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)

2022 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 2022 together with the comparative figures for the corresponding period in 2021.

Highlights

- The Group's revenue increased by 1.2% to HK$591 million (2021: HK$584 million)
- Profit attributable to shareholders increased by 29.2% to HK$204 million (2021: HK$158 million)
- Underlying profit attributable to shareholders* increased by 9.2% to HK$211 million (2021: HK$193 million)
- Earnings per share and underlying earnings per share* of HK$0.29 (2021: HK$0.23) and HK$0.30 (2021: HK$0.28) respectively
- Interim dividends per share of HK21 cents (2021: HK20 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 non-recurring items such as net gain on disposal of properties*

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 2022 (the "period").

Consolidated Results

The Group's revenue for the period amounted to HK$591 million (2021: HK$584 million), an increase of 1.2% against the corresponding period last year. Profit attributable to shareholders was HK$204 million (2021: HK$158 million) with a year-on-year increase of 29.2%. Excluding the revaluation loss on fair value of investment properties of HK$6.8 million, the underlying profit attributable to shareholders increased by 9.2% to HK$211 million (2021: HK$193 million). The underlying earnings per share increased by 7.1%, year-on-year, to HK$0.30 (2021: HK$0.28).

Interim Dividend

The Directors declare the payment of an interim dividend of HK21 cents per share in respect of the six months ended 30 June 2022 to shareholders listed on the Register of Members at the close of business on 27 September 2022 (Tuesday). The interim dividend is expected to be distributed to shareholders on 12 October 2022 (Wednesday).

Overview

The coronavirus disease ("Covid-19") pandemic, raging for more than two year, has dealt severe blows to the global economy and the local business environment. The pandemic situation gradually improved at the end of the year as the government and various sectors of the society proactively support citywide vaccination. However, overall business headed to a downward spiral again with the outbreak of the fifth-wave in the first quarter. As the pandemic came under control in the second quarter, and the government handed out the first batch of consumption voucher, consumption sentiment then recovered and people started coming out for consumption. The Group's hotels, food and beverage business and shopping malls seized the chance to entice more business, with the launch of the "MIRAcle Rewards", further drawing in shopper traffic and stimulating consumption. Yet, Hong Kong remained under the menace of this ever-mutable virus. The fifth-wave eventually took down the local GDP by 4.0% year-on-year in the first quarter, reversing the 6.4% growth registered in the full year of 2021. The Group's core businesses remained impeded by the social measures and travel restrictions imposed in Hong Kong and various other countries.

As such, the Group's core businesses were facing severe challenges in the first half-year. The Group's hotel segment continued to intensify its promotions targeting the local market and the demand for accommodation generated by the government's pandemic prevention measures, in an effort to lessen their impact on the Group's overall business. At the start of the year, the government re-tightened social distancing measures in view of the outbreak of the fifth-wave, including limiting the number of diners per table to two and banning dining-in services after 6 p.m., among others. These measures caused great difficulties to operations. The Group immediately re-allocated resources and launched the "MIRA CARE" initiatives — implementing a series of more stringent pandemic prevention measures at its shopping mall, hotels and restaurants, and distributing rapid antigen testing kits to its employees, tenants, customers and the community, thereby providing a safer accommodation, dining and shopping environment, and encouraging consumption. Regarding property rental business, the Group continued to provide rent concessions or lease restructuring to those tenants severely affected by the pandemic, in the spirit of riding over the difficulty together. These measures have kept occupancy rates high during the period, and supported a stable performance for the property rental segment. The Group's travel operation was still restrained by border closure and pandemic prevention policies in various countries, and recorded similar performance as last year. Meanwhile, the Group still continued to take steps to boost online marketing, strictly control costs and postpone non-urgent spending.

Outlook

With the pandemic not yet brought under full control, most countries including Hong Kong still continued with varying degrees of pandemic measures, inducing considerable uncertainties and pressures on business operators and enterprises. Facing this challenging prospect, the Group will continue the adoption of proactive, prudent attitude and cost-efficient operating principal, and meet the difficulties with determination to enhance its overall competitiveness. The Group's business model features agility and stability. Its abundant cash resources and low debt to asset ratio will enable the Group to survive through successive economic cycles. The Group will actively look for investment opportunities and opportunely seize them to expand business, and will adjust strategies in response to changing market and trends, in order to achieve stable and sustainable performances and bring the best benefits to the Group and its shareholders.

Acknowledgement

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 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, 17 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hotels and Serviced Apartments Business

The local tourism and hotel industry have entered into a standstill for more than two and a half years no less due to the strict travel restrictions and immigration controls to contain Covid-19, both locally and overseas. During the period, Hong Kong recorded a low average of less than 13,000 arrivals per month, an utter contrast to that before the pandemic. Pursuing the same line of agile and multi-pronged operating strategy as last year, the Group paid particular regard to categories of customers seeking long stay, staycation and serving quarantine. To this end, the Group specially launched several long-stay plans, themed suitecation, and local staycation packages, in collaboration with Korea Tourism Organization and G.H. Mumm, among others. This led to a noticeable room revenue jump of HK$13.4 million, an increase of 53.5%, for The Mira Hong Kong with an increase of 19.1% in the occupancy rate during the period. In sight of the new round of Consumption Voucher Scheme, the Group launched a series of promotions for selected accommodation, food and beverage and hydrotherapy spa packages, which further raised its hotel occupancy rate. However, towards the close of the first quarter up to the end of July, some renovation and asset upgrading projects were undertaken in Mira Moon, and revenue thus decreased by HK$9.8 million, which offset most of increase in room revenue of The Mira Hong Kong. Besides, as the food and beverage business under the hotel segment continued to be dragged by the fifth wave of the pandemic, overall revenue from the hotel and serviced apartment business for the period decreased by 10.0% to HK$107.9 million compared with the same period last year. Earnings before interest, taxes, depreciation and amortization（EBITDA）recorded loss of HK$13.7 million, loss has been widen by HK$6.1 million compared to same period last year.

Property Rental Business

The fifth wave of the epidemic continued to hit various industries in Hong Kong early this year, especially the retail, catering and tourism industries were at the cusp of the hit. Hong Kong's GDP grew at an annual rate 6.4% last year, but this first quarter saw a drop of 4.0% from the prior period, lower than the pre-pandemic level. Two and a half years into the epidemic, rent level and vacancy rate turned stable in the local leasing market of office, retail and commercial shop. During the period, the Group continued to provide appropriate relief to tenants by way of lease restructuring and rent concessions. The Group's total revenue from property rental business was HK$406.9 million, and EBITDA was HK$349.6 million, both much the same as the prior half-year.

During this challenging period, the Group actively sought to improve customers' shopping experience and mall amenities, which included upgrading the membership program and mobile phone app. Staying in tune with the new consumption norm, the Group unveiled the "MIRAcle Shop & Dine" double reward scheme early in the year. Brands were invited to open pop-up stores and to run featured weekend market fair in order to enlarge target shopper groups and enhance service standards, thereby increasing competitiveness. Responding to the government's new round of Consumption Voucher Scheme, our shopping malls kicked off the "TWOgether Rewards" consumption reward and membership referral reward activities to stimulate footfall and consumption.

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 from an external professional surveyor firm (Cushman & Wakefield Limited). The fair value of the Group's total investment properties decreased by HK$6.8 million during the period (2021: HK$54 million). The book value of the overall investment properties as at 30 June 2022 was HK$15.2 billion. The investment properties of the Group are held for 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

During the period, strict social distancing measures were imposed by the government to contain the fifth wave of the pandemic, which included a ban on evening dine-in at restaurants for 104 days, i.e. from 7 January to 20 April of the year, with the number of diners restricted to two, among others, leading to an inevitable, sharp drop in the total number of diners. The operating environment turned harsh, with no precedent; the food and beverage sector was seriously affected. At the beginning of this year, the Group launched two new restaurants featuring two completely new concept brands, the "Chinesology" (唐述) offering modernized Chinese cuisine and the "JAJA" offering new vegetarian propositions, successfully seizing those revival opportunities in the wake of the fifth wave of the pandemic to explore new markets. Besides, the Group continued to boost sales by offering dine-in discounts and takeaway and Mira eShop promotions and at the same time rolling out privileges to consumption vouchers to satisfy customers with different need.

Following the easing of government's social distancing measures, including to allow more diners per table, and evening dine-in, the Group's food and beverage business sharply jumped by 53% and 62% in May and June of the year, which significantly undid the severe dip in performance in the first four months of this year. During the period, revenue recorded HK$65.2 million, while EBITDA recorded loss of HK$6 million, compared with revenue of HK$59.9 million and EBITDA loss of HK$5.5 million respectively in the same period last year.

Travel Business

Under the onslaught of reversing waves and evolving virus variants, many countries and Hong Kong paid close attention to the development of the pandemic, hoping to strike a balance between economy and pandemic prevention, and are now prudently considering relaxing pandemic-induced immigration rules. As the relaxation of various countries has not arrived during the period, the tourism industry has not yet seen any sign of bounce-back, and the Group's business in travel segment still fell far short of the peak; revenue during the period was HK$10.8 million, while EBITDA recorded loss of HK$7.9 million, compared with revenue of HK$0.7 million and EBITDA loss of HK$7.8 million respectively in the same period last year. Should Hong Kong relax cross-border travel and allow people to exempt from quarantine upon entry, that opens the sky for aviation and brings flight travel back to normal, then a quick comeback of the travel business, together with high-flying performance, should be within arm's reach.

Operating and Other Expenses

In the midst of the pandemic and a battered economy, the Group continued to strictly control costs and improve operating efficiency. During the period, operating and other expenses decreased by HK$12.6 million (15.1%) to HK$70.9 million (2021: HK$83.5 million), compared with the same period last year.

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 HKD. The primary exposure arises from assets and business operations in mainland China, UK, and bank deposits in RMB, GBP and USD. In terms of interest rate and liquidity risks, as the Group's capital is mainly denominated in HKD and there is no borrowings, the main interest rate risk of the Group is the interest rate risk of HKD deposits; there is no interest rate risk associated with financing and borrowing. As at 30 June 2022, the Group had a consolidated cash position of HK$5.4 billion (31 December 2021: HK$5.2 billion) and no loans (31 December 2021: nil). In terms of financing risk, as at 30 June 2022, the total amount of credit facilities available to the Group was HK$1 billion (31 December 2021: HK$1 billion), none of them have been utilised (31 December 2021: nil). Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) was nil (31 December 2021: nil). The Group adopts a stable and healthy financial policy with more than sufficient funds and credit lines secured, that would enable the Group to cope with economic uncertainties in the foreseeable future and execute investment-effective business development plans when appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

For the six months ended 30 June 2022

	Note	For the six months ended 30 June 2022 HK$'000	2021 HK$'000
Revenue	3	**590,784**	583,658
Cost of food and beverage		**(36,906)**	(36,096)
Staff costs	4(a)	**(190,752)**	(172,727)
Utilities, repairs and maintenance and rent		**(48,562)**	(47,960)
Tour and ticketing costs		**(9,772)**	1,790
Gross profit		**304,792**	328,665
Other revenue		**52,623**	32,376
Operating and other expenses		**(70,857)**	(83,462)
Depreciation		**(27,602)**	(32,223)
		258,956	245,356
Finance costs	4(b)	**(918)**	(1,003)
Share of profits less losses of associates		**88**	94
		258,126	244,447
Net gain on disposal of properties		**—**	18,696
Other non-operating net gain/(loss)	4(c)	**595**	(483)
Net decrease in fair value of investment properties	8(a)	**(6,833)**	(53,982)
Profit before taxation	4	**251,888**	208,678
Taxation	5		
Current		**(43,046)**	(45,931)
Deferred		**(650)**	(1,900)
Profit for the period		**208,192**	160,847

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)
For the six months ended 30 June 2022

		For the six months ended 30 June	
		2022	2021
	Note	***HK$'000***	*HK$'000*
Profit for the period		**208,192**	160,847
Attributable to:			
Shareholders of the Company		**203,802**	157,727
Non-controlling interests		**4,390**	3,120
		208,192	160,847
Earnings per share			
Basic and diluted	*7(a)*	**HK$0.29**	HK$0.23

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

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Profit for the period	**208,192**	160,847
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	**(3,584)**	10,438
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**(39,048)**	7,069
	(42,632)	17,507
Total comprehensive income for the period	**165,560**	178,354
Attributable to:		
Shareholders of the Company	**166,279**	171,237
Non-controlling interests	**(719)**	7,117
Total comprehensive income for the period	**165,560**	178,354

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	At 30 June 2022 HK$'000 (Unaudited)	At 31 December 2021 HK$'000 (Audited)
Non-current assets			
Investment properties	*8(a)*	**15,186,262**	15,219,649
Other property, plant and equipment	*8(b)*	**204,824**	201,443
		15,391,086	15,421,092
Interests in associates		**982**	894
Equity securities designated at FVOCI		**26,790**	39,840
Deferred tax assets		**19,271**	16,149
		15,438,129	15,477,975
Current assets			
Inventories		**122,902**	127,654
Trade and other receivables	*9*	**185,462**	165,261
Financial assets measured at fair value through profit or loss ("FVPL")		**60,163**	62,399
Cash and bank balances		**5,428,874**	5,247,852
Tax recoverable		**908**	896
		5,798,309	5,604,062
Current liabilities			
Trade and other payables	*10*	**(487,968)**	(303,489)
Rental deposits received		**(113,225)**	(99,306)
Contract liabilities		**(48,485)**	(58,146)
Lease liabilities		**(31,060)**	(39,109)
Tax payable		**(46,526)**	(26,840)
		(727,264)	(526,890)
Net current assets		**5,071,045**	5,077,172
Total assets less current liabilities carried forward		**20,509,174**	20,555,147

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 June 2022

	Note	At 30 June 2022 HK$'000 (Unaudited)	At 31 December 2021 HK$'000 (Audited)
Total assets less current liabilities brought forward		**20,509,174**	20,555,147
Non-current liabilities			
Deferred liabilities		**(142,663)**	(160,008)
Lease liabilities		**(33,054)**	(47,305)
Deferred tax liabilities		**(305,360)**	(305,648)
		(481,077)	(512,961)
NET ASSETS		**20,028,097**	20,042,186
CAPITAL AND RESERVES			
Share capital	*11*	**2,227,024**	2,227,024
Reserves		**17,641,296**	17,654,666
Total equity attributable to shareholders of the Company		**19,868,320**	19,881,690
Non-controlling interests		**159,777**	160,496
TOTAL EQUITY		**20,028,097**	20,042,186

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 2022 but are extracted from that report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 17 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented and the Group has not applied any new standard or interpretation that is not yet effective for 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 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 2022					
	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)***	**406,896**	**107,940**	**65,188**	**10,760**	**—**	**590,784**
Reportable segment results (adjusted EBITDA)	**349,602**	**(13,722)**	**(6,010)**	**(7,936)**	**(72)**	**321,862**
Unallocated net corporate expenses						**(62,906)**
						258,956
Finance costs						**(918)**
Share of profits less losses of associates						**88**
Other non-operating net gain						**595**
Net decrease in fair value of investment properties	**(6,833)**	**—**	**—**	**—**	**—**	**(6,833)**
Consolidated profit before taxation						**251,888**

3. REVENUE AND SEGMENT REPORTING (continued)

	For the six months ended 30 June 2021					
	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)***	403,171	119,911	59,898	678	—	583,658
Reportable segment results (adjusted EBITDA)	351,053	(7,616)	(5,463)	(7,841)	(69)	330,064
Unallocated net corporate expenses						(84,708)
						245,356
Finance costs						(1,003)
Net gain on disposal of properties						18,696
Share of profits less losses of associates						94
Other non-operating net loss						(483)
Net decrease in fair value of investment properties	(53,982)	—	—	—	—	(53,982)
Consolidated profit before taxation						208,678

Note: Except for property rental income of HK$406,896,000 (six months ended 30 June 2021: HK$403,171,000) 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	
	2022	2021
	HK$'000	*HK$'000*
(a) Staff costs		
Contributions to defined contribution retirement plan	**7,636**	7,022
Salaries, wages and other benefits	**183,116**	165,705
	190,752	172,727
(b) Finance costs		
Interest on bank loan	**—**	11
Interest on lease liabilities	**918**	992
	918	1,003
(c) Other non-operating net (gain)/loss		
Net realised and unrealised (gain)/loss on financial assets measured at FVPL	**(595)**	483
(d) Other items		
Dividend and interest income	**(16,195)**	(12,838)
Reversal of provision for properties held for resale	**(44)**	(43)
Government subsidies *(Note)*	**(28,626)**	(7,451)
Impairment loss on trade receivables	**—**	34
Impairment loss on other property, plant and equipment	**—**	21,304

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	
	2022	2021
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**41,517**	43,649
Current tax — Taxation outside Hong Kong		
Provision for the period	**1,529**	2,282
	43,046	45,931
Deferred tax		
Change in fair value of investment properties	**4**	(90)
Origination and reversal of temporary differences	**646**	1,990
	650	1,900
	43,696	47,831

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2021: 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$13,000 (six months ended 30 June 2021: HK$14,000) 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	
	2022	2021
	HK$'000	*HK$'000*
Interim dividends declared after the interim period of HK21 cents per share (six months ended 30 June 2021: HK20 cents per share)	**145,102**	138,192

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	
	2022	2021
	HK$'000	*HK$'000*
Final dividends in respect of the previous financial year, approved during the following interim period, of HK26 cents per share (six months ended 30 June 2021: HK28 cents per share) *(Note)*	**179,649**	193,469

Note: 2021 final dividends and 2020 final dividends were paid on 8 July 2022 and 8 July 2021 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$203,802,000 (six months ended 30 June 2021: HK$157,727,000) and 690,959,695 shares (six months ended 30 June 2021: 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 2022 and 2021, 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 and non-recurring items. A reconciliation of profit is as follows:

	For the six months ended	
	30 June 2022	30 June 2021
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company	**203,802**	157,727
Changes in fair value of investment properties during the period	**6,833**	53,982
Effect of deferred tax on changes in fair value of investment properties	**4**	(90)
Net gain on disposal of properties	**—**	(18,696)
Underlying profit attributable to shareholders of the Company	**210,639**	192,923
Underlying earnings per share	**HK$0.30**	HK$0.28

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

Investment properties of the Group were revalued at 30 June 2022 and 31 December 2021. 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$6,833,000 (six months ended 30 June 2021: HK$53,982,000).

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

During the six months ended 30 June 2022, 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$2,284,000 (six months ended 30 June 2021: HK$32,064,000) and the lease modification of HK$6,285,000 (six months ended 30 June 2021: nil). Depreciation charges and impairment losses related to the right-of-use assets of HK$14,698,000 and nil (six months ended 30 June 2021: HK$16,236,000 and HK$785,000) 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$45,750,000 (31 December 2021: HK$64,449,000).

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 2022, 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 paid/payable to landlord and COVID-19 rent concessions received from landlord for the period are summarised below:

	For the six months ended 30 June 2022		
	Fixed payments	**Variable payments**	**COVID-19 rent concessions**
	HK$'000	***HK$'000***	***HK$'000***
Operation outlets	**288**	**1**	**(1,685)**

	For the six months ended 30 June 2021		
	Fixed payments	Variable payments	COVID-19 rent concessions
	HK$'000	*HK$'000*	*HK$'000*
Operation outlets	1,521	2	(6,296)

The Group has early adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by this amendment to all eligible rent concessions received by the Group since 2021.

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 2022	At 31 December 2021
	HK$'000	*HK$'000*
Within 1 month	**30,348**	18,740
1 to 2 months	**8,601**	3,851
Over 2 months	**39,159**	24,033
Trade receivables (net of loss allowance)	**78,108**	46,624
Other receivables, deposits and prepayments	**107,354**	118,637
	185,462	165,261

At 30 June 2022, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK$8,593,000 (31 December 2021: HK$8,686,000) 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 2022	At 31 December 2021
	HK$'000	*HK$'000*
Within 3 months or on demand	**18,944**	15,374
Over 3 months but within 6 months	**13,418**	9,571
Trade payables	**32,362**	24,945
Other payables and accrued charges	**199,023**	201,644
Amounts due to holders of non-controlling interests of subsidiaries *(note (a))*	**72,656**	72,622
Amounts due to associates *(note (b))*	**4,278**	4,278
Dividend payable *(note 6(b))*	**179,649**	—
	487,968	303,489

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

	2022		2021	
	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 2022 was HK$60,000 (six months ended 30 June 2021: HK$15,000) and the balance available to be utilised as at 30 June 2022 was nil (31 December 2021: 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 2022 (six month ended 30 June 2021: nil). The balance available to be utilised as at 30 June 2022 was nil (31 December 2021: 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 Tuesday, 27 September 2022 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 Monday, 26 September 2022.

EMPLOYEES

As at 30 June 2022 the Group had a total of 1,117 full-time employees, including 1,088 employed in Hong Kong, 22 employed in The People's Republic of China and 7 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 applicable code provisions set out in the Corporate Governance Code (the "CG 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 2022 with the exception that roles of the chairman and the chief executive officer of the Company have not been segregated. 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 2022 and discussed with representative of Audit, Risk & Corporate Services department and independent external auditors regarding matters on internal control, risk management and financial reports of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

FORWARD-LOOKING STATEMENTS

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

By Order of the Board
LEE KA SHING
Chairman and CEO

Hong Kong, 17 August 2022

As at the date of this announcement, (i) the executive directors are Dr. 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 and Mr. Dominic Cheng Ka On; (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, Mr. Thomas Liang Cheung Biu and Mr. Alexander Au Siu Kee.