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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)

2020 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The Board of Directors of Miramar Hotel and Investment Company, Limited (the “Company”) are announcing the consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019.

Highlights

- The Group’s revenue decreased by 51.8% to HK\$765 million (2019: HK\$1,586 million)
- Profit attributable to shareholders decreased by 79.6% to HK\$157 million (2019: HK\$770 million)
- Underlying profit attributable to shareholders* decreased by 45.4% to HK\$229 million (2019: HK\$420 million)
- Earnings per share and underlying earnings per share* of HK\$0.23 (2019: HK\$1.11) and HK\$0.33 (2019: HK\$0.61) respectively
- Interim dividends per share of HK22 cents (2019: HK24 cents) are payable in cash

* *Underlying profit attributable to shareholders and underlying earnings per share excluded the post-tax effects of the investment properties valuation movements and other non-operating and non-recurring items*

CHAIRMAN AND CEO'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of Miramar Hotel and Investment Company, Ltd. (the "Company"), I would like to present the report on the operations and financial performance of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 (the "period").

Consolidated Results

The Group's revenue for the period amounted to approximately HK\$765 million (2019: HK\$1,586 million), a decrease of 51.8% against the corresponding period last year. Profit attributable to shareholders for the period was approximately HK\$157 million (2019: HK\$770 million) with a year-on-year decrease of 79.6%. Excluding the decrease of the fair value of investment properties of HK\$72.5 million and other non-core net income, the underlying profit attributable to shareholders* reduced by 45.4% to approximately HK\$229 million (2019: HK\$420 million). The underlying earnings per share* decreased by 45.9% to HK\$0.33 (2019: HK\$0.61).

Interim Dividend

The Directors declare the payment of an interim dividend of HK22 cents per share in respect of the six months ended 30 June 2020 to shareholders listed on the Register of Members at the close of business on 25 September 2020 (Friday). Dividend warrants for the interim dividend will be despatched by mail to shareholders on or about 13 October 2020 (Tuesday).

Overview

While still suffering from the low consumption propensity and ebbing investment atmosphere under the unstable social situation and Sino-US trade frictions last year, Hong Kong was further hammered by the global outbreak of Coronavirus Disease ("COVID-19") at the start of the year which drove the economy into a quivering winter beset with unprecedented challenges. In response to the epidemic situation, cross-border travelling and international economic and trade activities have come to a halt with the implementation of various travel restrictions and social distancing measures in most of the countries. Hong Kong, as an international cosmopolitan hub, is certainly not immune from the extremely arduous and unstable global business environment. The number of visitors to Hong Kong dropped to 3.52 million in the first half of this year which has represented a plunge of 90% from the last corresponding period; whilst the business receipts of the retail and food service industries, in the first quarter of this year, have dropped over 30% comparing to the corresponding period last year. Under these unfavorable influences and the adverse economic turn, the Group's hotel, food and beverage and travel businesses have been severely battered. The lease restructuring and granting of rent concessions to tenants, coupled with the declined valuations on the relevant investment properties also contributed to the lackluster performance of the Group's asset management business. Faced with such a

* Underlying profit attributable to shareholders and underlying earnings per share exclude the post-tax effects of investment properties valuation movements and other non-operating and non-recurring items

crucible, the Group has continued to implement strict cost controls and postponed dispensable capital expenditures. At the same time, we have been closely monitoring market conditions and ready to flexibly adjust operating strategies.

Outlook

The Group has been rooted in Hong Kong for over 60 years and has witnessed and weathered various adversities with Hong Kong. Now that the epidemic continues to relapse without signs of being under control, and the tensions between China and the United States have aggravated, there is no doubt that Hong Kong will continue to be seized with huge economic difficulties this year. However, riding on the strength of the Group's steadfast solidarity, rich experience and potent financial position, my team and I would spare out no efforts to exclude all the difficulties by adopting responsive and flexible business tactics in order to enhance operating efficiency and maintain market competitiveness while keep on exploring eligible investment opportunities, gearing up and getting ready for the opportunities ahead along the path towards recovery from the epidemic in hand with Hong Kong.

Acknowledgement

I would like to take this opportunity to thank the Board of Directors for their support and guidance to the Group. On behalf of all the shareholders and the Board of Directors, I would like to express my sincere gratitude to every employee and management team for their persevering contributions to the Group.

Lee Ka Shing

Chairman and CEO

Hong Kong, 18 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hotels and Serviced Apartments Business

The whirlwind outbreak of COVID-19 pandemic has swept across the globe and brought travel to a standstill, devastating the hospitality and travel industry with lockdowns and travel restrictions imposed across countries. Visitor arrivals to Hong Kong in the first half of this year dropped 90% year-on-year. The monthly average number of arrivals in the second quarter was less than 9,000 a month and the average occupancy rate of hotels in Tsim Sha Tsui district also dropped sharply from 90% to 20–30%. Subsequently, the Group's hotel and serviced apartment business was severely hit with revenue decreased by 69% from the last corresponding period to HK\$102.5 million. The earnings before interest, taxes, depreciation and amortization (“EBITDA”) recorded a loss of HK\$10.4 million while there was a profit of HK\$119 million in last corresponding period.

To encourage local consumptions and lift up hotel occupancy rates, the Group has quickly shifted its focus to target the neighbourhood and local community by offering dining and leisure-focused staycation packages and flash sales. The Group has also implemented various cost control measures to minimize operating costs while maintaining service quality, which include temporary closure of certain catering outlets and cessation of recruitment.

Property Rental Business

Hong Kong's retail industry is among the hardest hit amid the pandemic, with the 10.1% year-on-year fall in private consumption expenditure in the first quarter and 9% year-on-year fall in GDP for two consecutive quarters. While the Group recorded weak leasing performances under the economic downturn, relief measures including lease restructuring and granting of rent concessions were offered to individual tenants to cope with their challenging business environment. The revenue of our property rental business thus contracted slightly to HK\$417.5 million with EBITDA at HK\$368.2 million, which were down by 9.6% and 10% respectively compared with the last corresponding period.

The Group has especially launched various marketing activities and promotions in the wake of the adverse operating conditions, including cash-reward campaign “DINE & EARN — Reward Your Way!”, takeaway offer “MIRA Grab & Go” and “Thankful Fest”, driving footfall and boosting sales revenue for tenants. The Group continues to provide a dynamic and refreshing shopping experience by optimizing tenant mix and introducing new brands including “Donguri Republic” and fashionable eyewear “Zoff”. The repartitioning of retail space, refinement of arcade layout, and upgrade of facilities including lavatories and concierge, which would be completed in the third quarter, will further enhance traffic flow, and the quality of our property assets and service level.

Change in Fair Value of Investment Properties

The Group's investment properties (mainly Mira Place) continue to be stated at fair value and are re-assessed regularly. The fair value of investment properties is determined based on the opinions obtained by the Group from an independent professional surveyor firm (Cushman & Wakefield Limited). The enduring COVID-19, depressed consumption sentiment and overall lackluster economic performance all converge to weigh upon the rental levels of both retail shops and office premises in Hong Kong. The fair value of the Group's total investment properties has thus decreased by HK\$72.5 million during the period (compared to an increase of HK\$350.1 million in the last corresponding period). The book value of the overall investment properties as at 30 June 2020 was HK\$15.3 billion.

The investment properties of the Group are held for the long-term to earn recurring income. The revaluation impairment is non-cash in nature and has no substantive impact on the cash flow of the Group.

Food and Beverage Business

The imposition of social distancing measures and restrictions to catering business on seating capacity and operating hours has decimated the food services sector with a sharp drop in patronage and revenue, in which the business receipts of Chinese restaurants dropped significantly by 35.9%. The Group's food and beverage business revenue recorded approximately HK\$67.8 million, while EBITDA turned to a loss of approximately HK\$6.3 million; the revenue and EBITDA were HK\$137.4 million and HK\$14.6 million respectively in last corresponding period.

The Group adopted a flexible operating model and introduced corresponding strategies in response to the shifted customer dining behaviours, including the fine tunes of menus and pricing, strengthening the partnership with food delivery and catering platforms, and implementation of cost control measures on procurement, inventory and human resources.

Travel Business

The spread of the COVID-19 led to reinforced epidemic prevention and tightened travel restrictions around the world. Large scales of flights cancellation by airlines and trips rescheduling by travelers brought the global tourism industry to a standstill. The Group's travel business was intensely affected with inevitable cancellation of most of the tour groups to overseas. Revenue from travel business was HK\$177.4 million, and the EBITDA reverted to a loss of approximately HK\$16.6 million; the revenue and EBITDA were HK\$656.5 million and HK\$43.7 million respectively in last corresponding period. The management will continue to closely monitor the market conditions, identify and implement appropriate measures to control operating costs.

Operating and Other Expenses

Affected by the epidemic and economic downturn, the Group strictly controlled costs and improved operating efficiency. During the period, the general operating costs decreased by approximately HK\$35.6 million compared with the last corresponding period. In addition, according to relevant Hong Kong Financial Reporting Standards, tenants are required to make regular assessments of their leased right-of-use assets. As part of the Group's business operations needs to be run under leased properties and the operating income generated from these assets is expected to decline, an impairment of HK\$22.5 million in the leased right-of-use assets was made during the period. As a result, the overall operating costs dropped by 12.1% from last year to HK\$95.1 million (2019: HK\$108.2 million).

Treasury Management and Financial Condition

As to the exchange-rate, interest-rate, liquidity and financing risks generated in the course of our daily operations, the Group has managed them in accordance with pre-established policies and closely monitored the Group's financial condition and financing needs to ensure solvency and commitment.

In terms of foreign-exchange risk, the majority of it came from assets and business operations in mainland China, and RMB and USD bank deposits, and stocks denominated in USD and EUR as the Group mainly operates business in Hong Kong with related cash flow, assets and liabilities denominated in Hong Kong dollars. In terms of interest-rate risk, the Group's funding arrangements are mainly in EUR, and bank borrowing interests are mainly priced at a fixed interest rate.

Regarding liquidity risk, as of 30 June 2020, the consolidated net cash was approximately HK\$5.2 billion (31 December 2019: HK\$5.2 billion), and bank loans were HK\$2.72 million (31 December 2019: HK\$2.73 million). Regarding financing risk, as of 30 June 2020, the total banking facilities granted was approximately HK\$1 billion (31 December 2019: HK\$1.3 billion), of which 0.27% (31 December 2019: 0.21%) has been used. Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) was only 0.04% (31 December 2019: 0.04%).

The Group's financial policy is strong and steady, with sufficient funds and credit lines which are adequate for us to cope with the uncertain economic environment in the foreseeable future, and to carry out business development plans that offer good investment yield.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED*For the six months ended 30 June 2020*

		For the six months ended 30 June	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	765,260	1,586,162
Cost of inventories		(37,515)	(72,140)
Staff costs		(191,996)	(254,653)
Utilities, repairs and maintenance and rent		(45,025)	(69,266)
Tour and ticketing costs		(149,105)	(570,958)
Gross profit		341,619	619,145
Other revenue		87,052	81,536
Operating and other expenses		(95,068)	(108,178)
Depreciation		(51,050)	(68,713)
		282,553	523,790
Finance costs	4(a)	(1,899)	(1,879)
Share of profits less losses of associates		66	58
		280,720	521,969
Other non-operating net (loss)/gain	4(b)	(1,840)	3,589
Net (decrease)/increase in fair value of investment properties	8(a)	(72,528)	350,127
Profit before taxation carried forward	4	206,352	875,685

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)*For the six months ended 30 June 2020*

		For the six months ended 30 June	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
Profit before taxation brought forward	4	206,352	875,685
Taxation	5		
Current		(44,870)	(75,660)
Deferred		(1,016)	(2,870)
Profit for the period		<u>160,466</u>	<u>797,155</u>
Attributable to:			
Shareholders of the Company		156,717	769,696
Non-controlling interests		3,749	27,459
		<u>160,466</u>	<u>797,155</u>
Earnings per share	7		
Basic		<u>HK\$0.23</u>	<u>HK\$1.11</u>
Diluted		<u>HK\$0.23</u>	<u>HK\$1.11</u>

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

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>160,466</u>	<u>797,155</u>
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity securities designated at fair value through other comprehensive income (“FVOCI”):		
— changes in fair value	(3,376)	2,918
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<u>(4,496)</u>	<u>(304)</u>
	<u>(7,872)</u>	<u>2,614</u>
Total comprehensive income for the period	<u>152,594</u>	<u>799,769</u>
Attributable to:		
Shareholders of the Company	150,917	772,564
Non-controlling interests	<u>1,677</u>	<u>27,205</u>
Total comprehensive income for the period	<u>152,594</u>	<u>799,769</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED

At 30 June 2020

	<i>Note</i>	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Non-current assets			
Investment properties	8(a)	15,304,158	15,371,179
Other property, plant and equipment	8(b)	<u>286,342</u>	<u>359,739</u>
		15,590,500	15,730,918
Interests in associates		625	583
Equity securities designated at FVOCI		91,560	94,936
Financial assets measured at fair value through profit or loss (“FVPL”)		1,091	1,699
Deferred tax assets		<u>8,604</u>	<u>8,779</u>
		<u>15,692,380</u>	<u>15,836,915</u>
Current assets			
Inventories		113,475	116,674
Trade and other receivables	9	245,700	227,168
Financial assets measured at FVPL		53,849	55,532
Cash and bank balances		5,195,490	5,252,640
Tax recoverable		<u>5,210</u>	<u>2,976</u>
		<u>5,613,724</u>	<u>5,654,990</u>
Current liabilities			
Trade and other payables	10	(549,517)	(415,141)
Bank loan		(2,724)	(2,727)
Rental deposits received		(96,826)	(89,654)
Contract liabilities		(90,212)	(181,898)
Lease liabilities		(56,322)	(61,537)
Tax payable		<u>(63,742)</u>	<u>(141,286)</u>
		<u>(859,343)</u>	<u>(892,243)</u>
Net current assets		<u>4,754,381</u>	<u>4,762,747</u>
Total assets less current liabilities carried forward		<u>20,446,761</u>	<u>20,599,662</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — UNAUDITED (continued)*At 30 June 2020*

		At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
Total assets less current liabilities brought forward		<u>20,446,761</u>	<u>20,599,662</u>
Non-current liabilities			
Deferred liabilities		(174,691)	(181,906)
Lease liabilities		(62,380)	(88,172)
Deferred tax liabilities		<u>(282,936)</u>	<u>(284,078)</u>
		<u>(520,007)</u>	<u>(554,156)</u>
NET ASSETS		<u>19,926,754</u>	<u>20,045,506</u>
CAPITAL AND RESERVES			
Share capital	12	2,227,024	2,227,024
Reserves		<u>17,570,497</u>	<u>17,654,506</u>
Total equity attributable to shareholders of the Company		19,797,521	19,881,530
Non-controlling interests		<u>129,233</u>	<u>163,976</u>
TOTAL EQUITY		<u>19,926,754</u>	<u>20,045,506</u>

NOTES:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2020 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 18 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The financial information relating to the financial year ended 31 December 2019 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 2019 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 Group has applied the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, issued by the HKICPA to these financial statements for the current accounting period.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS is discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 8(b)). There is no impact on the opening balance of equity at 1 January 2020.

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 2020					
	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) (<i>Note</i>)	<u>417,505</u>	<u>102,504</u>	<u>67,830</u>	<u>177,421</u>	<u>—</u>	<u>765,260</u>
Reportable segment results (adjusted EBITDA)	368,162	(10,437)	(6,259)	(16,555)	(647)	334,264
Unallocated corporate expenses						<u>(51,711)</u>
						282,553
Finance costs						(1,899)
Share of profits less losses of associates						66
Other non-operating net loss						(1,840)
Net decrease in fair value of investment properties	(72,528)	—	—	—	—	<u>(72,528)</u>
Consolidated profit before taxation						<u>206,352</u>

3. REVENUE AND SEGMENT REPORTING (continued)

	For the six months ended 30 June 2019					
	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) (Note)	<u>461,730</u>	<u>330,440</u>	<u>137,448</u>	<u>656,544</u>	<u>—</u>	<u>1,586,162</u>
Reportable segment results (adjusted EBITDA)	408,881	118,963	14,601	43,685	(237)	585,893
Unallocated corporate expenses						<u>(62,103)</u>
Finance costs						523,790
Share of profits less losses of associates						(1,879)
Other non-operating net gain						58
Net increase in fair value of investment properties	350,127	—	—	—	—	3,589
						<u>350,127</u>
Consolidated profit before taxation						<u>875,685</u>

Note: Except for property rental income of HK\$417,505,000 (six months ended 30 June 2019: HK\$461,730,000) which falls within the scope of HKFRS 16, *Leases*, 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	
	2020	2019
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings	193	386
Other borrowing costs	—	12
Interest on lease liabilities	<u>1,706</u>	<u>1,481</u>
	<u>1,899</u>	<u>1,879</u>
(b) Other non-operating net loss/(gain)		
Net realised and unrealised losses/(gains) on financial assets measured at FVPL	<u>1,840</u>	<u>(3,589)</u>
(c) Other items		
Dividend and interest income	(55,280)	(57,288)
Reversal of provision for properties held for resale	(454)	—
Government subsidies (<i>Note</i>)	(16,152)	—
Impairment loss on trade receivables	2,209	196
Impairment loss on right-of-use assets	<u>22,539</u>	<u>—</u>

Note: Being the subsidies received/receivable from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China which are included in "Other revenue" during the period.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	42,067	72,378
Current tax — Overseas Taxation		
Provision for the period	<u>2,803</u>	<u>3,282</u>
	<u>44,870</u>	<u>75,660</u>
Deferred tax		
Change in fair value of investment properties	24	(45)
Origination and reversal of temporary differences	<u>992</u>	<u>2,915</u>
	<u>1,016</u>	<u>2,870</u>
	<u><u>45,886</u></u>	<u><u>78,530</u></u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2019: 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\$11,000 (six months ended 30 June 2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Interim dividends declared after the interim period of HK22 cents per share (six months ended 30 June 2019: HK24 cents per share)	<u>152,011</u>	<u>165,830</u>

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

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Final dividends in respect of the previous financial year, approved during the following interim period, of HK34 cents per share (six months ended 30 June 2019: HK37 cents per share) (<i>Note</i>)	<u>234,926</u>	<u>255,655</u>

Note: 2019 final dividends and 2018 final dividends were paid on 6 July 2020 and 4 July 2019 respectively.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$156,717,000 (six months ended 30 June 2019: HK\$769,696,000) and 690,959,695 shares (six months ended 30 June 2019: 690,959,695 shares) in issue during the interim period.

There were no potential ordinary shares in existence during the six months ended 30 June 2020 and 2019, and hence diluted earnings per share is the same as the basic earnings per share.

7. EARNINGS PER SHARE (continued)

(a) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, underlying earnings per share 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 2020 HK\$'000	30 June 2019 HK\$'000
Profit attributable to shareholders of the Company	156,717	769,696
Changes in fair value of investment properties during the period	72,528	(350,127)
Effect of deferred tax on changes in fair value of investment properties	<u>24</u>	<u>(45)</u>
Underlying profit attributable to shareholders of the Company	<u>229,269</u>	<u>419,524</u>
Underlying earnings per share	<u>HK\$0.33</u>	<u>HK\$0.61</u>

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

Investment properties of the Group were revalued at 30 June 2020 and 31 December 2019. 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 decrease in fair value of investment properties was HK\$72,528,000 (six months ended 30 June 2019: net increase of HK\$350,127,000).

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

During the six months ended 30 June 2020, 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\$1,052,000 (six months ended 30 June 2019: HK\$150,435,000). Depreciation charges and impairment losses related to the right-of-use assets of HK\$32,169,000 and HK\$22,539,000 (six months ended 30 June 2019: HK\$24,757,000 and HK\$Nil) respectively are recognised during the period. The net book value of the Group’s right-of-use assets at the end of the reporting period is HK\$93,263,000 (at 31 December 2019: HK\$147,567,000).

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

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

The leases of operation outlets contain variable lease payment terms that are based on sales generated from the operation outlets and minimum annual lease payment terms that are fixed. These payment terms are common in operation outlets in Hong Kong where the Group operates. During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amounts of fixed and variable lease payments and COVID-19 rent concessions for the interim reporting period are summarised below:

	For the six months ended 30 June 2020		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operation outlets	1,153	106	(6,120)
	For the six months ended 30 June 2019		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operation outlets	11,687	689	—

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

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 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 1 month	26,429	39,078
1 to 2 months	14,385	11,538
2 to 3 months	11,937	6,753
Over 3 months	<u>19,924</u>	<u>10,944</u>
Trade receivables (net of loss allowance)	72,675	68,313
Other receivables, deposits and prepayments	<u>173,025</u>	<u>158,855</u>
	<u><u>245,700</u></u>	<u><u>227,168</u></u>

At 30 June 2020, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$12,410,000 (at 31 December 2019: HK\$17,434,000) 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 2020 HK\$'000	At 31 December 2019 HK\$'000
Due within 3 months or on demand	9,551	60,972
Due after 3 months but within 6 months	<u>50,602</u>	<u>46,274</u>
Trade payables	60,153	107,246
Other payables and accrued charges	171,622	225,052
Amounts due to holders of non-controlling interests of subsidiaries (<i>note 11</i>)	78,520	78,547
Amounts due to associates (<i>note</i>)	4,296	4,296
Dividend payable (<i>note 6(b)</i>)	<u>234,926</u>	<u>—</u>
	<u><u>549,517</u></u>	<u><u>415,141</u></u>

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

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

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

Except the amounts due to holders of non-controlling interests of a subsidiary amounting to HK\$6,051,000 (at 31 December 2019: HK\$5,953,000), which are unsecured, interest bearing at 6% per annum and repayable within one year, all of the amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. SHARE CAPITAL

Issued share capital

	2020		2019	
	<i>No. of shares</i>	<i>Amount HK\$'000</i>	<i>No. of shares</i>	<i>Amount HK\$'000</i>
Ordinary shares, issued and fully paid:				
At 1 January and 30 June/31 December	<u>690,959,695</u>	<u>2,227,024</u>	<u>690,959,695</u>	<u>2,227,024</u>

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 Friday, 25 September 2020, 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 Thursday, 24 September 2020.

EMPLOYEES

As at 30 June 2020, the Group had a total of about 1,345 full-time employees, including 1,317 employed in Hong Kong and 28 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 2020, 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 2020 and discussed with the Director of Audit, Risk & 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, 18 August 2020

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