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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)

2024 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 2024 together with the comparative figures for the corresponding period in 2023.

Highlights

- The Group's revenue increased by 22.7% to HK$1,401 million (2023: HK$1,142 million)
- Profit attributable to shareholders decreased by 1.8% to HK$373 million (2023: HK$380 million)
- Underlying profit attributable to shareholders* decreased by 0.5% to HK$398 million (2023: HK$400 million)
- Earnings per share and underlying earnings per share* of HK$0.54 (2023: HK$0.55) and HK$0.6 (2023: HK$0.6) respectively.
- Interim dividends per share of HK23 cents (2023: HK23 cents) are payable in cash

* *Underlying profit attributable to shareholders and underlying earnings per share excluded the post-tax effects and non-controlling interests' attributable share of the investment properties valuation movements*

CHAIRMAN AND CEO'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of Miramar Hotel and Investment Company, Limited (the "Company"), I would like to present the report on the financial and operational performance of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2024 (the "period").

Consolidated Results

The Group's revenue for the period amounted to HK$1,401 million (2023: HK$1,142 million), representing an increase of 22.7% against the corresponding period last year. Profit for the period was HK$400 million (2023: HK$393 million) with a moderate year-on-year increase of 1.8%. Excluding the revaluation loss on fair value of investment properties of HK$17.8 million, the underlying profit attributable to shareholders slightly decreased by 0.5% to HK$398 million (2023: HK$400 million). The underlying earnings per share were the same as last year at HK60 cents.

Interim Dividend

The Directors declare the payment of an interim dividend of HK23 cents per share in respect of the six months ended 30 June 2024 to shareholders listed on the Register of Members at the close of business on 27 September 2024 (Friday). The interim dividend is expected to be distributed to shareholders on 14 October 2024 (Monday).

Overview

As the global economy enters a new post-pandemic era, shifts in lifestyles and consumption patterns, coupled with the recurring geopolitical tensions, continued trade restrictions targeting Hong Kong and China, and shrinking global liquidity, have all directly or indirectly impacted the Hong Kong economy, posing challenges to the local business environment. In addition, the United States dollar index reached a relatively high level since 2000 during the first half of the year. This has led to a strong Hong Kong dollar, which not only affected the inbound tourism industry, but also dragged down visitor spending, posing operational pressure on the hotel, retail and food and beverage sectors, as well as their related industries. Despite this challenging environment, the Group has managed to demonstrate strong resilience by leveraging its solid foundation and extensive business experiences. All business segments performed steadily, registering moderate growth during the review period.

Regarding the Group's hotels and serviced apartment business, even though airport passenger volume and flight frequency have yet to be fully restored to pre-pandemic levels, the continued expansion of high-speed rail (Hong Kong Section) in terms of long- and short-haul stops and service frequencies facilitated increased cross-boundary travel, tourism, and business activities between the Mainland and Hong Kong. Seizing the opportunity presented by the high-speed rail network, the Group proactively expanded its focus on the mainland China market before the full resumption of international flights, targeting the cities along the high-speed rail corridor to attract medium-to-long haul mainland visitors. This resulted in an unprecedented ratio of mainland to Hong Kong guests in the Group's hotels. The Group has also collaborated closely with domestic travel agencies, nimbly adjusting the sales strategies for the evolving Chinese market. For the banquet business, the post-pandemic wedding market was still under the recovery phase, whilst the Group reacted promptly and adjusted its strategy to introduce corporate events such as company gatherings, professional group and industry association activities to minimize the impact caused by the short-term decline in wedding business during the period. As a result, both The Mira Hong Kong and Mira Moon have achieved occupancy rates exceeding 90% for the period, while the diversified banquet offerings have also showed impressive results.

In respect of property rental business, the Group was mindful of the impact of geopolitical changes on the global and Hong Kong-Mainland economies. As such, the Group continued to modify its office leasing portfolio, taking into consideration the background and business nature of tenants, in order to mitigate operational risks during the review period. In addition, the Group increased the proportion of semi-retail tenants and divided large office spaces into smaller units, enhancing the rental return per square foot and reducing potential vacancy risks from single-tenant relocations. In terms of the shopping mall business, the Group continued to devote considerable efforts to developing the "Mira Community" during the period, actively expanding the influence of Mira Place in central Tsim Sha Tsui. This included organizing major district activities in collaboration with the Government and organizations to boost footfall and spending in the area, as well as increasing Mira Place's exposure through promotional campaigns with local District Councils. Recognizing that customers nowadays seek more unique and personalized experiences, the Group continued to host thematic cultural and creative bazaars and introduced featured brands to attract traffic through personalized shopping experiences. The Group also organized various large-scale promotional and decorative activities, engaging customers and bringing them new excitement, as well as enhancing the appeal of the Group's shopping malls. Compared to the same period last year, revenue from the Group's property rental business grew marginally to HK$401.2 million, despite the deteriorating business conditions in general.

In terms of our food and beverage business, the local retail and food and beverage industries were directly impacted by the high interest rate environment and evolving consumer spending trends, such as increased outbound travel or northbound spending among Hong Kong residents. During the review period, the Group focused on strengthening its sales and promotions through digital channels and the Mira eShop online platform. We also partnered with various media outlets to promote our food and beverage brands from multiple perspectives. Consequently, the performance of this business segment met with the Group's expectations, with the festive food items sales achieving an unprecedented record. The total revenue surged by 34% compared to the same period last year. For the travel business, although flight frequencies and passenger volumes were yet to recover fully, the Group leveraged its extensive travel expertise and strong partnership network to launch a range of favored travel products with unique features to attract customers. Concurrently, we collaborated with acclaimed brands including foreign railway companies and a renowned electronics brand to launch a series of diversified travel experiences and campaigns. These strategic initiatives have strengthened the Group's leading position in the local travel agency market. Consequently, the Group's travel business performed remarkably, with revenue surging by 66% compared to the same period last year.

OUTLOOK

Looking ahead, the Group remains cautiously optimistic about the Hong Kong economy. Currently, the market generally expects the US interest rate cut cycle to commence in the second half of the year. Should this materialize as the market anticipated, it would bode well for the development of Hong Kong's hotel, retail, food and beverage and related sectors. In addition, a number of measures to benefit Hong Kong have also given a boost to its economic outlook, including: 1) the Hong Kong Government's active deployment of the "Southbound Travel for Guangdong Vehicles" program, coupled with the expected continued expansion of the "Individual Visit Scheme" — including the addition of 10 newly eligible cities this year — is believed to be able to drive more consumer groups to Hong Kong; 2) the opening of the Shenzhen-Zhongshan Link has significantly reduced the travel time to downtown Hong Kong to just around 70 minutes from Shenzhen Airport through the Shenzhen Bay Port, which is expected to attract more mainland visitors to the city; 3) the Airport Authority expects passenger volume to be fully restored by the end of this year, while the new three-runway system will be put into operation, potentially increasing international flight frequencies. Together with the Authority's recently launched additional route and flight incentive programs, this is anticipated to provide a significant boost to passenger arrivals and departures, thereby injecting fresh impetus into Hong Kong's economy.

Internally, the Group will continue to adjust its operational strategies to address market changes. In the second half of the year, the Group plans to gradually commence minor enhancement projects at its hotels, including the maintenance of hotel rooms and related facilities, aiming to further improve the occupancy rates and room rates. Meanwhile, the Group will collaborate with the Government and local associations to further upgrade the transportation network in central Tsim Sha Tsui area, thereby enhancing the accessibility and connectivity of Mira Place and The Mira Hong Kong. The Group will also continue to consolidate the e-commerce development to promote operational efficiency. Moreover, we will diversify our dining portfolio and tenant mix, while also enhancing our customers' travel and shopping experiences. This multifaceted approach aims to increase the Group's market share, create value for shareholders, and add value to the services — all in order to capitalize on the further recovery and address the evolving challenges of the market.

ACKNOWLEDGMENT

I would like to take this opportunity to thank the Board of Directors for their support to the Group. On behalf of all the shareholders and members of the Board of Directors, I would also like to express my sincere gratitude to our employees and management team for their contributions to the Group.

Lee Ka Shing
Chairman and CEO

Hong Kong, 20 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hotels and Serviced Apartments Business

During the review period, the sustained high exchange rate of the Hong Kong dollar dampened the inbound tourism industry and consumer sentiment among visitors. Moreover, passenger volume and flight frequencies at the airport had yet to be fully restored to pre-pandemic levels, presenting headwinds for the hospitality, retail, food and beverage and related sectors. However, the continuous expansion of the high-speed rail network within Hong Kong, both in terms of additional stops and increased frequencies, has brought positive impact. Additionally, 10 new cities have been added to the "Individual Visit Scheme" in the first half of the year, which delivered a significant boost to tourist arrivals in Hong Kong and helped bridge the gap in visitor traffic arising from the still-recovering air capacity.

With foresight into the opportunities, the Group devoted more targeted resources to develop the market of the mainland visitors before the resumption of international flights, with a particular focus on the city clusters along the high-speed rail network, aiming to attract medium- and long-haul mainland visitors to stay at its hotels. Concurrently, the Group worked closely with domestic travel agencies to explore additional cooperation opportunities. Besides, the Group also boosted the exposure and reputation of its hotels through collaborations with third-party platforms, such as participating in the "Hong Kong Boutique Tour" (香港小而美之旅) campaign organized by the Hong Kong Tourism Board. The Mira Hong Kong was featured as a recommended hotel for the campaign under the theme of "We are in the Trend" (我們正當潮) in May. Furthermore, in response to the recovering tourists demand, the Group continued the "Certificate Program in Housekeeping" in collaboration with The Federation of Hong Kong and Kowloon Labour Unions and the Hong Kong Federation of Trade Unions, providing professional trainings for those who aspire to become a hotel room attendant. The latest course was successfully completed in April this year, with all graduated trainees joined the Group's hotels as either full-time or part-time hotel room attendants. For the banquet business, with the post-pandemic wedding banquet market still in the recovery stage, the Group has strategically navigated this transitional period. For instance, corporate events such as company gatherings and activities of professional bodies and societies were promoted in a bid to compensate for the short-term impact of reduced wedding banquets during this period.

As a result of the properly formulated strategies, the occupancy rate of both The Mira Hong Kong and Mira Moon exceeded 90% during the first half of 2024, reaching 91.6% and 94.6% respectively, with the average room rate also increased by 8.3% and 2.8% respectively. Consequently, the revenue from room rental business of The Mira Hong Kong and Mira Moon climbed by 9.7% and 2.6% respectively, and the food and beverage business of The Mira Hong Kong also reported a growth of 16.5% over the same period last year. The overall revenue from the hotels and serviced apartment business for the period increased to HK$296.9 million compared with the same period last year, and earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to HK$75.4 million. Their growth rates were 11.1% and 15.1%, respectively, as compared to the revenue of HK$267.2 million and EBITDA of HK$65.5 million for the same period last year.

Property Rental Business

Amid the persistent geopolitical tensions that continued to impact the global and Hong Kong-Mainland economies during the first half of 2024, coupled with the significant shifts in people's lifestyles and consumption patterns, the Group adapted its marketing strategies for the property rental business, including diversifying the industries and geographic origins of its tenant base, so as to mitigate the risk of lease terminations. As a result, both Mira Place and the office buildings delivered solid performances in terms of leasing activity, revenue and footfall during the review period.

In respect of office buildings, the Group made major adjustments to its leasing portfolio to mitigate operational risks. This involved carefully considering the background and business nature of tenants to enhance the stability of the tenant base. Besides, the Group increased the proportion of semi-retail tenants to diversify the vacancy risk arising from the relocation of single tenants, as well as divided large office spaces into smaller units to boost the rental return per square foot. Turning to the shopping mall business, the Group's promotional efforts centered around revitalizing the central Tsim Sha Tsui area. Through collaborations with the Hong Kong Government and local community groups, we organized various events to stimulate the district economy and enhance the accessibility and connectivity of Mira Place. Early this year, the Group organized the "Night Vibes Tsim Sha Tsui" campaign in partnership with the Government and local organizations, which created synergies with the "Dragon's Blessings" Lunar New Year event at Mira Place mall. Featuring immersive lighting experiences, this initiative successfully drew crowds of local citizens and tourists to celebrate the Lunar New Year together. Meanwhile, the Group also dedicated proactive efforts to support the promotion of a series of district-based events hosted by the District Council, with a view to heightening the exposure of Mira Place. Furthermore, recognizing the growing demand for personalized consumption among local customers and tourists, the Group reinforced Mira Place's positioning as a brand championing personalization and creativity in the review period. This involved launching a series of events targeting the young customer segment, such as the "Dream with Mi" campaign. Through initiatives like the "Mira Dreamers" handcrafted market and "Sing Your Dream" music event, these campaigns promoted local craft brands and music culture. Complementing these customer-centric initiatives, the Group also organized a range of thematic handicraft and cultural markets at Mira Place, providing shoppers with truly spectacular shopping experiences. Also, the Group remained committed to enhancing the quality and sustainability of its properties. This involved incorporating sustainability elements into its improvement works, with the aim of elevating the overall tenant experience at Mira Place.

Driven by the above rental and promotional strategies, the revenue from the Group's property rental business remained stable at HK$401.2 million during the period, while EBITDA recorded a profit of HK$340.4 million, compared with revenue of HK$398.9 million and EBITDA of HK$349.0 million.

Change in Fair Value of Investment Properties

The Group's investment properties are stated at fair value and are reviewed on a semi-annual basis. The fair value of investment properties is determined with reference to the opinions obtained by the Group of an external professional surveyor firm (Cushman & Wakefield Limited). The fair value of the Group's total investment properties decreased by HK$17.8 million (2023: a decrease of HK$17.1 million) during the period. The book value of the overall investment properties as of 30 June 2024 was HK$15.1 billion. The investment properties of the Group are held for the long term with the purpose of earning recurring income. The revaluation loss was non-cash in nature and had no substantive impact on the cash flow of the Group.

Food and Beverage Business

The return to normalcy at the beginning of 2023 witnessed a substantial rebound in Hong Kong's consumer sentiment. However, the ongoing interest rate hikes by the US Federal Reserve have led to the weakening and depreciation of other currencies, including the Renminbi and Japanese Yen. This has given rise to a new trend of outbound travel and northbound spending in Mainland China, inevitably impacting the retail, food and beverage sectors in the city. To address these evolving market dynamics, the Group focused on strengthening its sales promotions through digital channels and Mira eShop, the Group's online platform. The Group has also actively partnered with various media to promote its food and beverage brands from multiple perspectives, ramping up exposure and stimulating consumption. During the period, the revenue of the Group's Chinese cuisine business was comparable to the previous year, while the western cuisine and new brand restaurant operations performed in line with expectations. The festival food segment registered robust growth, with both sales volume and value reaching record highs. The total revenue grew by 34% to HK$16.6 million. During the period, the overall revenue from the Group's food and beverage business rose by approximately 3.0% from the same period last year to HK$142.8 million with an EBITDA profit of HK$0.03 million, compared to revenue of HK$138.6 million and EBITDA profit of HK$15.7 million in the same period last year.

Travel Business

During the review period, while flight and passenger volumes were yet to fully recover, the Group leveraged its extensive travel expertise and strong partnership network to actively launch a variety of outbound tours to destinations across Europe, Southeast Asia, Japan, South Africa, Egypt, and beyond, including both guided tours and cruise packages. In addition, catering to the diversified travel expectations of customers, the Group developed a range of quality travel products with innovative and unique features to drive demand under the review period. For instance, an online store was launched in collaboration with an international railway company to promote in-depth railway tours in Europe. Meanwhile, an "AI Travel 智遊世界" activity was organized jointly with a renowned electronics brand to make traveling more fun and enjoyable. Alongside these novel products, the Group continued to promote sustainable travel in partnership with European airlines, with its commitment in corporate social responsibilities while also appealing to environmentally conscious customers. Moreover, recognizing the growing appetite among travelers to explore mainland China, the Group also focused on expanding its in-depth tour offerings within China. This included the launch of the Hainan Wenchang Aerospace Technology Tour, which introduced the history of China's aerospace development and was well-received by the market. During the period, the Group's unwavering focus on staying attuned to market trends and proactively embracing change paid off handsomely. Revenue from travel business amounted to HK$560.0 million with EBITDA of HK$40.1 million, representing an increase of 66.0% and 283.2% as compared with revenue and EBITDA of HK$337.4 million and HK$10.5 million in the same period last year, respectively.

Operating and Other Expenses

Due to the strong revenue growth of the Group in the first half of the year (such as 66.0% growth in travel businesses), the Group also recorded an increase in related operating and other expenses. Adhering to its consistent strategy for maintaining stringent cost control and enhancing operating efficiency, the Group's operating and other expenses increased by HK$31.3 million (32.8%) as compared to the same period last year, which was lower than the increase in revenue.

Treasury management and Financial Condition

The Group manages the exposure to exchange rate, interest rate, liquidity and financing risks arising from the course of its daily operations in accordance with its established policies, and closely monitors its own financial position and requirements, to ensure solvency and commitment. In terms of exchange rate risk, as the Group mainly operates in Hong Kong with its related cash flows, assets and liabilities denominated in Hong Kong dollar, the primary exposure arises from assets and business operations in Mainland China, United Kingdom, and bank deposits in Renminbi, Great British Pound, Australian dollar and US dollar. In terms of interest rate and liquidity risks, as the Group's capital is mainly denominated in HKD with no borrowings, the main interest rate risk of the Group is the interest rate risk of Hong Kong dollar deposit. There is no interest rate risk associated with financing and borrowing. In light of the recent debts of financial institutions (including local banks) in Switzerland, Europe, Japan and the United States as well as the public concerns about their solvency, the Group has adopted a conservative and prudent principle to reduce and minimize the deposits placed with relevant financial institutions so as to effectively control the risks. Furthermore, since the second half of last year, given the continued rise in interest rates for US dollar and other currencies, the Group has adopted a conservative and proactive capital management strategy to limit market and counterparty risks to a controllable range, thereby allowing different banks to bid for the Group's deposits and enhancing our return rates. As such, in the first half of 2024, the effective interest rate of the Group's overall deposits was 4.9% per annum, which was a remarkable performance. As of 30 June 2024, the Group had a consolidated cash position of HK$5.8 billion (31 December 2023: HK$5.6 billion) and no loans (31 December 2023: nil). In terms of financing risk, as of 30 June 2024, the total amount of credit facilities available to the Group was HK$0.9 billion (31 December 2023: HK$0.9 billion), none of them have been utilized (31 December 2023: nil). Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) of the Group was nil (31 December 2023: nil). The Group adopts a stable and healthy financial policy while with more than sufficient and abundant funds and credit lines secured. In addition, the Group also reviews the expansion needs of its core businesses and monitors the volatile investment environment and requirements from time to time, ensuring the ability to expand and capitalize on securities, bonds and other investment opportunities in an investment-effective manner, and hence enhance the returns for shareholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

For the six months ended 30 June 2024

		For the six months ended 30 June	
		2024	2023
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,400,837**	1,142,095
Cost of food and beverage		**(81,049)**	(71,297)
Staff costs	*4(a)*	**(284,933)**	(245,947)
Utilities, repairs and maintenance and rent		**(64,803)**	(62,432)
Tour and ticketing costs		**(479,905)**	(301,374)
Gross profit		**490,147**	461,045
Other revenue and other non-operating net gain		**157,395**	138,158
Operating and other expenses		**(126,508)**	(95,237)
Depreciation		**(37,195)**	(32,108)
		483,839	471,858
Finance costs	*4(b)*	**(992)**	(1,174)
Share of profits less losses of associates		**19**	114
		482,866	470,798
Net decrease in fair value of investment properties	*8*	**(17,843)**	(17,100)
Profit before taxation	*4*	**465,023**	453,698
Taxation	*5*		
Current		**(55,320)**	(42,087)
Deferred		**(9,225)**	(18,392)
Profit for the period carried forward		**400,478**	393,219

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)

For the six months ended 30 June 2024

	Note	For the six months ended 30 June 2024 HK$'000	2023 HK$'000
Profit for the period brought forward		**400,478**	393,219
Attributable to:			
Shareholders of the Company		**373,111**	380,132
Non-controlling interests		**27,367**	13,087
		400,478	393,219
Earnings per share			
Basic and diluted	*7(a)*	**HK$0.54**	HK$0.55

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

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Profit for the period	**400,478**	393,219
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	**30,504**	(64,859)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**(16,883)**	(36,369)
	13,621	(101,228)
Total comprehensive income for the period	**414,099**	291,991
Attributable to:		
Shareholders of the Company	**391,027**	287,059
Non-controlling interests	**23,072**	4,932
Total comprehensive income for the period	**414,099**	291,991

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Note	At 30 June 2024 HK$'000 (Unaudited)	At 31 December 2023 HK$'000 (Audited)
Non-current assets			
Investment properties	8	**15,092,083**	15,314,929
Other property, plant and equipment		**278,862**	244,134
		15,370,945	15,559,063
Interests in associates		**1,224**	1,247
Equity securities designated at FVOCI		**430,737**	332,235
Deferred tax assets		**16,297**	16,598
		15,819,203	15,909,143
Current assets			
Inventories		**114,490**	120,532
Trade and other receivables	9	**290,229**	282,384
Financial assets measured at fair value through profit or loss ("FVPL")		**404,268**	89,484
Cash and bank balances		**5,794,472**	5,568,703
Tax recoverable		**1,032**	857
		6,604,491	6,061,960
Current liabilities			
Trade and other payables	10	**(632,421)**	(469,564)
Rental deposits received		**(79,472)**	(76,693)
Contract liabilities		**(162,512)**	(125,069)
Lease liabilities		**(45,431)**	(34,845)
Tax payable		**(67,322)**	(35,774)
		(987,158)	(741,945)
Net current assets		**5,617,333**	5,320,015
Total assets less current liabilities carried forward		**21,436,536**	21,229,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2024

	Note	At 30 June 2024 HK$'000 (Unaudited)	At 31 December 2023 HK$'000 (Audited)
Total assets less current liabilities brought forward		**21,436,536**	21,229,158
Non-current liabilities			
Deferred liabilities		**(171,393)**	(181,322)
Lease liabilities		**(66,078)**	(40,675)
Deferred tax liabilities		**(340,227)**	(335,334)
		(577,698)	(557,331)
NET ASSETS		**20,858,838**	20,671,827
CAPITAL AND RESERVES			
Share capital	*11*	**2,227,024**	2,227,024
Reserves		**18,442,013**	18,258,274
Total equity attributable to shareholders of the Company		**20,669,037**	20,485,298
Non-controlling interests		**189,801**	186,529
TOTAL EQUITY		**20,858,838**	20,671,827

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 2024 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 20 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 2023 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 2023 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 a number of amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 net corporate income/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 2024					
	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)***	**401,156**	**296,913**	**142,787**	**559,981**	**—**	**1,400,837**
Reportable segment results (adjusted EBITDA)	**340,418**	**75,392**	**28**	**40,102**	**(49)**	**455,891**
Unallocated net corporate income						**27,948**
						483,839
Finance costs						**(992)**
Share of profits less losses of associates						**19**
Net decrease in fair value of investment properties	**(17,843)**	**—**	**—**	**—**	**—**	**(17,843)**
Consolidated profit before taxation						**465,023**

3. REVENUE AND SEGMENT REPORTING (continued)

	For the six months ended 30 June 2023					
	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)***	398,948	267,162	138,607	337,378	—	1,142,095
Reportable segment results (adjusted EBITDA)	348,979	65,510	15,688	10,464	220	440,861
Unallocated net corporate income						30,997
						471,858
Finance costs						(1,174)
Share of profits less losses of associates						114
Net decrease in fair value of investment properties	(17,100)	—	—	—	—	(17,100)
Consolidated profit before taxation						453,698

Note: Revenue for the property rental segment comprised rental income of HK$326,048,000 (six months ended 30 June 2023: HK$325,465,000) and rental-related income of HK$75,108,000 (six months ended 30 June 2023: HK$73,483,000), which in aggregate amounted to HK$401,156,000 (six months ended 30 June 2023: HK$398,948,000). Except for property rental income which falls within the scope of HKFRS 16, *Leases*, all of the remaining revenue falls within the scope of HKFRS 15, *Revenue from contracts with customers*. Rental-related income in property rental segment is recognised at the point in time when relevant services are provided. Hotel revenue from room rental in hotels and serviced apartments segment of HK$164,809,000 (six months ended 30 June 2023: HK$154,430,000) is recognised over time during the period of stay for the hotel guests. Food and beverage sales and other ancillary services in hotels and serviced apartments segment and food and beverage operation segment are recognised at the point in time when services are rendered. Revenue from travel operation is recognised at a point in time of tour departure or when ticket sold out.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that it does not disclose the (i) aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, and (ii) information about when the Group expects to recognise as revenue, as the Group's contracts with customers generally have an original expected duration of one year or less.

4. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
(a) Staff costs		
Contributions to defined contribution retirement plan	**11,535**	9,725
Salaries, wages and other benefits	**273,398**	236,222
	284,933	245,947
(b) Finance costs		
Interest on lease liabilities	**992**	1,174
(c) Other items		
Dividend and interest income	**(143,479)**	(131,438)
Net fair value loss on investment measured as financial assets at FVPL	**4,182**	10,329
Reversal of provision for properties held for resale	**(59)**	(41)
Gain on disposal of an investment property	**(50)**	—

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**55,021**	38,705
Current tax — Taxation outside Hong Kong		
Provision for the period	**299**	3,382
	55,320	42,087
Deferred tax		
Change in fair value of investment properties	**4,179**	3,036
Origination and reversal of temporary differences	**5,046**	15,356
	9,225	18,392
	64,545	60,479

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2023: 16.5%) of the estimated assessable profits for the period.

Taxation outside Hong Kong 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$10,000 (six months ended 30 June 2023: HK$10,000) 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	
	2024	2023
	HK$'000	*HK$'000*
Interim dividends declared after the interim period of HK23 cents per share (six months ended 30 June 2023: HK23 cents per share)	**158,921**	158,921

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	
	2024	2023
	HK$'000	*HK$'000*
Final dividends in respect of the previous financial year, approved during the following interim period, of HK30 cents per share (six months ended 30 June 2023: HK29 cents per share) *(Note)*	**207,288**	200,378

Note: 2023 final dividends and 2022 final dividends were paid on 11 July 2024 and 11 July 2023 respectively.

7. EARNINGS PER SHARE

(a) Basic and diluted earning per share

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$373,111,000 (six months ended 30 June 2023: HK$380,132,000) and 690,959,695 shares (six months ended 30 June 2023: 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 2024 and 2023, and hence diluted earnings per share is the same as the basic earnings per share.

7. EARNINGS PER SHARE (continued)

(b) 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 post-tax effects of changes in fair value of investment properties. A reconciliation of profit is as follows:

	For the six months ended	
	30 June 2024	30 June 2023
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company	**373,111**	380,132
Fair value loss of investment properties during the period (after deducting non-controlling interests' attributable share and deferred tax)	**25,029**	20,136
Underlying profit attributable to shareholders of the Company	**398,140**	400,268
Underlying earnings per share	**HK$0.6**	HK$0.6

8. INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30 June 2024 and 31 December 2023. The valuations were carried out by an external 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$17,843,000 (six months ended 30 June 2023: HK$17,100,000).

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 2024 HK$'000	At 31 December 2023 HK$'000
Within 1 month	**47,407**	61,694
1 month to 2 months	**10,058**	10,046
Over 2 months	**40,126**	29,601
Trade receivables (net of loss allowance)	**97,591**	101,341
Other receivables, deposits and prepayments	**192,638**	181,043
	290,229	282,384

At 30 June 2024, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK$12,988,000 (31 December 2023: HK$9,527,000) 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 2024 HK$'000	At 31 December 2023 HK$'000
Within 3 months or on demand	**46,451**	65,090
Over 3 months but within 6 months	**49,117**	48,897
Trade payables	**95,568**	113,987
Other payables and accrued charges	**254,767**	280,330
Amounts due to holders of non-controlling interests of subsidiaries *(note (a))*	**70,557**	70,993
Amounts due to associates *(note (b))*	**4,241**	4,254
Dividend payable *(note 6(b))*	**207,288**	—
	632,421	469,564

10. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) Amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(b) 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. SHARE CAPITAL

Issued share capital

	2024		2023	
	No. of shares	***Amount HK\$'000***	*No. of shares*	*Amount HK\$'000*
Ordinary shares, issued and fully paid:				
At 1 January and 30 June/31 December	**690,959,695**	**2,227,024**	690,959,695	2,227,024

12. EMPLOYEE RETIREMENT SCHEME

The Group's Hong Kong employees participate in a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO Scheme") or in another defined contribution scheme registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) ("MPFO") (the "MPF Scheme").

Contributions to the ORSO Scheme are made by the participating employers ranging from 5%–11% of, and by the employees at 5%–11% of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

No employees of the Group were eligible to join the ORSO Scheme on or after 1 December 2000.

The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Scheme. The portion of voluntary employer's contributions which the employees are not entitled during leaving which will be forfeited and can be used by the Group to reduce the future contributions. The total amount utilised during the six months ended 30 June 2024 was HK$138,000 (six months ended 30 June 2023: HK$177,000) and the balance available to be utilised as at 30 June 2024 was nil (31 December 2023: nil).

Employees of subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. Those subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The only obligation of the Group with respect to these retirement schemes is to make the required contributions under the defined contribution retirement schemes. No forfeited contributions was used by the employers to reduce the existing level of contributions for the six months ended 30 June 2024 (six month ended 30 June 2023: nil). The balance available to be utilised as at 30 June 2024 was nil (31 December 2023: nil).

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, 27 September 2024 during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders 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, 26 September 2024.

EMPLOYEES

As at 30 June 2024 the Group had a total of 1,336 full-time employees, including 1,303 employed in Hong Kong, 19 employed in The People's Republic of China and 14 employed in Overseas. 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 set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to 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 2024 with the exception that roles of the chairman and the chief executive officer of the Company have not been segregated as required by the CG Code. Dr. Lee Ka Shing was re-designated as Chairman and Chief Executive Officer as from 12 June 2014. Dr. 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 2024 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 C3 to 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, 20 August 2024

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