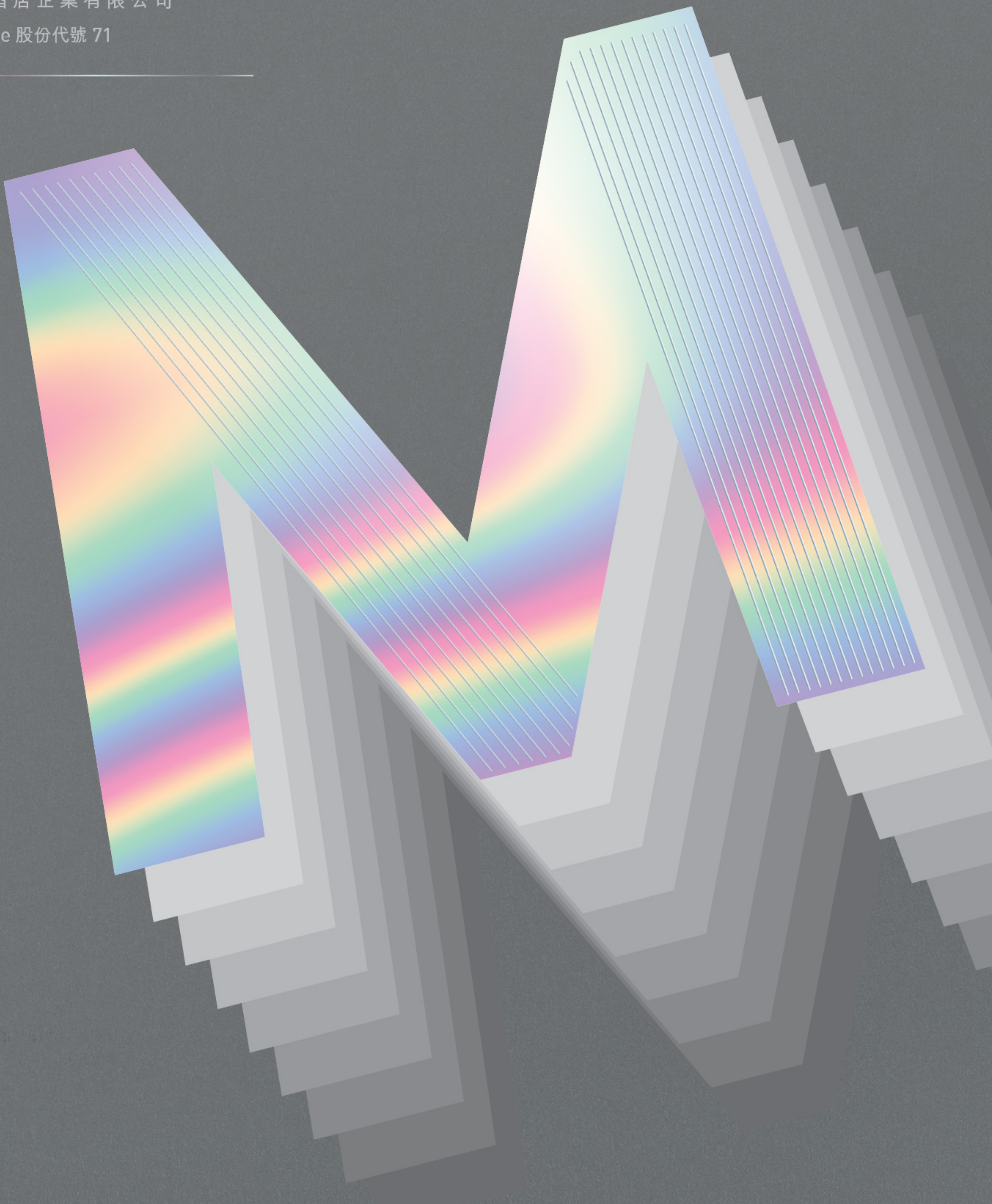
# 2019 INTERIM REPORT

# 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*
Mr LEE Ka Shing *(Chairman and CEO)*
Mr Richard TANG Yat Sun
Dr 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)*
Mr LEE Ka Shing
Dr David SIN Wai Kin
Mr Richard TANG Yat Sun
Mr WU King Cheong

### Nomination Committee

Mr LEE Ka Shing *(Committee Chairman)*
Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming

### Chairman and CEO

Mr LEE Ka Shing

### Joint Company Secretaries

Mr Dickson LAI Ho Man
Mr Charles CHU Kwok Sun

### Auditors

KPMG

### Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.
Mizuho Bank, Ltd.
China Construction Bank (Asia) Corporation Limited
Sumitomo Mitsui Banking Corporation
Bank of Communications Co., Ltd.
Hang Seng Bank Limited

### Share Registrar

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

### Registered Office

15/F, Mira Place Tower A, 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 and CEO's Statement

Dear Shareholders,

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

## CONSOLIDATED RESULTS

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

## INTERIM DIVIDEND

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

## BUSINESS OUTLOOK

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

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

## DIRECTOR

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

## APPRECIATION

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

**Lee Ka Shing**
*Chairman and CEO*

Hong Kong, 15 August 2019

# Management Discussion and Analysis

## BUSINESS OVERVIEW

### Hotels and Serviced Apartments Business

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

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

### Property Rental Business

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

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

### Net Increase in Fair Value of Investment Properties

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

### Food and Beverage Business

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

### Travel Business

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

### Operating and Other Expenses

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

## CORPORATE FINANCE

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

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 — Unaudited

| | Note | For the six months ended 30 June 2019 HK$'000 | 30 June 2018 HK$'000 |
|---|---|---|---|
| **Revenue** | 3 | **1,586,162** | 1,600,205 |
| Cost of inventories | | **(72,140)** | (80,399) |
| Staff costs | | **(254,653)** | (256,274) |
| Utilities, repairs and maintenance and rent | | **(69,266)** | (100,648) |
| Tour and ticketing costs | | **(570,958)** | (554,364) |
| **Gross profit** | | **619,145** | 608,520 |
| Other revenue | | **81,536** | 58,026 |
| Operating and other expenses | | **(108,178)** | (107,038) |
| Depreciation | | **(68,713)** | (51,493) |
| | | **523,790** | 508,015 |
| Finance costs | 4(a) | **(1,879)** | (631) |
| Share of profits less losses of associates | | **58** | 49 |
| | | **521,969** | 507,433 |
| Other non-operating net gain | 4(b) | **3,589** | 14,942 |
| Net increase in fair value of investment properties | 8(a) | **350,127** | 433,773 |
| **Profit before taxation** | 4 | **875,685** | 956,148 |
| **Taxation** | 5 | | |
| Current | | **(75,660)** | (78,234) |
| Deferred | | **(2,870)** | (1,521) |
| **Profit for the period** | | **797,155** | 876,393 |
| **Attributable to:** | | | |
| Shareholders of the Company | | **769,696** | 855,918 |
| Non-controlling interests | | **27,459** | 20,475 |
| | | **797,155** | 876,393 |
| **Earnings per share** | | | |
| Basic | 7(a) | **HK$1.11** | HK$1.25 |
| Diluted | 7(b) | **HK$1.11** | HK$1.25 |

The notes on pages 12 to 31 form an integral part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 6(a).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 — Unaudited

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

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

The notes on pages 12 to 31 form an integral part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2019 — Unaudited

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

## Consolidated Statement of Financial Position (Continued)

At 30 June 2019 — Unaudited

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

The notes on pages 12 to 31 form an integral part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 — Unaudited

| | Attributable to shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Capital reserve HK$'000 | Exchange reserve HK$'000 | General reserve HK$'000 | Investment revaluation reserve (non-recycling) HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| **Balance at 1 January 2018** | 1,384,869 | (92,639) | 135,688 | 304,827 | 10,217 | 15,286,022 | 17,028,984 | 130,586 | 17,159,570 |
| **Changes in equity for the six months ended 30 June 2018:** | | | | | | | | | |
| Profit for the period | – | – | – | – | – | 855,918 | 855,918 | 20,475 | 876,393 |
| Other comprehensive income | – | – | (14,122) | – | (3,015) | – | (17,137) | (1,722) | (18,859) |
| Total comprehensive income | – | – | (14,122) | – | (3,015) | 855,918 | 838,781 | 18,753 | 857,534 |
| Transfer upon disposal of equity securities designated at FVOCI | – | – | – | – | (207) | 207 | – | – | – |
| Final dividends declared in respect of the previous year *(note 6(b))* | – | – | – | – | – | (248,745) | (248,745) | – | (248,745) |
| Shares issued on exercise of warrants *(note 12(a))* | 842,155 | – | – | – | – | – | 842,155 | – | 842,155 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | (14,340) | (14,340) |
| **Balance at 30 June 2018 and 1 July 2018** | 2,227,024 | (92,639) | 121,566 | 304,827 | 6,995 | 15,893,402 | 18,461,175 | 134,999 | 18,596,174 |
| **Changes in equity for the six months ended 31 December 2018:** | | | | | | | | | |
| Profit for the period | – | – | – | – | – | 768,233 | 768,233 | 14,885 | 783,118 |
| Other comprehensive income | – | – | (24,710) | – | (12,080) | – | (36,790) | (5,361) | (42,151) |
| Total comprehensive income | – | – | (24,710) | – | (12,080) | 768,233 | 731,443 | 9,524 | 740,967 |
| Interim dividends declared in respect of the current year *(note 6(a))* | – | – | – | – | – | (165,830) | (165,830) | – | (165,830) |
| **Balance at 31 December 2018** | 2,227,024 | (92,639) | 96,856 | 304,827 | (5,085) | 16,495,805 | 19,026,788 | 144,523 | 19,171,311 |
| **Balance at 1 January 2019** | **2,227,024** | **(92,639)** | **96,856** | **304,827** | **(5,085)** | **16,495,805** | **19,026,788** | **144,523** | **19,171,311** |
| **Changes in equity for the six months ended 30 June 2019:** | | | | | | | | | |
| **Profit for the period** | **–** | **–** | **–** | **–** | **–** | **769,696** | **769,696** | **27,459** | **797,155** |
| **Other comprehensive income** | **–** | **–** | **(50)** | **–** | **2,918** | **–** | **2,868** | **(254)** | **2,614** |
| **Total comprehensive income** | **–** | **–** | **(50)** | **–** | **2,918** | **769,696** | **772,564** | **27,205** | **799,769** |
| **Final dividends declared in respect of the previous year *(note 6(b))*** | **–** | **–** | **–** | **–** | **–** | **(255,655)** | **(255,655)** | **–** | **(255,655)** |
| **Dividends paid to non-controlling interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(26,141)** | **(26,141)** |
| **Balance at 30 June 2019** | **2,227,024** | **(92,639)** | **96,806** | **304,827** | **(2,167)** | **17,009,846** | **19,543,697** | **145,587** | **19,689,284** |

The notes on pages 12 to 31 form an integral part of this interim financial report.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 — Unaudited

| | For the six months ended 30 June 2019 HK$'000 | 30 June 2018 HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Cash generated from operations | **553,904** | 547,205 |
| Other cash flows arising from operating activities | **296** | (15,679) |
| **Net cash generated from operating activities** | **554,200** | 531,526 |
| **Investing activities** | | |
| Payment for purchase of other property, plant and equipment | **(13,321)** | (5,575) |
| Payment for purchase of other financial assets | **—** | (65,857) |
| Proceeds from disposal of other financial assets | **—** | 33,364 |
| Decrease in time deposits with maturity more than three months | **791,871** | 981,399 |
| Other cash flows arising from investing activities | **4,014** | (21,752) |
| **Net cash generated from investing activities** | **782,564** | 921,579 |
| **Financing activities** | | |
| Proceeds from new bank loans | **8,472** | 18,249 |
| Repayment of bank loans | **(8,466)** | (18,294) |
| Proceeds from issue of new shares | **—** | 842,155 |
| Capital element of lease rentals paid | **(22,597)** | — |
| Interest element of lease rentals paid | **(1,481)** | — |
| Other cash flow arising from financing activities | **321** | 530 |
| **Net cash (used in)/generated from financing activities** | **(23,751)** | 842,640 |
| **Net increase in cash and cash equivalents** | **1,313,013** | 2,295,745 |
| **Cash and cash equivalents at 1 January** | **3,296,952** | 1,641,488 |
| **Effect of foreign exchange rate changes** | **(741)** | 3,715 |
| **Cash and cash equivalents at 30 June** | **4,609,224** | 3,940,948 |
| **Analysis of the balances of cash and cash equivalents at 30 June** | | |
| Cash and bank balances | **5,233,752** | 4,755,685 |
| Less: Time deposits with maturity more than 3 months | **(624,528)** | (814,737) |
| | **4,609,224** | 3,940,948 |

The notes on pages 12 to 31 form an integral part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

## 1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 15 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 36. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

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

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

**HKFRS 16, *Leases***

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

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

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

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

*(i) New definition of a lease*

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

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

*(ii) Lessee accounting*

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

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

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

*(ii) Lessee accounting (continued)*

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

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

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

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

*(iii) Leasehold investment properties*

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

*(iv) Lessor accounting*

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

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

**(b) Transitional impact**

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

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

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

| | **1 January 2019** HK$'000 |
|---|---|
| Operating lease commitments at 31 December 2018 *(note 14(b))* | 170,063 |
| Less: commitments relating to leases exempt from capitalisation: | |
| — short-term leases and other leases with remaining lease term ending on or before 31 December 2019 | (11,002) |
| | 159,061 |
| Less: total future interest expenses | (8,626) |
| Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019 | 150,435 |

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

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

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

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

**(b) Transitional impact** (continued)

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

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

**(c) Lease liabilities**

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

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

## 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 the 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.

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

## 3. REVENUE AND SEGMENT REPORTING (Continued)

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

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

## 4. PROFIT BEFORE TAXATION

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

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

## 5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

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

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

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

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

## 6. DIVIDENDS

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

| | For the six months ended | |
|---|---|---|
| | **30 June 2019 HK$'000** | 30 June 2018 HK$'000 |
| Interim dividends declared after the interim period of HK24 cents per share (six months ended 30 June 2018: HK24 cents per share) | **165,830** | 165,830 |

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

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

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

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

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

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

*Weighted average number of shares (basic)*

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

### (b) Diluted earnings per share

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

*Weighted average number of shares (diluted)*

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

## 7. EARNINGS PER SHARE (Continued)

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

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

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

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

### (a) Investment properties

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

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

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

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

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

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

## 10. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

## 12. SHARE CAPITAL

### (a) Issued share capital

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

### (b) Bonus warrants

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

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

## 13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets measured at fair value

*(i) Fair value hierarchy*

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

| | Fair value at 30 June | Fair value measurements as at 30 June 2019 categorised into | | |
|---|---|---|---|---|
| | 2019 HK$'000 | Level 1 HK$'000 | Level 2 HK$'000 | Level 3 HK$'000 |
| **Recurring fair value measurement** | | | | |
| *Financial assets:* | | | | |
| Equity securities designated at FVOCI: | | | | |
| — Listed equity securities in Hong Kong | 78,449 | 78,449 | — | — |
| — Listed equity securities outside Hong Kong | 16,660 | 16,660 | — | — |
| Financial assets measured at FVPL: | | | | |
| — Unlisted investment fund | 53,256 | — | 53,256 | — |
| — Listed equity securities in Hong Kong | 6,610 | 6,610 | — | — |
| — Listed equity securities outside Hong Kong | 1,619 | 1,619 | — | — |

## 13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial assets measured at fair value (Continued)

*(i) Fair value hierarchy (Continued)*

| | Fair value at 31 December 2018 | Fair value measurements as at 31 December 2018 categorised into | | |
|---|---|---|---|---|
| | 2018 | Level 1 | Level 2 | Level 3 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Recurring fair value measurement** | | | | |
| *Financial assets:* | | | | |
| Equity securities designated at FVOCI: | | | | |
| — Listed equity securities in Hong Kong | 79,350 | 79,350 | — | — |
| — Listed equity securities outside Hong Kong | 12,841 | 12,841 | — | — |
| Financial assets measured at FVPL: | | | | |
| — Unlisted investment fund | 52,664 | — | 52,664 | — |
| — Listed equity securities in Hong Kong | 17,464 | 17,464 | — | — |
| — Listed equity securities outside Hong Kong | 1,547 | 1,547 | — | — |

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The fair value of unlisted investment funds is represented by the reported fair value of net assets.

### (b) Fair values of financial assets and liabilities carried at other than fair value

The fair values of receivables, 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 30 June 2019 and 31 December 2018. Amounts due to associates 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.

## 14. CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

(a) **Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report were as follows:**

| | **At 30 June 2019 HK$'000** | At 31 December 2018 HK$'000 |
|---|---|---|
| **Future expenditure relating to properties:** | | |
| Contracted for | **2,143** | 2,051 |
| Authorised but not contracted for | **41,500** | 44,029 |
| | **43,643** | 46,080 |

(b) **At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:**

| | At 31 December 2018 HK$'000 |
|---|---|
| Within 1 year | 61,022 |
| After 1 year but within 5 years | 102,909 |
| After 5 years | 6,132 |
| | 170,063 |

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, at 1 January 2019, the Group recognised future lease payments as lease liabilities relating to these leases in the consolidated statement of financial position in accordance with the policies set out in note 2.

## 15. 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 2019 HK$'000** | 30 June 2018 HK$'000 |
| Property agency fee payable to a subsidiary of the Group's major shareholder *(note (a))* | **1,500** | 1,500 |
| Travel and ticketing income from subsidiaries and associates of the Group's major shareholder *(note (a))* | **(7,525)** | (7,456) |
| Management fee income from a subsidiary of the Group's major shareholder *(note (b))* | **(401)** | (372) |
| Hotel and catering service income from subsidiaries and associates of the Group's major shareholder *(note (c))* | **(1,367)** | (745) |
| Rental and building management fee income from: | | |
| — an entity controlled by a director for leasing of Office Units 1706–1707 and Whole of 18th Floor, Mira Place Tower A | **(15,710)** | (14,545) |
| — a subsidiary of the Group's major shareholder for leasing of Shop 501–03, 505–06 and Pillar Signage, Mira Place 1 | **(16,214)** | (16,055) |
| Cash rental paid to: | | |
| — an associate of the Group's major shareholder for the leasing of Shop Nos. 3101–3107 and certain floor space of ifc Mall *(note (d))* | **8,416** | 8,416 |
| — a subsidiary of the Group's major shareholder for the leasing of a building located at No. 388 Jaffe Road, Wanchai, Hong Kong *(note (e))* | **9,242** | 8,325 |

* All of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 15. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

*Notes:*

(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 the Group's major shareholder in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.

The net amounts due to these companies as at 30 June 2019 amounted to HK$21,889,000 (at 31 December 2018: HK$20,721,000) are unsecured, interest free and have no fixed terms of repayment.

(b) The management fee income from a subsidiary 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 was provided. The amount due from this company as at 30 June 2019 amounted to HK$131,000 (at 31 December 2018: HK$128,000) is unsecured, interest free and has no fixed terms of repayment.

(c) The Group's hotel division provides hotel and catering services to certain subsidiaries of the Group's major shareholder under similar terms it provides to other customers. The amounts due from these companies as at 30 June 2019 amounted to HK$706,000 (at 31 December 2018: HK$1,721,000) are unsecured, interest free and have no fixed terms of repayment.

(d) The amount represented rental, building management fee, air-conditioning charges and other outgoings paid to an associate of the Group's major shareholder during the period. No amount was due to this company as at 30 June 2019 (at 31 December 2018: Nil).

(e) The amount represented rental, building management fee and other outgoings paid to a subsidiary of the Group's major shareholder during the period. The amount due to this company as at 30 June 2019 represented unsettled rental fee of HK$105,000 (at 31 December 2018: HK$178,000) and is unsecured, interest free and have no fixed terms of repayment.

## CLOSURE OF REGISTER OF MEMBERS

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

## CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

1. Dr Colin Lam Ko Yin was awarded an Honorary Fellowship by The Chinese University of Hong Kong on 6 May 2019.
2. Mr Lee Ka Shing was appointed as Chairman and Managing Director of Henderson Land Development Company Limited with effect from the conclusion of its annual general meeting held on 28 May 2019, as well as Chairman of The Hong Kong and China Gas Company Limited with effect from the conclusion of its annual general meeting held on even date.
3. Dr Timpson Chung Shui Ming no longer serves as an independent non-executive director of China Construction Bank Corporation since 21 June 2019.

## DISCLOSURE OF INTERESTS

### Directors' interests in shares

At 30 June 2019, 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:

**Ordinary shares**

*Long positions*

| Name of Company | Name of Director | Personal Interests (shares) | Family Interests (shares) | Corporate Interests (shares) | Other Interests (shares) | Percentage of total issued shares |
|---|---|---|---|---|---|---|
| Miramar Hotel and Investment Company, Limited | Mr LEE Ka Shing | — | — | — | 337,296,980 (note 2) | 48.82% |
| | Dr David SIN Wai Kin | 4,989,600 | — | — | — | 0.72% |
| | Dr Patrick FUNG Yuk Bun | — | — | — | 10,356,412 (note 3) | 1.50% |
| | Mr Dominic CHENG Ka On | 9,329,568 | 4,800 | — | — | 1.35% |
| | Mr Richard TANG Yat Sun | 150,000 | — | 13,490,280 (note 4) | — | 1.97% |
| | Mr Thomas LIANG Cheung Biu | — | 2,218,000 (note 5) | — | — | 0.32% |

Save as disclosed above, as at 30 June 2019, 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 2019 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' interest**

The Company has been notified of the following interests in the Company's issued shares at 30 June 2019, amounting to 5% or more of the shares in issue:

**Ordinary shares**

*Long positions*

| Substantial shareholders | No. of shares held | Percentage of total issued shares |
|---|---|---|
| Dr LEE Shau Kee | 337,296,980 *(note 1)* | 48.82% |
| Mr LEE Ka Shing | 337,296,980 *(note 2)* | 48.82% |
| Rimmer (Cayman) Limited ("Rimmer") | 337,296,980 *(note 6)* | 48.82% |
| Riddick (Cayman) Limited ("Riddick") | 337,296,980 *(note 6)* | 48.82% |
| Hopkins (Cayman) Limited ("Hopkins") | 337,296,980 *(note 6)* | 48.82% |
| Henderson Development Limited ("Henderson Development") | 337,296,980 *(note 7)* | 48.82% |
| Henderson Land Development Company Limited ("Henderson Land") | 337,296,980 *(note 7)* | 48.82% |
| Aynbury Investments Limited ("Aynbury") | 337,296,980 *(note 7)* | 48.82% |
| Higgins Holdings Limited ("Higgins") | 120,735,300 *(note 7)* | 17.47% |
| Multiglade Holdings Limited ("Multiglade") | 119,955,680 *(note 7)* | 17.36% |
| Threadwell Limited ("Threadwell") | 96,606,000 *(note 7)* | 13.98% |
| **Persons other than substantial shareholders** | | |
| Mr CHONG Wing Cheong | 68,910,652 | 9.97% |

Save as disclosed above, as at 30 June 2019, 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 337,296,980 shares, which are duplicated in the interests described in Notes 2, 6 and 7.

(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 6, Mr Lee Ka Shing is taken to be interested in 337,296,980 shares, which are duplicated in the interests described in Notes 1, 6 and 7, 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) All these shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued shares.

(5) These 2,218,000 shares, of which 1,080,000 shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary and the remaining of 1,138,000 shares were held by his spouse.

(6) 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 Henderson Development. These 337,296,980 shares are duplicated in the interests described in Notes 1, 2 and 7.

(7) Henderson Development had a controlling interest in Henderson Land which was the holding company of Aynbury. The 337,296,980 shares were beneficially owned by some of the subsidiaries of Aynbury. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. These 337,296,980 shares are duplicated in the interests described in Notes 1, 2 and 6.

## EMPLOYEES

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

## TRAINING AND DEVELOPMENT

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

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

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

## CORPORATE GOVERNANCE

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

## AUDIT COMMITTEE

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the accounting period covered by the interim report.

## FORWARD-LOOKING STATEMENTS

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

By Order of the Board
**LEE KA SHING**
*Chairman and CEO*

Hong Kong, 15 August 2019

**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 31 which comprises the consolidated statement of financial position of Miramar Hotel and Investment Company, Limited as of 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2019 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

15 August 2019

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