# VIBRANT **LIFESTYLE**

# RICHER **EXPERIENCE**

躍動·體驗

## Interim Report 2013

二零一三年中期業績報告

**MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED**

美麗華酒店企業有限公司

**Stock code 股份代號：71**

# CORPORATE INFORMATION

**Board of Directors**

*Executive Directors*

Dr the Hon. LEE Shau Kee, GBM *(Chairman)*
Mr LEE Ka Shing
Mr Richard TANG Yat Sun
Mr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

*Non-Executive Directors*

Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee

*Independent Non-Executive Directors*

Dr David SIN Wai Kin *(Vice Chairman)*
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung
Mr Thomas LIANG Cheung Biu

**Audit Committee**

Dr Timpson CHUNG Shui Ming *(Committee Chairman)*
Dr David SIN Wai Kin
Mr WU King Cheong
Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On

**Remuneration Committee**

Dr Timpson CHUNG Shui Ming *(Committee Chairman)*
Dr the Hon. LEE Shau Kee, GBM
Dr David SIN Wai Kin
Mr Richard TANG Yat Sun
Mr WU King Cheong

**Nomination Committee**

Dr the Hon. LEE Shau Kee, GBM *(Committee Chairman)*
Dr David SIN Wai Kin
Mr LEE Ka Shing
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming

**Chief Executive Officer**

Mr LEE Ka Shing

**Chief Operations Officer**

Mr Felix SEE Chi Kwok

**Chief Financial Officer**

Mr Allen LIM Kean Kee

**Joint Company Secretaries**

Mr Allen LIM Kean Kee
Mr Charles CHU Kwok Sun

**Auditors**

KPMG

**Principal Bankers**

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Bank, Ltd.
China Construction Bank Corporation

**Share Registrar**

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

**Registered Office**

15/F, Miramar Tower, 132 Nathan Road,
Tsim Sha Tsui, Kowloon, Hong Kong

**Share Listing**

The Stock Exchange of Hong Kong Limited
(Stock Code: 71)

**Website**

http://www.miramar-group.com

## CHAIRMAN STATEMENT

### Review of Operations and Prospects

For the six months ended 30 June 2013 (the "Reporting Period"), the Group's turnover was approximately HK$1,408 million representing a decrease of 8% compared to the six months ended 30 June 2012 (the "Last Corresponding Period").

Profit attributable to shareholders was HK$680 million, up 2% compared to the Last Corresponding Period. Excluding the net increase in fair value of the investment properties, underlying profit attributable to shareholders rose to HK$237 million. Basic underlying earnings per share were HK$0.41, representing an increase of 14% compared to the Last Corresponding Period.

### Business Overview

Since 2013 first quarter, China recorded its slowest growth rate in 13 years, and the recovery of the global economy remained fragile and is characterized by uncertainties. Against this increasingly challenging environment, the Group responded constructively by initiating a series of actions which strengthened its value propositions.

The Property Rental Business remains resilient and continued to generate satisfactory revenue and growth, benefiting from loyal tenants, and contributed stable rental income for the Group.

In the hospitality sector, marginal drop in visitor arrivals from the America and Asia impacted demand for hotel rooms. Performance of Group's Hotel and Serviced Apartment Business, and hotel food and beverage consumption, declined marginally compared to the Last Corresponding Period.

The Travel Business recorded growth benefiting from the recovering air travel.

The Food and Beverage recorded a reduced loss during the Reporting Period. Active steps continued to be taken to revitalize and turnaround the Food and Beverage Business in Hong Kong and to improve operating efficiency in China. However, the Group's Apparel Business in China recorded a deteriorated operating loss during the Reporting Period.

**Business Outlook**

Looking ahead, it is expected that the uncertain operating environment will continue to prevail; with an emerging confidence in recovery of the US and European economies.

In the context of this environment, the Group will continue to strengthen its core Property Rental and Hotel Businesses, and take measures to maintain its momentum to strengthen operating efficiencies and infrastructure. It will pursue a series of asset enhancement programs to improve the intrinsic value of its strategic assets and their revenue generating capability. Through careful execution of a balanced business strategy, Miramar Group will continue to strengthen its businesses by offering compelling products and services and to reward shareholders with still better returns.

**Message of Condolence**

The Honourable Sir Lee Quo-Wei, co-founder and former director of the Group, passed away on 10 August 2013. The members of the Board express great sadness on hearing of his passing away and would like to express sincere appreciation for his tremendous and valuable contribution to the Group over the years.

**LEE SHAU KEE**
*Chairman*

Hong Kong, 19 August 2013

## CEO'S MESSAGE

For the first six months of 2013, challenges remained as the economy's growth momentum slowed. Management responded well to the challenging external conditions and stable results were recorded in each of the Group's five core businesses – Property Rental, Hotel and Serviced Apartment, Food and Beverage, Travel and Apparel.

**Property Rental Business**

The growth momentum of leasing demand slowed as companies adjust to a slower economic growth in China; however the Group's investment property portfolio, which includes Mira Mall, Miramar Shopping Centre and Miramar Tower, continued to benefit from long-term leases with loyal tenants, asset enhancement in recent years and improved trade mix.

Following a series of renovation works and facility refurbishments, the rent and occupancy rates of the Group's properties remained at a healthy level and continued to be the major profit contributor for the Group in the first six months of 2013.

Going forward, the Group will continue with its strategy to improve traffic, strengthen trade mix and implement asset enhancement programs scheduled to begin in 2014, to maintain an excellent business environment for its tenants and to drive rental income for the Group.

**Hotel and Serviced Apartment Business**

Due in part to the slight decline in tourists from the US and Asia, the Group's flagship hotel The Mira Hong Kong experienced a weaker performance compared to Last Corresponding Period, with occupancy rate marginally lower.

Mira Moon, the 91-room boutique design hotel, is set to launch in Quarter four 2013. The latest addition to the Mira hospitality portfolio, Mira Moon presents a contemporary abstract interpretation of Chinese tradition in contemporary Hong Kong, appealing to travelers seeking a unique and personalized experience.

**Food and Beverage Business**

In response to softening market conditions and increased competition, the Group took actions to revitalize its outlets and reposition its offerings to cater to changing lifestyles and strengthen operational efficiency. The business recorded a steady performance over the past six months.

Notably, Cuisine Cuisine in Wuhan recorded an improved performance and has successfully positioned itself as the venue of choice for personal and business events. In Hong Kong, the successful revitalization of French Window Brasserie and Bar has reinforced the approach taken by the Group to cater to a new generation of guests demanding an enhanced dining experience.

The Group will continue with its multi-brand strategy and expand its food and beverage portfolio by selectively replicating successful brands to strengthen the Group's position in this segment. This began with the opening of the third Tsui Hang Village in Causeway Bay in May this year.

**Travel Business**

Led by emerging markets in Africa and Latin America, global travel remained resilient to global uncertainty. The Group's travel business continued to grow during the Reporting Period, with the mass-market tour business contributing to the Group's total revenue.

To maintain the momentum of brand differentiation, the Travel Business will strive to strengthen its position by enhancing customer experience.

**Apparel Business**

The Group and its franchisees own and operate DKNY Jeans stores throughout China. The retail environment in China remained difficult and the Group's Apparel Business in China recorded a deteriorated operating loss during the Reporting Period, and management is currently evaluating its business strategies.

**New Loyalty Program**

With a refocus on offering dynamic lifestyle products, the Group launched an exclusive membership program named Mira Plus in Quarter two 2013. Designed to appeal to customers seeking a holistic lifestyle experience, Mira Plus provides members with a comprehensive offering of dining, hotel, spa, shopping and travel experiences in Hong Kong and China.

**Business Outlook**

While there is an emerging confidence in the recovery of the US economy, and the European recession seems to have bottomed with stabilization in China economy.

The Group will continue to maintain the growth momentum of its property portfolio by enhancing its asset value and reinforce its position in the hospitality sector with the roll out of a new Design Hotels™ member hotel. The Group will also step up its initiatives to reinvent diner experiences and seek out new opportunities to expand its Food and Beverage Business, such as the launch of new Korean restaurant brand School Food.

Miramar Group has stable core revenue, a healthy balance sheet, and strong liquidity. Through careful execution of its business strategy and prudent financial management, the Group will continue to pursue growth in its core businesses. It will also strengthen expertise and nurture talent, developing framework to implement effective strategies for sustainable growth.

**LEE KA SHING**
*CEO*

Hong Kong, 19 August 2013

The Board of Directors of Miramar Hotel and Investment Company, Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012. These interim results have not been audited, but have been reviewed by both the Company's independent auditors and the Company's Audit Committee. The independent review report of the auditors is attached on page 34.

## CONSOLIDATED INCOME STATEMENT – UNAUDITED

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Turnover** | *3* | **1,407,754** | 1,525,697 |
| Cost of inventories | | **(97,219)** | (287,742) |
| Staff costs | | **(255,738)** | (227,347) |
| Utilities, repairs and maintenance and rent | | **(83,875)** | (74,384) |
| Tour and ticketing costs | | **(504,199)** | (478,776) |
| **Gross profit** | | **466,723** | 457,448 |
| Other revenue | | **40,397** | 35,853 |
| Operating and other expenses | | **(128,313)** | (131,408) |
| Depreciation and amortisation | | **(70,827)** | (62,083) |
| | | **307,980** | 299,810 |
| Finance costs | *4(a)* | **(13,197)** | (14,892) |
| Share of profits less losses of associates | | **59** | (914) |
| Share of profit of a joint venture | | **422** | 453 |
| | | **295,264** | 284,457 |
| Net gain on disposal of properties | | **38,783** | – |
| Net realised and unrealised (losses)/gains on trading securities | | **(2,410)** | 1,263 |
| Net increase in fair value of investment properties | *8* | **443,328** | 457,410 |
| **Profit before taxation carried forward** | *4* | **774,965** | 743,130 |

## CONSOLIDATED INCOME STATEMENT – UNAUDITED (CONTINUED)

| | Note | For the six months ended 30 June 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Profit before taxation brought forward** | *4* | **774,965** | 743,130 |
| **Taxation** | *5* | | |
| – Current | | **(51,117)** | (41,690) |
| – Deferred | | **(36,332)** | (19,541) |
| **Profit for the period** | | **687,516** | 681,899 |
| **Attributable to:** | | | |
| Shareholders of the Company | | **680,356** | 665,299 |
| Non-controlling interests | | **7,160** | 16,600 |
| | | **687,516** | 681,899 |
| **Interim dividend declared after the interim period end** | *6(a)* | **98,129** | 92,357 |
| **Earnings per share – basic and diluted** | *7* | **HK$1.18** | HK$1.15 |
| **Interim dividend per share** | *6(a)* | **HK$0.17** | HK$0.16 |

The notes on pages 14 to 28 form an integral part of this interim financial report. Details of dividends payable to shareholders of the Company attributable to the profit for the interim period are set out in note 6(a).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | **687,516** | 681,899 |
| **Other comprehensive income for the period (after tax and reclassification adjustments):** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of the financial statements of overseas subsidiaries | **(1,382)** | 778 |
| Changes in fair value of available-for-sale securities | **(11,677)** | 1,179 |
| | **(13,059)** | 1,957 |
| **Total comprehensive income for the period** | **674,457** | 683,856 |
| **Attributable to:** | | |
| Shareholders of the Company | **667,282** | 667,115 |
| Non-controlling interests | **7,175** | 16,741 |
| **Total comprehensive income for the period** | **674,457** | 683,856 |

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

The notes on pages 14 to 28 form an integral part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

| | Note | At 30 June 2013 HK$'000 (unaudited) | At 31 December 2012 HK$'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | 8 | | |
| – Investment properties | | **10,978,674** | 10,535,158 |
| – Other fixed assets | | **810,934** | 844,641 |
| | | **11,789,608** | 11,379,799 |
| Interest in associates | | **2,158** | 2,102 |
| Interest in a joint venture | | **10,802** | 7,692 |
| Available-for-sale securities | | **259,573** | 250,234 |
| Deferred tax assets | | **82** | 33,608 |
| | | **12,062,223** | 11,673,435 |
| **Current assets** | | | |
| Properties under development for sale | | **62,335** | 62,297 |
| Inventories | | **166,632** | 184,634 |
| Trade and other receivables | 9 | **293,628** | 338,127 |
| Available-for-sale securities | | **32,417** | 31,977 |
| Trading securities | | **46,808** | 2,828 |
| Cash and bank balances | | **2,482,896** | 1,992,253 |
| Tax recoverable | | **16,688** | 15,924 |
| | | **3,101,404** | 2,628,040 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **(457,831)** | (520,661) |
| Bank loans and overdrafts | | **(1,063,716)** | (965,513) |
| Sales and rental deposits received | | **(213,656)** | (161,638) |
| Tax payable | | **(65,167)** | (29,166) |
| | | **(1,800,370)** | (1,676,978) |
| **Net current assets** | | **1,301,034** | 951,062 |
| **Total assets less current liabilities carried forward** | | **13,363,257** | 12,624,497 |

| | Note | At 30 June 2013 HK$'000 (unaudited) | At 31 December 2012 HK$'000 (audited) |
|---|---|---|---|
| **Total assets less current liabilities brought forward** | | **13,363,257** | 12,624,497 |
| **Non-current liabilities** | | | |
| Bank loans | | **(1,259,013)** | (1,041,182) |
| Deferred liabilities | | **(122,927)** | (117,239) |
| Amounts due to holders of non-controlling interests of a subsidiary | *11* | **(47,237)** | (47,438) |
| Deferred tax liabilities | | **(220,960)** | (218,152) |
| | | **(1,650,137)** | (1,424,011) |
| **NET ASSETS** | | **11,713,120** | 11,200,486 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **404,062** | 404,062 |
| Reserves | | **11,191,558** | 10,668,584 |
| **Total equity attributable to shareholders of the Company** | | **11,595,620** | 11,072,646 |
| **Non-controlling interests** | | **117,500** | 127,840 |
| **TOTAL EQUITY** | | **11,713,120** | 11,200,486 |

The notes on pages 14 to 28 form an integral part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 – unaudited

| | Attributable to shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Capital reserve *HK$'000* | Exchange reserve *HK$'000* | General reserve *HK$'000* | Investment revaluation reserve *HK$'000* | Retained profits *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| At 1 January 2012 | 404,062 | 287,628 | (91,086) | 133,554 | 304,827 | 4,557 | 8,864,038 | 9,907,580 | 104,887 | 10,012,467 |
| Changes in equity for the six months ended 30 June 2012: | | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | 665,299 | 665,299 | 16,600 | 681,899 |
| Other comprehensive income | – | – | – | 637 | – | 1,179 | – | 1,816 | 141 | 1,957 |
| Total comprehensive income | – | – | – | 637 | – | 1,179 | 665,299 | 667,115 | 16,741 | 683,856 |
| Final dividends approved in respect of the previous year *(note 6(b))* | – | – | – | – | – | – | (132,763) | (132,763) | – | (132,763) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | (8,190) | (8,190) |
| At 30 June and 1 July 2012 | 404,062 | 287,628 | (91,086) | 134,191 | 304,827 | 5,736 | 9,396,574 | 10,441,932 | 113,438 | 10,555,370 |
| Changes in equity for the six months ended 31 December 2012: | | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | 711,812 | 711,812 | 13,868 | 725,680 |
| Other comprehensive income | – | – | – | 4,977 | – | 6,067 | – | 11,044 | 749 | 11,793 |
| Total comprehensive income | – | – | – | 4,977 | – | 6,067 | 711,812 | 722,856 | 14,617 | 737,473 |
| Interim dividends declared in respect of the current period *(note 6(a))* | – | – | – | – | – | – | (92,357) | (92,357) | – | (92,357) |
| Increase in non-controlling interests attributable to a decrease in shareholding of a subsidiary | – | – | – | – | – | – | 215 | 215 | (215) | – |
| At 31 December 2012 | 404,062 | 287,628 | (91,086) | 139,168 | 304,827 | 11,803 | 10,016,244 | 11,072,646 | 127,840 | 11,200,486 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2013 – unaudited (continued)

| | Attributable to shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Capital reserve *HK$'000* | Exchange reserve *HK$'000* | General reserve *HK$'000* | Investment revaluation reserve *HK$'000* | Retained profits *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| At 1 January 2013 | 404,062 | 287,628 | (91,086) | 139,168 | 304,827 | 11,803 | 10,016,244 | 11,072,646 | 127,840 | 11,200,486 |
| Changes in equity for the six months ended 30 June 2013: | | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | 680,356 | 680,356 | 7,160 | 687,516 |
| Other comprehensive income | – | – | – | (1,397) | – | (11,677) | – | (13,074) | 15 | (13,059) |
| Total comprehensive income | – | – | – | (1,397) | – | (11,677) | 680,356 | 667,282 | 7,175 | 674,457 |
| Final dividends approved in respect of the previous year *(note 6(b))* | – | – | – | – | – | – | (144,308) | (144,308) | – | (144,308) |
| Liquidation of a subsidiary | – | – | – | – | – | – | – | – | (2,515) | (2,515) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | (15,000) | (15,000) |
| At 30 June 2013 | 404,062 | 287,628 | (91,086) | 137,771 | 304,827 | 126 | 10,552,292 | 11,595,620 | 117,500 | 11,713,120 |

The notes on pages 14 to 28 form an integral part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Net cash generated from operating activities** | **195,352** | 339,153 |
| **Net cash used in investing activities** | **(246,155)** | (776,416) |
| **Net cash generated from financing activities** | **309,639** | 376,678 |
| **Net increase/(decrease) in cash and cash equivalents** | **258,836** | (60,585) |
| **Cash and cash equivalents at 1 January** | **591,224** | 476,425 |
| **Effect of foreign exchange rate changes** | **(223)** | (499) |
| **Cash and cash equivalents at 30 June** | **849,837** | 415,341 |
| **Analysis of the balances of cash and cash equivalents at 30 June** | | |
| Cash and bank balances | **2,482,896** | 1,951,990 |
| Bank overdrafts | **(10,566)** | – |
| Less: Time deposits with maturity more than 3 months | **(1,622,493)** | (1,536,649) |
| | **849,837** | 415,341 |

The notes on pages 14 to 28 form an integral part of this interim financial report.

## NOTES:

### 1. BASIS OF PREPARATION

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").

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 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.

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 Company and the Group since the 2012 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 review report to the Board of Directors is included on page 34. In addition, this interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2013.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

**HKFRS 10, Consolidated financial statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

## 2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

**HKFRS 11, Joint arrangements**

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangement. The Group has reclassified the investment from a jointly controlled entity to a joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

**HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

**HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The Group has provided those disclosures in note 12. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

## 3. TURNOVER 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 most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following six reportable segments. No operating segments have been aggregated to form the following 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 |
| Property development and sales | : | The development, purchase and sale of commercial and residential properties |
| Hotel and serviced apartment | : | The operation of hotel and provision of hotel management services |
| Food and beverage operation | : | The operation of restaurants |
| Travel operation | : | The operation of travel agency services |
| Apparel operation | : | The wholesale and retail of apparel |

The principal activities of the Group are property rental, property development and sales, hotel and serviced apartment, food and beverage operation, travel operation and apparel operation. Turnover represents rental income, income from sale of properties and properties under development, income from hotel and serviced apartment, food and beverage, travel and apparel operations.

Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expenses directly 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 and a joint venture, other non-operating items and other corporate expenses.

## 3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

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

| | For the six months ended 30 June 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Property rental *HK$'000* | Property development and sales *HK$'000* | Hotel and serviced apartment *HK$'000* | Food and beverage operation *HK$'000* | Travel operation *HK$'000* | Apparel operation *HK$'000* | Total *HK$'000* |
| Revenue from external customers | 366,948 | – | 287,874 | 145,589 | 572,163 | 35,180 | 1,407,754 |
| Inter-segment revenue | – | – | 813 | 3,133 | – | – | 3,946 |
| Reportable segment revenue | 366,948 | – | 288,687 | 148,722 | 572,163 | 35,180 | 1,411,700 |
| Elimination of inter-segment revenue | | | | | | | (3,946) |
| Consolidated turnover | | | | | | | 1,407,754 |
| Reportable segment results (adjusted EBITDA) | 319,062 | (7,613) | 104,349 | (8,262) | 20,691 | (25,790) | 402,437 |
| Unallocated corporate expenses | | | | | | | (94,457) |
| | | | | | | | 307,980 |
| Finance costs | | | | | | | (13,197) |
| Share of profits less losses of associates | | | | | | | 59 |
| Share of profit of a joint venture | | | | | | | 422 |
| Net gain on disposal of properties | | | | | | | 38,783 |
| Net realised and unrealised losses on trading securities | | | | | | | (2,410) |
| Net increase in fair value of investment properties | 443,328 | – | – | – | – | – | 443,328 |
| Consolidated profit before taxation | | | | | | | 774,965 |

## 3. TURNOVER AND SEGMENT REPORTING (CONTINUED)

| | For the six months ended 30 June 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Property rental *HK$'000* | Property development and sales *HK$'000* | Hotel and serviced apartment *HK$'000* | Food and beverage operation *HK$'000* | Travel operation *HK$'000* | Apparel operation *HK$'000* | Total *HK$'000* |
| Revenue from external customers | 341,033 | 174,721 | 289,283 | 136,831 | 540,961 | 42,868 | 1,525,697 |
| Inter-segment revenue | – | – | 753 | 2,816 | – | – | 3,569 |
| Reportable segment revenue | 341,033 | 174,721 | 290,036 | 139,647 | 540,961 | 42,868 | 1,529,266 |
| Elimination of inter-segment revenue | | | | | | | (3,569) |
| Consolidated turnover | | | | | | | 1,525,697 |
| Reportable segment results (adjusted EBITDA) | 297,269 | (15,345) | 112,934 | (15,536) | 19,967 | (5,527) | 393,762 |
| Unallocated corporate expenses | | | | | | | (93,952) |
| | | | | | | | 299,810 |
| Finance costs | | | | | | | (14,892) |
| Share of profits less losses of associates | | | | | | | (914) |
| Share of profit of a joint venture | | | | | | | 453 |
| Net realised and unrealised gains on trading securities | | | | | | | 1,263 |
| Net increase in fair value of investment properties | 457,410 | – | – | – | – | – | 457,410 |
| Consolidated profit before taxation | | | | | | | 743,130 |

## 4. PROFIT BEFORE TAXATION

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

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2013** | 2012 |
| | | ***HK$'000*** | *HK$'000* |
| (a) | *Finance costs* | | |
| | Interest on bank advances and other borrowings repayable within five years | **10,853** | 12,819 |
| | Other borrowing costs | **2,344** | 2,073 |
| | | **13,197** | 14,892 |
| (b) | *Other items* | | |
| | Dividend and interest income | **(24,957)** | (15,578) |
| | Reversal of provision for properties held for resale | **(1,200)** | – |
| | Write off of trade receivables | **2,798** | – |

## 5. TAXATION

Taxation in the consolidated income statement represents:

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the period | **49,797** | 37,256 |
| Over-provision in respect of prior years | **(22)** | – |
| | **49,775** | 37,256 |
| **Current tax – Overseas** | | |
| Provision for the period | **1,261** | 1,417 |
| Under-provision in respect of prior years | **81** | 3,017 |
| | **1,342** | 4,434 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **36,332** | 19,541 |
| | **87,449** | 61,231 |

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2012: 16.5%) of the estimated assessable profits for the period.

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

Share of associates' taxation for the period of HK$3,000 (six months ended 30 June 2012: HK$3,000) is included in the share of profits less losses of associates.

Share of a joint venture's taxation for the period of HK$83,000 (six months ended 30 June 2012: HK$Nil) is included in the share of profit of a joint venture.

## 6. DIVIDENDS

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Interim dividends declared after the interim period of 17 Hong Kong cents per share (six months ended 30 June 2012: 16 Hong Kong cents per share) | **98,129** | 92,357 |

The interim dividend declared after the interim period has not been recognised as a liability at the balance sheet date.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Final dividends in respect of the previous financial year, approved and paid during the interim period, of 25 Hong Kong cents per share (six months ended 30 June 2012: 23 Hong Kong cents per share) | **144,308** | 132,763 |

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of the Company of HK$680,356,000 (six months ended 30 June 2012: HK$665,299,000) and 577,231,252 shares (six months ended 30 June 2012: 577,231,252 shares) in issue during the interim period.

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2013 and 2012, and hence diluted earnings per share is the same as the basic earnings per share.

## 8. FIXED ASSETS

**Investment properties**

Investment properties of the Group were revalued at 30 June 2013 on a market value basis calculated by reference to net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of surveyors, DTZ, who have among its staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. During the period, the net increase in fair value of investment properties was HK$443,328,000 (six months ended 30 June 2012: HK$457,410,000).

## 9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis, based on the invoice date (or date of revenue recognition, if earlier), as at the balance sheet date:

| | **At 30 June 2013** *HK$'000* | At 31 December 2012 *HK$'000* |
|---|---|---|
| 0 to 1 month | **75,383** | 94,840 |
| 1 month to 2 months | **13,505** | 12,270 |
| Over 2 months | **24,546** | 25,511 |
| Trade receivables | **113,434** | 132,621 |
| Other receivables, deposits and prepayments | **180,194** | 205,506 |
| | **293,628** | 338,127 |

At 30 June 2013, all of the trade and other receivables are expected to be recovered within one year.

At 31 December 2012, all of the trade and other receivables are expected to be recovered within one year except for the amount of HK$31,044,000 which was expected to be recoverable after more than one year and recovered during the period.

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

## 10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis as at the balance sheet date:

| | At 30 June 2013 HK$'000 | At 31 December 2012 HK$'000 |
|---|---|---|
| Due within 3 months or on demand | **74,258** | 89,443 |
| Due after 3 months but within 6 months | **15,497** | 20,075 |
| Trade payables | **89,755** | 109,518 |
| Other payables | **281,840** | 324,784 |
| Amounts due to holders of non-controlling interests of subsidiaries (see note 11) | **73,993** | 75,886 |
| Amounts due to associates *(note)* | **12,243** | 10,473 |
| | **457,831** | 520,661 |

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

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

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

Except the amounts due to holders of non-controlling interests of a subsidiary amounting to HK$47,237,000 (at 31 December 2012: HK$47,438,000), which is interest bearing at 6.40% (at 31 December 2012: 6.14%) per annum and not expected to be settled within one year, and the amounts due to holders of non-controlling interests of the subsidiary amounting to HK$Nil (at 31 December 2012: HK$4,304,000), which is interest bearing at nil% (at 31 December 2012: 6.14%) per annum and repayable within 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. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

**Financial assets and liabilities measured at fair value**

***(i) Fair value hierarchy***

| | | Fair value measurements as at 30 June 2013 using | | |
|---|---|---|---|---|
| | **Fair value at 30 June 2013** | **Quoted prices in active market for identical assets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Recurring fair value measurement** | | | | |
| *Financial assets:* | | | | |
| Available-for-sale securities: | | | | |
| – Listed equity securities in Hong Kong | **15,495** | **15,495** | **–** | **–** |
| – Unlisted debt securities in overseas | **244,078** | **–** | **244,078** | **–** |
| – Unlisted investment fund | **32,417** | **–** | **32,417** | **–** |
| Trading securities: | | | | |
| – Listed securities in Hong Kong | **46,808** | **46,808** | **–** | **–** |

| | | Fair value measurements as at 31 December 2012 using | | |
|---|---|---|---|---|
| | Fair value at 31 December 2012 | Quoted prices in active market for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Recurring fair value measurement** | | | | |
| *Financial assets:* | | | | |
| Available-for-sale securities: | | | | |
| – Listed equity securities in Hong Kong | 9,636 | 9,636 | – | – |
| – Unlisted debt securities in overseas | 240,598 | – | 240,598 | – |
| – Unlisted investment fund | 31,977 | – | 31,977 | – |
| Trading securities: | | | | |
| – Listed securities in Hong Kong | 2,828 | 2,828 | – | – |

## 12. FAIR VALUE MEASUREMENT OF FINANC0IAL INSTRUMENTS (CONTINUED)

**Financial assets and liabilities measured at fair value** (continued)

***(i) Fair value hierarchy*** *(continued)*

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (at 31 December 2012: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

***(ii) Valuation techniques and inputs used in Level 2 fair value measurements***

The fair value of unlisted debt securities in overseas in Level 2 is determined by a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or debt instrument as an asset.

The fair value of unlisted investment fund is represented by the reported net asset value.

***(iii) Fair values of financial assets and liabilities carried at other than fair value***

The fair values of receivable, bank balances and other current assets, payables and accruals and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 30 June 2013. Amounts due from/(to) associates, a joint venture and holders of non-controlling interests of subsidiaries are unsecured and have no fixed repayment terms. Given these terms, it is not meaningful to disclose fair values.

## 13. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report were as follows:

| | **At 30 June 2013** *HK$'000* | At 31 December 2012 *HK$'000* |
|---|---|---|
| **Future expenditure relating to properties:** | | |
| Contracted for | **103,470** | 23,468 |
| Authorised but not contracted for | **8,061** | 107,365 |
| | **111,531** | 130,833 |

## 14. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions under the ordinary course of business and were carried out on normal commercial terms:

| | For the six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| Property agency fee payable to a subsidiary of the Group's major shareholder *(note (a))* | **1,250** | 931 |
| Travel and ticketing income from subsidiaries and associates of the Group's major shareholder *(note (a))* | **(7,911)** | (6,133) |
| Management fee income from affiliated companies of the Group's major shareholder *(note (b))* | **(639)** | (1,160) |
| Rental and building management fee income from: | | |
| – a subsidiary of the Group's major shareholder for the leasing of Shop 2004, Miramar Shopping Centre* | **(1,604)** | (1,584) |
| – an associate of the Group's major shareholder for leasing of Office Units 1801-08, 1812-16 and 1817-18, Miramar Tower* *(note (c))* | **(7,135)** | (5,754) |
| – a subsidiary of the Group's major shareholder for leasing of Shop 503A-C and 501-02, Miramar Shopping Centre and Office Units 609-12, Miramar Tower* *(note (d))* | **(9,571)** | (10,140) |
| – a subsidiary of the Group's major shareholder for leasing of Shop 3013, Portion of Podium Roof and Fan Room, Miramar Shopping Centre* *(note (e))* | **(5,302)** | (5,010) |
| Rental and building management fee payable to: | | |
| – an associate of the Group's major shareholder for the leasing of Shop Nos. 3101-3107 and certain storerooms and advertisement light boxes of ifc Mall (including contingent rental of HK$Nil for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$13,000))* | **6,828** | 6,828 |
| – a subsidiary of the Group's major shareholder for the leasing of Units Nos. 201-05, West Tower, Beijing World Financial Centre, Beijing, the Peoples' Republic of China* | **3,611** | 3,585 |

* These transactions also constitute continuing connected transactions as defined under the Listing Rules.

## 14. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The property agency fee payable to a subsidiary of the Group's major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong, was calculated at a certain percentage of the gross rental income from the Group's investment properties during the period.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.

The amounts due to these companies at the period end amounted to HK$1,014,000 (at 31 December 2012: HK$1,030,000).

(b) The management fee income from affiliated companies of the Group's major shareholder for the provision of management services to a serviced apartment, was calculated at a certain percentage of revenue generated from that serviced apartment for the period the service provided. The net amounts due from these companies at the period end amounted to HK$5,876,000 (at 31 December 2012: HK$15,334,000).

(c) The amount due from this company at the period end amounted to HK$48,000 (at 31 December 2012: HK$33,000).

(d) The amount due from this company at the period end amounted to HK$2,285,000 (at 31 December 2012: HK$81,000).

(e) The amount due from this company at the period end amounted to HK$992,000 (at 31 December 2012: HK$6,000).

## OTHER INFORMATION

## INTERIM DIVIDEND

The Directors declare the payment of an interim dividend of 17 Hong Kong cents per share in respect of the six months ended 30 June 2013 to shareholders listed on the Register of Members at the close of business on 2 October 2013. Dividend warrants for the interim dividend will be despatched by mail to shareholders on or about 18 October 2013.

## CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 September 2013 to 2 October 2013, both dates inclusive. In order to qualify for the interim dividend for the period, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 25 September 2013.

## DISCLOSURE OF INTERESTS

### Directors' interests in shares

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

| Name of Company | Name of Director | Personal Interests | Family Interests | Corporate Interests | Other Interests | Percentage of total issued shares |
|---|---|---|---|---|---|---|
| Miramar Hotel and Investment Company, Limited | Dr LEE Shau Kee | – | – | 255,188,250 *(note 1)* | – | 44.21% |
| | Mr LEE Ka Shing | – | – | – | 255,188,250 *(note 2)* | 44.21% |
| | Dr David SIN Wai Kin | 4,158,000 | – | – | – | 0.72% |
| | Dr Patrick FUNG Yuk Bun | – | – | – | 8,426,710 *(note 3)* | 1.46% |
| | Mr Dominic CHENG Ka On | 7,774,640 | 4,000 | – | – | 1.35% |
| | Mr Richard TANG Yat Sun | 125,000 | – | 11,241,900 *(note 4)* | – | 1.97% |
| | Mr Thomas LIANG Cheung Biu | – | 1,080,000 *(note 5)* | – | – | 0.19% |
| Centralplot Inc. | Mr Richard TANG Yat Sun | 2,221 | – | – | – | 2% |
| Strong Guide Property Limited | Dr LEE Shau Kee | – | – | 2 *(note 6)* | – | 100% |
| | Mr LEE Ka Shing | – | – | – | 2 *(note 6)* | 100% |

Save as disclosed above, as at 30 June 2013, none of the directors or the chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the six months ended 30 June 2013 was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

**Substantial shareholders and others**

As at 30 June 2013, the interests of every shareholder in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

| Substantial shareholders | Ordinary shares held | | Percentage of total issued shares |
|---|---|---|---|
| Dr LEE Shau Kee | 255,188,250 | *(note 1)* | 44.21% |
| Mr LEE Ka Shing | 255,188,250 | *(note 2)* | 44.21% |
| Rimmer (Cayman) Limited ("Rimmer") | 255,188,250 | *(note 7)* | 44.21% |
| Riddick (Cayman) Limited ("Riddick") | 255,188,250 | *(note 7)* | 44.21% |
| Hopkins (Cayman) Limited ("Hopkins") | 255,188,250 | *(note 7)* | 44.21% |
| Henderson Development Limited ("Henderson Development") | 255,188,250 | *(note 8)* | 44.21% |
| Henderson Land Development Company Limited ("Henderson Land") | 255,188,250 | *(note 8)* | 44.21% |
| Aynbury Investments Limited ("Aynbury") | 255,188,250 | *(note 8)* | 44.21% |
| Higgins Holdings Limited ("Higgins") | 100,612,750 | *(note 8)* | 17.43% |
| Multiglade Holdings Limited ("Multiglade") | 79,121,500 | *(note 8)* | 13.71% |
| Threadwell Limited ("Threadwell") | 75,454,000 | *(note 8)* | 13.07% |
| **Persons other than substantial shareholders** | | | |
| Mr CHONG Wing Cheong | 57,594,210 | | 9.98% |

Save as disclosed above, as at 30 June 2013, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

*Notes:*

(1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins. By virtue of the SFO, Dr Lee Shau Kee is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 2, 7 and 8.

(2) As a director of the Company and one of the discretionary beneficiaries of two discretionary trusts holding units in a unit trust ("Unit Trust") as described in Note 7, Mr Lee Ka Shing is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 1, 7 and 8, by virtue of the SFO.

(3) All these shares were held by a unit trust of which Dr Patrick Fung Yuk Bun was a beneficiary.

(4) These shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued share capital.

(5) All these shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary.

(6) These 2 shares in Strong Guide Property Ltd were equally owned by the respective wholly-owned subsidiaries of the Company and Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 2, 7 and 8.

(7) Rimmer and Riddick, trustees of different discretionary trusts, held units in the Unit Trust. Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in the share capital of Henderson Development. These 255,188,250 shares are duplicated in the interests described in Notes 1, 2 and 8.

(8) Henderson Development had a controlling interest in Henderson Land which was the holding company of Aynbury. The 255,188,250 shares were beneficially owned by some of the subsidiaries of Aynbury. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. These 255,188,250 shares represent the shares described in Notes 1, 2 and 7.

## CORPORATE FINANCE

The Group maintains its conservative financial policy, with high liquidity and low gearing. Gearing, calculated by dividing consolidated total borrowings by consolidated total shareholders' equity, is only 20% as at 30 June 2013 (at 31 December 2012: 19%).

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its operation in mainland China as well as certain bank deposits which are denominated in RMB and equity and bond investments which are denominated in USD, GBP, EUR and SGD.

Majority of the Group's financing facilities obtained are denominated in Hong Kong dollars and interests on bank loans and borrowings are chargeable mainly based on certain interest margin over the Hong Kong Interbank Offer Rate which is therefore of floating rate in nature.

The Group has adequate credit facilities available to fund its development programme for the foreseeable future. At 30 June 2013, total available facilities amounted to approximately HK$3.0 billion (at 31 December 2012: approximately HK$2.7 billion), and 77% of that (at 31 December 2012: 74%) were utilised. At 30 June 2013, consolidated net cash were approximately HK$0.11 billion (at 31 December 2012, consolidated net borrowings: HK$0.06 billion), of which HK$0.09 billion was secured borrowings (at 31 December 2012: HK$0.08 billion).

## EMPLOYEES

As at 30 June 2013, the Group had a total of about 2,170 full-time employees, including 1,630 employed in Hong Kong, 540 employed in the People's Republic of China and the United States of America. The Group invests in its employees and remunerate them in a manner that supports the achievement of the Company mission, vision and strategic objectives. It is the policy of the Group to offer fair pay to employees in terms of their roles and responsibilities, merit and competencies within the organisation; paying them at the appropriate level for the markets in which we operate. The Group adopts a performance culture in which employees are expected to deliver against challenging objectives and to reward them when they do. Employees can expect to receive regular feedback on their performance, to receive formal appraisals annually and to participate in the setting of their objectives. Under the existing system, our employees' remuneration packages are rewarded on a performance-related basis.

## TRAINING AND DEVELOPMENT

It is our ongoing efforts to provide opportunities for people development and growth. The new Performance Management System was adopted to enhance overall performance standards and to cultivate the concept of reward for performance starting 2013. All team members have been engaged and knowing what is expected with alignment between company and individual goals to achieve the greatest benefit for individual and the company.

We believe that human resources are the most important asset and we are committed to providing an environment in which our employees at all levels can excel and grow. At the beginning of 2013, an extensive Training and Development Needs Analysis covering all employees was carried out aimed at identifying the training and development needs. A comprehensive Corporate Training Curriculum was then developed for employees at different levels. Essential training programs like Business Knowledge Sharing, Technical Skills Training, Customer Services Training, Languages Training, People Management Training and Personal Effectiveness Training have planned and been rolling out throughout the year. With the continuous efforts of people development, we have been awarded by Employees Retraining Board on renewing the honour of Manpower Developer in 2013.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions 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 2013.

## 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.

## 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.

By Order of the Board
**LEE SHAU KEE**
*Chairman*

Hong Kong, 19 August 2013

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED**

*(Incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 6 to 28 which comprises the consolidated balance sheet of Miramar Hotel and Investment Company, Limited as of 30 June 2013 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with the Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 August 2013

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED
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