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED***For the six months ended 30 June 2019*

		<b>For the six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,586,162</b>	1,600,205
Cost of inventories		<b>(72,140)</b>	(80,399)
Staff costs		<b>(254,653)</b>	(256,274)
Utilities, repairs and maintenance and rent		<b>(69,266)</b>	(100,648)
Tour and ticketing costs		<b><u>(570,958)</u></b>	<u>(554,364)</u>
<b>Gross profit</b>		<b>619,145</b>	608,520
Other revenue		<b>81,536</b>	58,026
Operating and other expenses		<b>(108,178)</b>	(107,038)
Depreciation		<b><u>(68,713)</u></b>	<u>(51,493)</u>
		<b>523,790</b>	508,015
Finance costs	4(a)	<b>(1,879)</b>	(631)
Share of profits less losses of associates		<b><u>58</u></b>	<u>49</u>
		<b>521,969</b>	507,433
Other non-operating net gain	4(b)	<b>3,589</b>	14,942
Net increase in fair value of investment properties	8(a)	<b><u>350,127</u></b>	<u>433,773</u>
<b>Profit before taxation carried forward</b>	4	<b>875,685</b>	956,148

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)***For the six months ended 30 June 2019*

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit before taxation brought forward</b>	4	<b>875,685</b>	956,148
<b>Taxation</b>	5		
Current		(75,660)	(78,234)
Deferred		<u>(2,870)</u>	<u>(1,521)</u>
<b>Profit for the period</b>		<b><u>797,155</u></b>	<b><u>876,393</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		769,696	855,918
Non-controlling interests		<u>27,459</u>	<u>20,475</u>
		<b><u>797,155</u></b>	<b><u>876,393</u></b>
<b>Earnings per share</b>			
Basic	7(a)	<b><u>HK\$1.11</u></b>	<b><u>HK\$1.25</u></b>
Diluted	7(b)	<b><u>HK\$1.11</u></b>	<b><u>HK\$1.25</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — UNAUDITED**

*For the six months ended 30 June 2019*

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u><b>797,155</b></u>	<u>876,393</u>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity securities designated at fair value through other comprehensive income (“FVOCI”):		
— changes in fair value	<b>2,918</b>	(3,015)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<b>(304)</b>	745
Reclassification adjustments for amounts transferred to profit or loss on liquidation of a subsidiary	<u>—</u>	<u>(16,589)</u>
	<u><b>2,614</b></u>	<u>(18,859)</u>
<b>Total comprehensive income for the period</b>	<u><b>799,769</b></u>	<u>857,534</u>
<b>Attributable to:</b>		
Shareholders of the Company	<b>772,564</b>	838,781
Non-controlling interests	<u><b>27,205</b></u>	<u>18,753</u>
<b>Total comprehensive income for the period</b>	<u><b>799,769</b></u>	<u>857,534</u>

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

At 30 June 2019

	<i>Note</i>	At <b>30 June 2019</b> <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	8(a)	15,222,716	14,867,081
Other property, plant and equipment	2 and 8(b)	<u>368,100</u>	<u>266,792</u>
		<b>15,590,816</b>	15,133,873
Interests in associates		497	4,200
Equity securities designated at FVOCI		95,109	92,191
Financial assets measured at fair value through profit or loss (“FVPL”)		1,619	1,547
Deferred tax assets		<u>6,540</u>	<u>6,540</u>
		<u><b>15,694,581</b></u>	<u>15,238,351</u>
<b>Current assets</b>			
Inventories		118,249	119,060
Trade and other receivables	9	275,145	282,363
Financial assets measured at FVPL		59,866	70,128
Cash and bank balances		5,233,752	4,713,351
Tax recoverable		<u>5,530</u>	<u>5,535</u>
		<u><b>5,692,542</b></u>	<u>5,190,437</u>
<b>Current liabilities</b>			
Trade and other payables	10	(709,364)	(477,025)
Bank loan		(2,831)	(2,848)
Rental deposits received		(83,574)	(97,459)
Contract liabilities		(190,535)	(164,469)
Lease liabilities	2(c)	(49,937)	—
Tax payable		<u>(86,804)</u>	<u>(48,481)</u>
		<u><b>(1,123,045)</b></u>	<u>(790,282)</u>
<b>Net current assets</b>		<u><b>4,569,497</b></u>	<u>4,400,155</u>
<b>Total assets less current liabilities carried forward</b>		<u><b>20,264,078</b></u>	<u>19,638,506</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED (continued)**

At 30 June 2019

		At <b>30 June 2019</b> <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
<b>Total assets less current liabilities brought forward</b>		<u><b>20,264,078</b></u>	<u>19,638,506</u>
<b>Non-current liabilities</b>			
Deferred liabilities		(195,285)	(176,907)
Amounts due to holders of non-controlling interests of a subsidiary	<i>11</i>	(12,457)	(12,100)
Lease liabilities	<i>2(c)</i>	(86,176)	—
Deferred tax liabilities		<u>(280,876)</u>	<u>(278,188)</u>
		<u>(574,794)</u>	<u>(467,195)</u>
<b>NET ASSETS</b>		<u><b>19,689,284</b></u>	<u>19,171,311</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>12(a)</i>	2,227,024	2,227,024
Reserves		<u>17,316,673</u>	<u>16,799,764</u>
<b>Total equity attributable to shareholders of the Company</b>		<b>19,543,697</b>	19,026,788
<b>Non-controlling interests</b>		<u>145,587</u>	<u>144,523</u>
<b>TOTAL EQUITY</b>		<u><b>19,689,284</b></u>	<u>19,171,311</u>

## 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 2019 but are extracted from that 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 ("Listing Rules"), 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 15 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to the shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2018 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 2018 to the Registrar of Companies in accordance with 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 sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **HKFRS 16, *Leases***

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and there was no impact on the opening balance of equity at 1 January 2019 upon the initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### **(a) *Changes in the accounting policies***

##### **(i) *New definition of a lease***

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

##### **(ii) *Lessee accounting***

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are relating to properties.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### HKFRS 16, *Leases* (continued)

#### (a) *Changes in the accounting policies* (continued)

##### (ii) *Lessee accounting* (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### (iii) *Leasehold investment properties*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have any impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold investment properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

##### (iv) *Lessor accounting*

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### HKFRS 16, Leases (continued)

#### (b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rate used for determination of the present value of the remaining lease payments is 2.5%.

To ease the transition to HKFRS 16, at the date of initial application of HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	<b>1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments at 31 December 2018	170,063
Less: commitments relating to leases exempt from capitalisation: — short-term leases and other leases with remaining lease term ending on or before 31 December 2019	<u>(11,002)</u>
	159,061
Less: total future interest expenses	<u>(8,626)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	<u><u>150,435</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

As at 31 December 2018, the Group had no leases previously classified as finance leases.

The Group presents right-of-use assets in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### HKFRS 16, Leases (continued)

#### (b) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>HK\$'000</i>	Capitalisation of operating lease contracts <i>HK\$'000</i>	Carrying amount at 1 January 2019 <i>HK\$'000</i>
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>			
Other property, plant and equipment	266,792	150,435	417,227
Lease liabilities (current)	—	(45,908)	(45,908)
Lease liabilities (non-current)	—	(104,527)	(104,527)
	<u>          </u>	<u>          </u>	<u>          </u>

#### (c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	49,937	52,765	45,908	50,020
After 1 year but within 5 years	86,176	89,506	98,432	102,909
After 5 years	—	—	6,095	6,132
	<u>86,176</u>	<u>89,506</u>	<u>104,527</u>	<u>109,041</u>
	<u>136,113</u>	<u>142,271</u>	<u>150,435</u>	<u>159,061</u>
Less: total future interest expenses		<u>(6,158)</u>		<u>(8,626)</u>
Present value of lease liabilities		<u>136,113</u>		<u>150,435</u>

### 3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's board and senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Property rental	:	The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term
Hotels and serviced apartments	:	The operation of hotels and serviced apartments and provision of hotel management services
Food and beverage operation	:	The operation of restaurants
Travel operation	:	The operation of travel agency services
Others	:	Other businesses

The principal activities of the Group are property rental, hotels and serviced apartments, food and beverage operation and travel operation. Revenue represents income from property rental, hotels and serviced apartments, food and beverage, travel and other operations.

Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is "adjusted EBITDA", i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, other non-operating items and other corporate expenses.



### 3. REVENUE AND SEGMENT REPORTING (continued)

Information regarding the Group's reportable segments as provided to the Group's board and senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	<b>For the six months ended 30 June 2019</b>					
	<b>Property rental HK\$'000</b>	<b>Hotels and serviced apartments HK\$'000</b>	<b>Food and beverage operation HK\$'000</b>	<b>Travel operation HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Reportable segment revenue</b> (revenue from external customers) ( <i>Note</i> )	<u>461,730</u>	<u>330,440</u>	<u>137,448</u>	<u>656,544</u>	<u>—</u>	<u>1,586,162</u>
<b>Reportable segment results</b> (adjusted EBITDA)	408,881	118,963	14,601	43,685	(237)	585,893
Unallocated corporate expenses						<u>(62,103)</u>
						523,790
Finance costs						(1,879)
Share of profits less losses of associates						58
Other non-operating net gain						3,589
Net increase in fair value of investment properties	350,127	—	—	—	—	<u>350,127</u>
<b>Consolidated profit before taxation</b>						<u>875,685</u>

### 3. REVENUE AND SEGMENT REPORTING (continued)

	For the six months ended 30 June 2018					
	Property rental <i>HK\$'000</i>	Hotels and serviced apartments <i>HK\$'000</i>	Food and beverage operation <i>HK\$'000</i>	Travel operation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue (revenue from external customers) (Note)</b>	<u>457,230</u>	<u>342,588</u>	<u>164,251</u>	<u>636,136</u>	<u>—</u>	<u>1,600,205</u>
<b>Reportable segment results (adjusted EBITDA)</b>	406,304	130,177	2,644	29,506	364	568,995
Unallocated corporate expenses						<u>(60,980)</u>
Finance costs						508,015
Share of profits less losses of associates						(631)
Other non-operating net gain						49
Net increase in fair value of investment properties	433,773	—	—	—	—	14,942
<b>Consolidated profit before taxation</b>						<u>433,773</u>
						<u>956,148</u>

*Note:* Except for property rental income of HK\$461,730,000 (six months ended 30 June 2018: HK\$457,230,000) which falls within the scope of HKFRS 16, all of the remaining revenue from contracts with customers falls within the scope of HKFRS 15, *Revenue from contracts with customers*.

#### 4. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings	386	619
Other borrowing costs	12	12
Interest on lease liabilities	<u>1,481</u>	<u>—</u>
	<u>1,879</u>	<u>631</u>
<b>(b) Other non-operating net gain</b>		
Net gain on liquidation of a subsidiary	—	(16,589)
Net realised and unrealised (gain)/losses on financial assets measured at FVPL		
— investments not held for trading	(72)	373
— trading securities	<u>(3,517)</u>	<u>1,274</u>
	<u>(3,589)</u>	<u>(14,942)</u>
<b>(c) Other items</b>		
Dividend and interest income	(57,288)	(40,393)
Reversal of provision for properties held for resale	—	(44)
Impairment of/(reversal of impairment loss on) trade receivables	<u>196</u>	<u>(4)</u>

## 5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the period	<u>72,378</u>	<u>74,972</u>
<b>Current tax — Overseas Taxation</b>		
Provision for the period	<u>3,282</u>	<u>3,262</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	(45)	(3)
Origination and reversal of temporary differences	<u>2,915</u>	<u>1,524</u>
	<u>2,870</u>	<u>1,521</u>
	<u><u>78,530</u></u>	<u><u>79,755</u></u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profits for the period.

Overseas taxation is calculated at rates of tax applicable in the jurisdictions in which the Group is assessed for tax.

Share of associates' taxation for the period of HK\$12,000 (six months ended 30 June 2018: HK\$12,000) is included in the share of profits less losses of associates.

## 6. DIVIDENDS

### (a) Dividends attributable to the interim period

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interim dividends declared after the interim period of HK24 cents per share (six months ended 30 June 2018: HK24 cents per share)	<u>165,830</u>	<u>165,830</u>

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

### (b) Dividends attributable to the previous financial year, approved during the interim period

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Final dividends in respect of the previous financial year, approved during the following interim period, of HK37 cents per share (six months ended 30 June 2018: HK36 cents per share) ( <i>Note</i> )	<u>255,655</u>	<u>248,745</u>

*Note:* 2018 final dividends and 2017 final dividends were paid on 4 July 2019 and 9 July 2018 respectively.

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK\$769,696,000 (six months ended 30 June 2018: HK\$855,918,000) and the weighted average of 690,959,695 shares (six months ended 30 June 2018: 684,610,497 shares) in issue during the interim period, calculated as follows:

*Weighted average number of shares (basic)*

	For the six months ended 30 June	
	2019	2018
Issued shares at 1 January	690,959,695	628,577,818
Effect of exercised bonus warrants ( <i>note 12(b)</i> )	<u>—</u>	<u>56,032,679</u>
Weighted average number of shares (basic) at 30 June	<u>690,959,695</u>	<u>684,610,497</u>

## 7. EARNINGS PER SHARE (continued)

### (b) Diluted earnings per share

For the six months ended 30 June 2019, the calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK\$769,696,000 (six months ended 30 June 2018: HK\$855,918,000) and the weighted average of 690,959,695 shares (2018: 685,399,682 shares), calculated as follows:

*Weighted average number of shares (diluted)*

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
Weighted average number of shares (basic) at 30 June	<b>690,959,695</b>	684,610,497
Effect of exercisable bonus warrants ( <i>note 12(b)</i> )	<u>—</u>	<u>789,185</u>
Weighted average number of shares (diluted) at 30 June	<u><b>690,959,695</b></u>	<u>685,399,682</u>

### (c) Underlying earnings per share (basic)

For the purpose of assessing the underlying performance of the Group, underlying earnings per share (basic) is additionally calculated based on the profit attributable to shareholders of the Company after excluding the effects of changes in fair value of investment properties and net gain from non-core business. A reconciliation of profit is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Profit attributable to shareholders of the Company	<b>769,696</b>	855,918
Changes in fair value of investment properties during the period	<b>(350,127)</b>	(433,773)
Effect of deferred tax on changes in fair value of investment properties	<b>(45)</b>	(3)
Net gain on liquidation of a subsidiary	<u>—</u>	<u>(16,589)</u>
Underlying profit attributable to shareholders of the Company	<u><b>419,524</b></u>	<u>405,553</u>
Underlying earnings per share (basic)	<u><b>HK\$0.61</b></u>	<u>HK\$0.59</u>

## 8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Investment properties

Investment properties of the Group were revalued at 30 June 2019 and 31 December 2018. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among its staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the period, the net increase in fair value of investment properties was HK\$350,127,000 (six months ended 30 June 2018: HK\$433,773,000).

### (b) Right-of-use assets (included in “other property, plant and equipment”)

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method at 1 January 2019 to recognise right-of-use assets of HK\$150,435,000 relating to leases which were previously classified as operating leases under HKAS 17. There was no impact on the opening balance of equity at 1 January 2019 upon the initial application of HKFRS 16.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of operation outlets and therefore recognised the additions to right-of-use assets of HK\$9,756,000. Depreciation charges related to the right-of-use assets of HK\$24,757,000 is recognised during the period. The net book value of the Group’s right-of-use assets at the end of the reporting period was HK\$135,434,000.

## 9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis, based on the invoice date, as at the end of the reporting period:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 1 month	62,696	58,139
1 month to 2 months	8,418	13,005
Over 2 months	<u>16,900</u>	<u>15,193</u>
Trade receivables (net of loss allowance)	88,014	86,337
Other receivables, deposits and prepayments	<u>187,131</u>	<u>196,026</u>
	<u><u>275,145</u></u>	<u><u>282,363</u></u>

At 30 June 2019, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$11,565,000 (at 31 December 2018: HK\$14,034,000) which is expected to be recovered after one year.

The Group has a defined credit policy. The general credit terms allowed a range from 7 to 60 days from the date of billing. Debtors with balances that have been more than 60 days overdue are generally required to settle all outstanding balances before any further credit would be granted.

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis, based on the invoice date, as at the end of the reporting period:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Due within 3 months or on demand	70,206	79,642
Due after 3 months but within 6 months	<u>54,588</u>	<u>43,518</u>
Trade payables	124,794	123,160
Other payables and accrued charges	251,934	276,842
Amounts due to holders of non-controlling interests of subsidiaries ( <i>note 11</i> )	72,680	72,716
Amounts due to associates ( <i>Note</i> )	4,301	4,307
Dividend payable ( <i>note 6(b)</i> )	<u>255,655</u>	<u>—</u>
	<u><u>709,364</u></u>	<u><u>477,025</u></u>

*Note:* Amounts due to associates are unsecured, interest-free and repayable on demand.

All of the trade and other payable are expected to be settled within one year are repayable on demand.

## 11. AMOUNTS DUE TO HOLDERS OF NON-CONTROLLING INTERESTS OF SUBSIDIARIES

Except the amounts due to holders of non-controlling interests of a subsidiary amounting to HK\$12,457,000 (at 31 December 2018: HK\$12,100,000), which are unsecured, interest bearing at 6% per annum and repayable after one year, all of the amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



## 12. SHARE CAPITAL

### (a) Issued share capital

	2019		2018	
	<i>No. of shares</i>	<i>Amount HK\$'000</i>	<i>No. of shares</i>	<i>Amount HK\$'000</i>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>690,959,695</b>	<b>2,227,024</b>	628,577,818	1,384,869
Shares issued on exercise of warrants	<u>—</u>	<u>—</u>	<u>62,381,877</u>	<u>842,155</u>
At 30 June/31 December	<b><u>690,959,695</u></b>	<b><u>2,227,024</u></b>	<b><u>690,959,695</u></b>	<b><u>2,227,024</u></b>

### (b) Bonus warrants

On 10 June 2015, the Company announced a proposed bonus warrants issue on the basis of one warrant for every five shares held on the record date (i.e. 30 June 2015). 115,446,250 units of warrants were issued on 20 July 2015. Each warrant entitles the holder thereof to subscribe in cash for one share at the initial subscription price of HK\$13.50 per share (subject to adjustments). The warrants are exercisable at any time during a period of thirty months commencing from the date of issue of the warrants (i.e. 20 July 2015). Details of the bonus warrants were disclosed in the Company's announcements dated 10 June 2015 and 16 July 2015 and the Company's circular dated 20 July 2015.

During the year ended 31 December 2018, 62,381,877 units of warrants were exercised to subscribe for an aggregate of 62,381,877 shares in the Company. The new shares rank pari passu in all respects with the existing shares of the Company. On 19 January 2018 (the end of the warrants' exercisable period), the remaining 1,717,807 units of outstanding warrants expired and any subscription rights attached to these warrants which have not been exercised were lapsed. No new bonus warrants were issued since 19 January 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed on Wednesday, 25 September 2019, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders of the Company must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 September 2019.

## **EMPLOYEES**

As at 30 June 2019, the Group had a total of about 1,499 full-time employees, including 1,470 employed in Hong Kong and 29 employed in The People's Republic of China. The Group is the "Equal Opportunity Employer"; we value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism for all of our employees that supports the achievement of the Group's Mission, Vision and Business Strategies. It is the policy of the Group to remunerate employees in a fair and equitable manner. The Group develops a performance-driven culture and adopts Total Rewards Management for talent attraction, employee recognition and retention. The Group reviews its Remuneration and Benefits Program on a regular basis to ensure the programme is in compliance with the latest laws, in line with market practice and keeps up with market conditions and levels of remuneration.

## **TRAINING AND DEVELOPMENT**

The Group regards Employees as our most precious asset. We commit ourselves to providing a continuous learning environment and opportunities to our Employees at all levels to help them grow and excel in productivity.

The Group strives to continuously develop a comprehensive Learning and Development Road Map including the provision of in-house and external training programmes such as Management/Supervisory Skills, Business Knowledge, Technical Skills, Customer Services Skills, Language Ability, People Management and Personal Effectiveness, etc. for Employees at all levels to advance their career achievements within the Group.

Subsequent to continued deployment of resources towards employee training and development, the Group has been awarded "Manpower Developer" by the Employees Retraining Board every year since 2011, in recognition of the Group's outstanding achievements in fostering an organisational culture conducive to manpower training and development as well as life-long learning.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2019, with the exception of one deviation that roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Code. Mr. Lee Ka Shing was re-designated as Chairman and Chief Executive Officer as from 12 June 2014. Mr. Lee has been the Chief Executive Officer since 1 August 2006 with in-depth experience and knowledge of the Group and its businesses. The Board is of the view that his appointment into the dual roles as Chairman and Chief Executive Officer is in the best interest of the Group ensuring continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the financial results of the Group for the six months ended 30 June 2019 and discussed with the Director of Internal Audit, Director of Risk Management & Corporate Services and independent external auditors regarding matters on internal control, risk management and financial reports of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the period, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has 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 as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the accounting period covered by the interim report.

## **FORWARD-LOOKING STATEMENTS**

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board

**LEE KA SHING**

*Chairman and CEO*

Hong Kong, 15 August 2019

*As at the date of this announcement, (i) the executive directors are Mr. Lee Ka Shing, Mr. Richard Tang Yat Sun, Dr. Colin Lam Ko Yin, Mr. Norman Ho Hau Chong and Mr. Eddie Lau Yum Chuen; (ii) the non-executive directors are Dr. Patrick Fung Yuk Bun, Mr. Dominic Cheng Ka On and Mr. Alexander Au Siu Kee; (iii) the independent non-executive directors are Dr. David Sin Wai Kin, Mr. Wu King Cheong, Dr. Timpson Chung Shui Ming, Mr. Howard Yeung Ping Leung and Mr. Thomas Liang Cheung Bui.*