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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)

## 2018 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 (collectively, the “Group”) for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

#### Highlights

- The Group’s revenue increased by 3% to HK\$1,600 million (2017: HK\$1,559 million)
- Profit attributable to shareholders increased by 10% to HK\$856 million (2017: HK\$780 million)
- Underlying profit attributable to shareholders\* surged significantly by 22% to HK\$406 million (2017: HK\$333 million)
- Earnings per share (basic) and underlying earnings per share (basic)\* of HK\$1.25 (2017: HK\$1.34) and HK\$0.59 (2017: HK\$0.57) respectively
- Interim dividends per share of HK24 cents (2017: HK23 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 disposal of a subsidiary*

## **CHAIRMAN AND CEO'S STATEMENT**

Dear Shareholders,

On behalf of the Board of the Miramar Group (the "Group"), I am pleased to present my report of the operations of the Group, together with the financial performance for the six months ended 30 June 2018.

### **Consolidated Results**

The Group's revenue for the six months ended 30 June 2018 (the "Reporting Period") amounted to approximately HK\$1,600 million, representing an increase of 3% compared to last corresponding period.

Profit for the reporting period increased by 11% to HK\$876 million (2017: HK\$792 million) while basic earnings per share recorded a decrease of 7% to HK\$1.25 (2017: HK\$1.34) compared to the last corresponding period. Taking into account the effect of the increased number of shares issued in the beginning of the reporting period pursuant to the bonus warrant scheme, basic earnings per share would have shown a growth in line with the Profit.

The underlying profit attributable to shareholders\* accounted for HK\$406 million surged significantly by 22% compared to the last corresponding period. The underlying earnings per share (basic)\* were HK\$0.59, an increase of 4% compared to the last corresponding period (2017: HK\$0.57).

### **Interim Dividend**

The Directors declare the payment of an interim dividend of HK 24 cents per share in respect of the six months ended 30 June 2018 to shareholders listed on the Register of Members at the close of business on 28 September 2018 (Friday). Dividend warrants for the interim dividend will be dispatched by mail to shareholders on or about 16 October 2018.

### **Business Outlook**

Hong Kong economy continued to flourish in the first half of 2018 fueling the strong rebound in tourism and retail market. Yet one might foresee an uncertainty in the second half of the year that generated by various factors including The Federal Reserve rate hikes in a year, the rising protectionism against global trade and Brexit, etc. With the Group's on-going solid financial position and adaptive business strategies, we are confident in preparing to respond favorably to the economic cycle.

\* *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 disposal of a subsidiary*

Looking forward, the outlook of the Group's performance for the second half of 2018 will grow steadily with momentum. Management will continue not merely to enhance asset value and property portfolio, improve cost effectiveness and quality of service, but also proactively looking for suitable investment opportunities with a view of furnishing better returns to our shareholders and stakeholders.

### **Appreciation**

I would like to take this opportunity to express my gratitude to the Board of Directors for their guidance, to all staff for their dedication and hard work, and to all our shareholders and customers for their continued support.

**Lee Ka Shing**

*Chairman and CEO*

Hong Kong, 17 August 2018

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

#### *Hotels and Serviced Apartments Business*

Revenue from hotels and serviced apartments of the Group increased by 12% to HK\$343 million during the reporting period, compared to corresponding period of last year. EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to HK\$130 million, representing an increase of approximately 20%.

Benefited from the increase in overall and overnight visitor arrivals to Hong Kong, the occupancy and the average room rate of The Mira Hong Kong and Mira Moon under our Group raised for the first six months of the year. In order to maintain our competitive edge, on top of further strengthening the development of the MICE (meetings, incentives, conferences and exhibitions) segment, we have also stretched to business with extended revenue such as the establishment of one-stop unique event planning service brand.

#### *Property Rental Business*

The Group's property rental business recorded revenue of approximately HK\$457 million; EBITDA was approximately HK\$406 million, with 9% growth comparing to the last corresponding period.

The new brand image & position of Mira Place since 2017 rebranding campaign is well recognised by the market. To further enhance the distinctiveness of the mall, Mira Discovery Zone with about 20 unique designer brands was launched in the second quarter of the year, offering a vast array of choices and patronage experience. The refinement of tenant mix and utilisation of repartitioned layouts have also contributed to the increase in the average occupancy and the rental income returns as a whole.

#### *Net increase in fair value of investment properties*

The Group's investment property portfolio recorded a net increase in fair value of approximately HK\$434 million to a total value of HK\$14.54 billion as at 30 June 2018, which surged 3% comparing to last year, based on the professional assessment and evaluation made by an independent surveyor.

#### *Food and Beverage Business*

The Group's food and beverage business registered revenue of approximately HK\$164 million and EBITDA of approximately HK\$2.6 million during the reporting period.

The Group's food and beverage business overall has recorded slim profit. We will continue to review the brand compositions, business models and development strategies of the food and beverage business under the Group, aiming to strengthen the revenue drivers alongside our cost effective-oriented business philosophy. There are plans in further develop and establish more diversified dining concepts.

### *Travel Business*

During the reporting period, revenue from our travel business amounted to approximately HK\$636 million, similar to last corresponding period. EBITDA amounted to approximately HK\$30 million which representing a growth of 147%. Overall the group outbound business has recorded remarkable performance.

### **CORPORATE FINANCE**

Adhering to a prudent principle, the Group has maintained its conservative financial policy. Gearing, calculated by dividing consolidated total borrowings by the consolidated total shareholders' equity, was 0.1 % as at 30 June 2018 (31 December 2017: 0.1%).

The Group has its business operations 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 results from its operations in mainland China as well as with certain bank deposits which are denominated in RMB and USD, plus equity and bond investments which are denominated in USD and EUR. The majority of the Group's banking facilities are denominated in Hong Kong dollars. Interest on the bank loan is fixed rate in nature.

The Group is buttressed by a large cash pool to fund its development programs for the foreseeable future. As at 30 June 2018, total available credit facilities amounted to approximately HK\$1.3 billion (31 December 2017: approximately HK\$1.3 billion). As at 30 June 2018, consolidated net cash and bank balances were approximately HK\$4.7 billion (31 December 2017: approximately HK\$3.4 billion), of which HK\$3 million were secured borrowings (31 December 2017: approximately HK\$3 million).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED***For the six months ended 30 June 2018*

		<b>For the six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	3	<b>1,600,205</b>	1,558,690
Cost of inventories		<b>(80,399)</b>	(85,111)
Staff costs		<b>(256,274)</b>	(263,610)
Utilities, repairs and maintenance and rent		<b>(100,648)</b>	(107,395)
Tour and ticketing costs		<b>(554,364)</b>	(567,707)
<b>Gross profit</b>		<b>608,520</b>	534,867
Other revenue		<b>58,026</b>	41,770
Operating and other expenses		<b>(107,038)</b>	(103,310)
Depreciation		<b>(51,493)</b>	(55,529)
		<b>508,015</b>	417,798
Finance costs	4(a)	<b>(631)</b>	(6,503)
Share of profits less losses of associates		<b>49</b>	(78)
		<b>507,433</b>	411,217
Other non-operating net gain	4(b)	<b>14,942</b>	36,366
Net increase in fair value of investment properties	8	<b>433,773</b>	415,645
<b>Profit before taxation carried forward</b>	4	<b>956,148</b>	863,228

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)***For the six months ended 30 June 2018*

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2018</b>	<b>2017</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit before taxation brought forward</b>	4	<b>956,148</b>	863,228
<b>Taxation</b>	5		
Current		(78,234)	(71,004)
Deferred		<u>(1,521)</u>	<u>(169)</u>
<b>Profit for the period</b>		<b><u>876,393</u></b>	<b><u>792,055</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		855,918	780,445
Non-controlling interests		<u>20,475</u>	<u>11,610</u>
		<b><u>876,393</u></b>	<b><u>792,055</u></b>
<b>Earnings per share</b>			
Basic	7(a)	<b><u>HK\$1.25</u></b>	<b><u>HK\$1.34</u></b>
Diluted	7(b)	<b><u>HK\$1.25</u></b>	<b><u>HK\$1.29</u></b>

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

*For the six months ended 30 June 2018*

	<b>For the six months ended 30 June</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<u><b>876,393</b></u>	<u>792,055</u>
<b>Other comprehensive income for the period</b> <b>(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:		
— changes in fair value	(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	745	23,755
Reclassification adjustments for amounts transferred to profit or loss on disposal of a subsidiary	(16,589)	—
Available-for-sale securities:		
— changes in fair value	—	23,107
— transfer to profit or loss upon disposal	—	(4,114)
	<u>(18,859)</u>	<u>42,748</u>
<b>Total comprehensive income for the period</b>	<u><b>857,534</b></u>	<u>834,803</u>
<b>Attributable to:</b>		
Shareholders of the Company	838,781	820,396
Non-controlling interests	<u>18,753</u>	<u>14,407</u>
<b>Total comprehensive income for the period</b>	<u><b>857,534</b></u>	<u>834,803</u>

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

At 30 June 2018

		At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Investment properties	8	14,539,673	14,102,734
Other property, plant and equipment		<u>259,500</u>	<u>305,955</u>
		<b>14,799,173</b>	14,408,689
Interests in associates		844	801
Equity securities designated at FVOCI		97,619	—
Financial assets measured at FVPL		2,046	—
Available-for-sale securities		—	80,831
Deferred tax assets		<u>6,261</u>	<u>5,994</u>
		<b>14,905,943</b>	14,496,315
<b>Current assets</b>			
Inventories		123,101	126,254
Trade and other receivables	9	273,690	295,453
Financial assets measured at FVPL		63,950	—
Available-for-sale securities		—	43,767
Trading securities		—	6,052
Cash and bank balances		4,755,685	3,438,569
Tax recoverable		<u>82</u>	<u>197</u>
		<b>5,216,508</b>	3,910,292
<b>Current liabilities</b>			
Trade and other payables	10	(734,790)	(534,436)
Bank loan and overdrafts		(2,938)	(3,954)
Sales and rental deposits received		(251,282)	(196,214)
Tax payable		<u>(83,204)</u>	<u>(39,548)</u>
		<b>(1,072,214)</b>	(774,152)
<b>Net current assets</b>		<b>4,144,294</b>	3,136,140
<b>Total assets less current liabilities carried forward</b>		<b>19,050,237</b>	17,632,455

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED (continued)***At 30 June 2018*

	At <b>30 June 2018</b>	At 31 December 2017
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Total assets less current liabilities brought forward</b>	<b><u>19,050,237</u></b>	<b><u>17,632,455</u></b>
<b>Non-current liabilities</b>		
Deferred liabilities	(178,151)	(197,458)
Deferred tax liabilities	<u>(275,912)</u>	<u>(275,427)</u>
	<u>(454,063)</u>	<u>(472,885)</u>
<b>NET ASSETS</b>	<b><u>18,596,174</u></b>	<b><u>17,159,570</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<i>11(a)</i> 2,227,024	1,384,869
Reserves	<u>16,234,151</u>	<u>15,644,115</u>
<b>Total equity attributable to shareholders of the Company</b>	<b>18,461,175</b>	<b>17,028,984</b>
<b>Non-controlling interests</b>	<u>134,999</u>	<u>130,586</u>
<b>TOTAL EQUITY</b>	<b><u>18,596,174</u></b>	<b><u>17,159,570</u></b>

## 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 2018 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 17 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 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 2017 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 2017 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 number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

### (a) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 January 2018.

	<i>HK\$'000</i>
<b>Retained profits</b>	
Transferred from investment revaluation reserve (recycling) relating to:	
— financial assets now measured at FVPL	463
— financial assets now carried at amortised cost	40
— financial assets now designated at FVOCI	<u>159</u>
Increase in retained profits at 1 January 2018	<u><u>662</u></u>

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### (a) HKFRS 9, *Financial instruments* (continued)

	<i>HK\$'000</i>
<b>Investment revaluation reserve (recycling)</b>	
Transferred to retained profits relating to:	
— financial assets now measured at FVPL	(463)
— financial assets now carried at amortised cost	(40)
— financial assets now designated at FVOCI	<u>(159)</u>
	(662)
Transferred to investment revaluation reserve (non-recycling) relating to financial assets now designated at FVOCI	<u>(10,217)</u>
Decrease in investment revaluation reserve (recycling) at 1 January 2018	<u><u>(10,879)</u></u>
<b>Investment revaluation reserve (non-recycling)</b>	
Transferred from investment revaluation reserve (recycling) relating to financial assets now designated at FVOCI	<u><u>10,217</u></u>

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

#### (i) *Classification of financial assets*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group’s financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### (a) HKFRS 9, *Financial instruments* (continued)

#### (i) *Classification of financial assets* (continued)

	HKAS 39 carrying amount at 31 December 2017 HK\$'000	Re-classification HK\$'000	HKFRS 9 carrying amount at 1 January 2018 HK\$'000
<b>Financial assets carried at amortised cost</b>			
Unlisted debt securities outside Hong Kong (note (i))	—	28,200	28,200
<b>Financial assets designated at FVOCI (non-recyclable)</b>			
Equity securities not held for trading (note (ii))	—	50,212	50,212
<b>Financial assets measured at FVPL</b>			
Equity securities not held for trading (note (ii))	—	2,419	2,419
Trading securities (note (iii))	6,052	—	6,052
Unlisted investment fund (note (iv))	—	43,767	43,767
	<u>6,052</u>	<u>46,186</u>	<u>52,238</u>
<b>Financial assets classified as available-for-sale under HKAS 39</b> (notes (i), (ii) and (iv))	<u>124,598</u>	<u>(124,598)</u>	<u>—</u>

#### Notes:

- (i) Under HKAS 39, unlisted debt securities outside Hong Kong were classified as available-for-sale financial assets. It is classified as financial assets carried at amortised cost under HKFRS 9 as the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. The investment was fully amortised during the period.
- (ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as financial assets measured at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated some of its equity investments at FVOCI as they are held for strategic purposes.
- (iii) Trading securities were classified as financial assets at FVPL under HKAS 39. These securities continue to be measured at FVPL under HKFRS 9.

## 2. CHANGES IN ACCOUNTING POLICIES (continued)

### (a) HKFRS 9, *Financial instruments* (continued)

#### (i) *Classification of financial assets* (continued)

- (iv) Under HKAS 39, unlisted investment fund was classified as available-for-sale financial assets. It is classified as financial assets measured at FVPL under HKFRS 9 as the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling).

The measurement categories for the Group's other financial assets and financial liabilities remain the same.

#### (ii) *Credit losses*

Impairment based on the expected credit loss model on the Group's trade receivables have no significant financial impact on the Group's consolidated statement of profit or loss for the current accounting period.

### (b) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*. Management has further assessed the impact of HKFRS 15 to the Group's travel operation and concluded that it has control to specified good or service before that good or service is transferred to a customer. On this basis, no change in the revenue recognition policy relating to the provision of certain services in the travel operation is considered to be necessary.

Accordingly, the adoption of HKFRS 15 has no significant financial impact on the Group's interim financial report.

## 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.

	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>
Reportable segment revenue (revenue from external customers)	<u>457,230</u>	<u>342,588</u>	<u>164,251</u>	<u>636,136</u>	<u>—</u>	<u>1,600,205</u>
Reportable segment results (adjusted EBITDA)	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	—	—	—	—	<u>14,942</u>
Consolidated profit before taxation						<u>433,773</u>
						<u>956,148</u>



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

	For the six months ended 30 June 2017					
	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>
Reportable segment revenue (revenue from external customers)	<u>420,618</u>	<u>307,319</u>	<u>195,081</u>	<u>635,672</u>	<u>—</u>	<u>1,558,690</u>
Reportable segment results (adjusted EBITDA)	373,880	108,109	3,000	11,967	(238)	496,718
Unallocated corporate expenses						<u>(78,920)</u>
						417,798
Finance costs						(6,503)
Share of profits less losses of associates						(78)
Other non-operating net gain						36,366
Net increase in fair value of investment properties	415,645	—	—	—	—	<u>415,645</u>
Consolidated profit before taxation						<u>863,228</u>

#### 4. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings	619	2,212
Other borrowing costs	<u>12</u>	<u>4,291</u>
	<u><b>631</b></u>	<u><b>6,503</b></u>
<b>(b) Other non-operating net gain</b>		
Net gain on disposal of a subsidiary	(16,589)	(31,918)
Net gain on disposal of available-for-sale securities	—	(4,114)
Net realised and unrealised losses/(gains) on financial assets measured at FVPL		
— investments not held for trading	373	—
— trading securities	<u>1,274</u>	<u>(334)</u>
	<u><b>(14,942)</b></u>	<u><b>(36,366)</b></u>
<b>(c) Other items</b>		
Dividend and interest income	(40,393)	(20,491)
Reversal of provision for properties held for resale	(44)	(40)
(Reversal of)/provision for impairment loss on trade receivables	<u>(4)</u>	<u>4</u>

## 5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the period	<u>74,972</u>	<u>68,149</u>
<b>Current tax — Overseas Taxation</b>		
Provision for the period	<u>3,262</u>	<u>2,976</u>
Over-provision in respect of prior years	<u>—</u>	<u>(121)</u>
	<u>3,262</u>	<u>2,855</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	(3)	(2)
Origination and reversal of temporary differences	<u>1,524</u>	<u>171</u>
	<u>1,521</u>	<u>169</u>
	<u><u>79,755</u></u>	<u><u>71,173</u></u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2017: 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 2017: HK\$4,000) 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	
	2018	2017
	HK\$'000	HK\$'000
Interim dividends declared after the interim period of HK24 cents per share (six months ended 30 June 2017: HK23 cents per share)	<u>165,830</u>	<u>142,243</u>

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

The interim dividend paid of HK\$143,031,000 for the six months ended 30 June 2017 was calculated based on HK23 cents per share and the total number of issued shares as at dividend pay-out date.

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

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
2016 final dividends approved and paid during 2017 interim period, of HK34 cents per share	<u>—</u>	<u>209,443</u>

Final dividends of HK36 cents per share in respective of the year ended 31 December 2017 of HK\$248,745,000 were approved during the six months ended 30 June 2018 and paid on 9 July 2018.

## 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\$855,918,000 (six months ended 30 June 2017: HK\$780,445,000) and the weighted average of 684,610,497 shares (six months ended 30 June 2017: 583,229,624 shares) in issue during the interim period, calculated as follows:

*Weighted average number of shares (basic)*

	For the six months ended 30 June	
	2018	2017
Issued shares at 1 January	628,577,818	577,537,634
Effect of exercised bonus warrants ( <i>note 11(b)</i> )	<u>56,032,679</u>	<u>5,691,990</u>
Weighted average number of shares at 30 June	<u>684,610,497</u>	<u>583,229,624</u>

## 7. EARNINGS PER SHARE (continued)

### (b) Diluted earnings per share

For the six months ended 30 June 2018, the calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK\$855,918,000 (six months ended 30 June 2017: HK\$780,445,000) and the weighted average of 685,399,682 shares (2017: 602,882,769 shares), calculated as follows:

*Weighted average number of shares (diluted)*

	For the six months ended 30 June	
	2018	2017
Weighted average number of shares (basic) at 30 June	684,610,497	583,229,624
Effect of exercise of bonus warrants ( <i>note 11(b)</i> )	<u>789,185</u>	<u>19,653,145</u>
Weighted average number of shares (diluted) at 30 June	<u><u>685,399,682</u></u>	<u><u>602,882,769</u></u>

## 8. INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30 June 2018 and 31 December 2017. 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\$433,773,000 (six months ended 30 June 2017: HK\$415,645,000).

## 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 end of the reporting period:

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 month	64,585	69,782
1 month to 2 months	4,461	7,430
Over 2 months	<u>14,486</u>	<u>19,455</u>
Trade receivables (net of allowance for doubtful debts)	83,532	96,667
Other receivables, deposits and prepayments	<u>190,158</u>	<u>198,786</u>
	<u><u>273,690</u></u>	<u><u>295,453</u></u>

## 9. TRADE AND OTHER RECEIVABLES (continued)

At 30 June 2018, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$16,927,000 (at 31 December 2017: HK\$13,715,000) 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 2018 HK\$'000	At 31 December 2017 HK\$'000
Due within 3 months or on demand	123,287	83,499
Due after 3 months but within 6 months	<u>20,319</u>	<u>43,271</u>
Trade payables	143,606	126,770
Other payables and accrued charges	246,073	311,822
Amounts due to holders of non-controlling interests of subsidiaries (note (i))	92,054	91,524
Amounts due to associates (note (ii))	4,312	4,320
Dividend payable (note 6(b))	<u>248,745</u>	<u>—</u>
	<u><u>734,790</u></u>	<u><u>534,436</u></u>

### Notes:

- (i) Except for the amount of HK\$19,264,000 (at 31 December 2017: HK\$18,840,000), which is unsecured, interest bearing at a rate of 6% per annum and repayable within one year, all of the remaining amounts are unsecured, interest-free and have no fixed terms of repayment.
- (ii) 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. SHARE CAPITAL

### (a) Issued share capital

	2018		2017	
	<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>628,577,818</b>	<b>1,384,869</b>	577,537,634	695,826
Shares issued on exercise of warrants	<b><u>62,381,877</u></b>	<b><u>842,155</u></b>	<u>51,040,184</u>	<u>689,043</u>
At 30 June/31 December	<b><u>690,959,695</u></b>	<b><u>2,227,024</u></b>	<u>628,577,818</u>	<u>1,384,869</u>

### (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 period, 62,381,877 units (year ended 31 December 2017: 51,040,184 units) of warrants were exercised to subscribe for an aggregate of 62,381,877 shares (year ended 31 December 2017: 51,040,184 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 (at 31 December 2017: 64,099,684 units of warrants remained outstanding).

## 12. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

## **CLOSURE OF REGISTERS OF MEMBERS**

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed on Friday, 28 September 2018, 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 Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 27 September 2018.

## **EMPLOYEES**

As at 30 June 2018, the Group had a total of about 1,599 full-time employees, including 1,563 employed in Hong Kong and 36 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 2018, 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 period ended 30 June 2018 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, 17 August 2018

*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. Lee Shau Kee, 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.*