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)

2023 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 2023 together with the comparative figures for the corresponding period in 2022.

Highlights

- The Group's revenue increased by 93.3% to HK$1,142 million (2022: HK$591 million)
- Profit attributable to shareholders increased by 86.5% to HK$380 million (2022: HK$204 million)
- Underlying profit attributable to shareholders* increased by 90% to HK$400 million (2022: HK$211 million)
- Earnings per share and underlying earnings per share* of HK$0.55 (2022: HK$0.29) and HK$0.58 (2022: HK$0.30) respectively, increased by 89.7% and 93.3% respectively.
- Interim dividends per share of HK23 cents (2022: HK21 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*

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 2023 (the "period").

Consolidated Results

The Group's revenue for the period amounted to HK$1,142 million (2022: HK$591 million), an increase of 93.3% against the corresponding period last year. Profit attributable to shareholders was HK$380 million (2022: HK$204 million) with a year-on-year increase of 86.5%. Excluding the revaluation loss on fair value of investment properties of HK$17.1 million, the underlying profit attributable to shareholders increased by 90% to HK$400 million (2022: HK$211 million). The underlying earnings per share increased by 93.3%, year-on-year, to HK$0.58 (2022: HK$0.30).

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 2023 to shareholders listed on the Register of Members at the close of business on 27 September 2023 (Wednesday). The interim dividend is expected to be distributed to shareholders on 12 October 2023 (Thursday).

Overview

With the receding of the COVID-19, the global economy and the local business environment gradually improved. The number of visitor arrivals to Hong Kong increased significantly from 76,000 in the first half of last year to 12.88 million, rebounding to one-third of the pre-pandemic level. According to the statistics released by the Airport Authority, the passenger volume of airport is picking up gradually, which is expected to resume to 70% of the pre-pandemic level by the end of the year and hopefully will be fully recovered in the year to come. However, as the business environment improved progressively, the problems of human resources and rising costs also ensued. In preparation for the reopening of borders, the Group has taken positive moves in advance and implemented various multi-pronged policies and measures in such aspects as business targets, human resources, cost controls, product designs and others, thereby achieving impressive high-flying results performance.

For hotel business, we nimbly responded to market opportunities and well prepared our resources for market demands as they quickly emerge. As early as September last year, the Group's hotels took the lead in collaborating with two major labour groups in Hong Kong, namely the Hong Kong Federation of Trade Unions (HKFTU) and The Federation of Hong Kong and Kowloon Labour Unions (HKFLU), to organize the "Certificate Program in Housekeeping". The trainees of this "From Retraining to Direct Employment" program will be directly employed by the hotels and to solve the problem of shortage of room attendants. Meanwhile, the Group also cooperated with various ethnic minority groups and local organizations, such as Hong Kong Nepalese Federation, to host the Recruitment Day. The program not only ensured that the human resources can meet the rapidly recovering demands for staff working in the hotel rooms and restaurants, but may also offset the rising labour costs, which was therefore highly praised by various sectors of the society, including the Labour and Welfare Bureau, the two major labour union organizations in Hong Kong, ethnic minority groups and local associations of Yau Tsim Mong District. The new incentive mechanism and five-day work week practice have successfully attracted more young people to join the industry, hence the staff turnover rate has dropped remarkably.

In addition, we actively cooperated with various associations and trade groups to seize opportunities arising from the development of high-speed rail and launched different products and sales solutions targeting business and leisure guests. Since March, we have actively developed the market of Mainland business guests and received groups of corporate guests with accommodation and catering services. These efforts resulted in a hotel occupancy rate of over 90% in the first month of border reopening and a surge of 149.6% in revenue of The Mira Hong Kong over the same period last year, achieving a turnaround from loss to profit successfully, profit increased significantly.

In respect of property rental business, we invested in the enhancement of facilities and upgraded and renovated the lobby of the office building to provide tenants with a more comfortable working environment. Meanwhile, the rental value was increased as a result of the continuous improvement of tenant mix and the introduction of more beauty and healthcare tenants. The overall occupancy rate of shopping malls and office buildings remained stable at over 90% compared to the same period last year.

In terms of food and beverage business, effective advertising and promotional activities have successfully attracted consumer attention, resulting in a turnaround from loss to profit with a growth in performance significantly above the industry average of Hong Kong.

These measures and efforts have strengthened the Company's competitiveness in different fields, and laid a solid foundation for our performance. Our agile and flexible management approach enabled us to capture market opportunities swiftly and make corresponding resources allocation and preparation. At the same time, the active investment and enhancement of facilities have improved customer experience and satisfaction. These initiatives enabled us to seize post-pandemic business opportunities effectively and achieve remarkable performance. We will remain flexible in responding to market changes while seeking more opportunities for growth so as to further enhance the Company's value and return.

OUTLOOK

During the pandemic, leveraging on its solid foundation and extensive experience, the Group successfully stabilized its business through early deployment. Nevertheless, the global political and economic conditions remained unstable, and inflation and rising labour costs became a major issue to the commercial sector. In the second half of the year, the increase in the number of both flights and international visitors is expected to reach 25% as compared with the first half of the year, and there will be 40% growth in the number of flights next year, implying that the number of overseas tourists will increase significantly. We will continue to enhance operational efficiency and add value to the services to cope with challenges arising from the ever-changing market after further recovery. Hence, we will remain cautiously optimistic and adopt flexible strategies to seize opportunities arising from the growth in the number of flights and international visitors in the second half of the year and next year.

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 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 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hotels and Serviced Apartments Business

As the COVID-19 pandemic, which lasted for more than three years, was gradually under control last year, strict travel restrictions and border control implemented in various countries and Hong Kong were gradually relaxed. For the first half of 2023, the total visitors arrivals and overnight visitors to Hong Kong exceeded 12.88 million and 6.57 million respectively, representing a significant growth of nearly 170 times and 90 times compared to 76,000 and 73,000 respectively for the same period last year, which reflected the full recovery of Hong Kong's tourism and hotel industry during the first half of the year. As of 30 June this year, only around 50% of international flights resumed while the frequency of the high-speed rail ramped up as compared to that before the pandemic. Before the surge of international visitors, the Group has continued to devote more resources to develop the market of the Mainland visitors, particularly the city clusters along the high-speed rail and investment promotion fairs organized in Hong Kong by enterprises from different Mainland provinces and cities.

In addition, the Group has fully prepared itself for the full recovery of Hong Kong's tourism and hotel industry since last year amidst the pandemic, and considered that human resources for the housekeeping department was one of the significant variations in hotel business and an important factor that constrained its business volume. Hence, adhering to its flexible and multi-pronged business and operational strategies, the Group jointly organized the "From Retraining to Direct Employment Program" with HKFTU Study Centre and Hotels, Food & Beverage Employees Association since September last year. In particular, the "Certificate Program in Housekeeping", which was the most popular course, was launched to provide professional training and on-site internship in hotels under the Group for those who aspire to become a hotel room attendant. In light of the enthusiastic response, the Group and the HKFTU organized the relevant courses again in the first half of the year. Since February 2023, the Group organized the "Certificate Program in Housekeeping" in collaboration with the HKFLU, the second largest trade union. The program received overwhelming response with nearly 90% of the trainees applying to join the Group as a hotel room attendant after graduation. Currently, the Group is the sole partner of the Hospitality Retraining Program of the HKFTU and the HKFLU. In respect of the employment of ethnic minorities, the Group cooperated with Yau Tsim Mong District Council members and Hong Kong Nepalese Federation to host "Recruitment Day for Ethnic Minorities" and send invitations directly to 15,000 Nepalese in Hong Kong. Satisfactory response was received on the Recruitment Day. The Group will continue to hold recruitment days for ethnic minorities in the future to promote an inclusive and harmonious society.

Thanks to the properly formulated business and operational strategies above, the business volume of the Group has not been seriously constrained by shortage of human resources in the market, and hence the occupancy rate of both The Mira Hong Kong and Mira Moon was over 90% during the first half of 2023, which reached 91.1% and 95.2% respectively, while the average room rate also increased by 58.4% and 8.0% respectively. As a result, the revenue from room rental business of The Mira Hong Kong recorded a significant increase of 195% and the revenue from room rental business of Mira Moon climbed by 455.4% due to the asset quality enhancement project carried out last year. The food and beverage business under the hotel segment of the Group also recorded an increase of 92.6% in revenue as compared with the same period last year. The overall revenue from the hotel and serviced apartment business for the period increased to HK$267.2 million compared with the same period last year, and earnings before interest, taxes, depreciation and amortization (EBITDA) recorded a profit of HK$65.5 million, as compared to revenue of HK$107.9 million and EBITDA loss of HK$13.7 million for the same period last year.

Property Rental Business

Regarding the rental properties (including shopping malls and office buildings) that mainly located at Tsim Sha Tsui, a popular destination among tourists, the Group adjusted its strategies as early as last year for the post-pandemic recovery of the market, thereby well-positioning to seize unprecedented opportunities. Before and after the announcement of full border reopening by the government at the beginning of this year, the Group has launched various promotional campaigns, including the Rabbit Shrine-themed Chinese New Year celebration campaign featuring the Wishing Pavilion at the Rabbit Shrine, the Bell of Happiness and the three-meter-tall Giant Fortune Rabbit, the "White Valentine's Day Popup" and the "Kagawa One Day Tour" campaign, which successfully benefitted from a first-mover advantage, attracted attention from the market and boosted footfall, resulting in a high double-digit growth in footfall of Mira Place in the first quarter on a continuous basis. In the second quarter, the Group joined hands with Dreamcatcher Inno Box to provide a variety of natural, organic and environmentally-friendly products, which echoed with the Group's emphasis on environmental protection and the concept of sustainable development. In addition, the Group also launched the "Reward MI" spending reward scheme and "Sands of Touch — Sealed with Love". The exhibition features the love story of Nobel Prize winner Dr. Charles Kao, the father of fiber optics, bringing love and positive energy to the public and Hong Kong.

Internally, the Group continued to enhance the quality of its rental properties, including the improvement works for shopping malls and the lift lobby of office buildings, which incorporated green, natural and environmentally-friendly elements to promote the concepts of "Mi Go Green" and sustainable development, with a view to contributing to a green earth and the efficient use of resources.

During the period, revenue from the Group's property rental business was stable at HK$398.9 million, while EBITDA recorded a profit of HK$349.0 million, as compared to revenue of HK$406.9 million and EBITDA of HK$349.6 million last year.

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$17.1 million during the period (2022: HK$6.8 million). The book value of the overall investment properties as at 30 June 2023 was HK$15.1 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

The business environment of the food and beverage industry has been greatly improved as the Government of Hong Kong has lifted the restrictions on restaurant and banquet capacity as well as other social distancing measures since December last year. In addition, thanks to the full border reopening between Hong Kong and the Mainland on 6 February this year and the removal of pandemic prevention measures and restrictions, the food and beverage sector and consumer market both saw a positive sentiment. The Group also made a head start to grasp opportunities on the post-pandemic rebound and launched two new concept brands, the "Chinesology" (唐述) offering modernized Chinese cuisine and the "JAJA" offering new vegetarian propositions, last year. Revenues from the Group's Chinese cuisine and western cuisine business registered a robust growth, more than doubled as compared with the same period last year. According to the statistics of total restaurants receipts from the Census and Statistics Department of the Hong Kong Government, the growth of the food and beverage sector in Hong Kong for the first and second quarters of 2023 over the same period last year amounted to 81.8% and 24.3%, respectively, while the food and beverage business of the Group notably outperformed the peer average with a growth of 219.0% and 51.0% for the first and second quarters of 2023, respectively. The Group also recorded a significant growth in both the restaurant traffic and spending per person. Besides, the Group continued to boost sales by offering dine-in discounts and takeaway and Mira eShop promotions to satisfy customers with different needs. In terms of festive food, revenue for the period also grew by 28%, with the sales of Chinese New Year pudding for the Chinese New Year reaching a record high. During the period, the Group recorded revenue from food and beverage business of HK$138.6 million and an EBITDA profit of HK$15.7 million, compared to revenue of HK$65.2 million and EBITDA loss of HK$6.0 million in the same period last year.

Travel Business

As the COVID-19 pandemic came under control since last year, most countries around the world and Hong Kong gradually relaxed their border control and pandemic prevention measures, such as allowing people to exempt from quarantine upon arrival and relaxing vaccination and declaration requirements, and therefore the business environment of global cross-border tourism industry witnessed a gradual recovery. The Group has been getting prepared for recovery and border reopening from last year, with a view to seizing the opportunity to capitalize on the post-pandemic travel demand of customers. The Group launched outbound tours to different countries, including Western Europe, Europe, Russia, Southeast Asia, Japan, South Africa and Egypt, as well as cruise tours to address and satisfy the exuberant demand for outbound travel of customers after returning to normalcy. Given that the air capacity of Hong Kong will have to be increased in an orderly manner after resumption of normal operation, the Group will be prudently optimistic about the future prospects of the travel business if the air capacity of Hong Kong rebounds to the pre-pandemic level. By mid-year, the air capacity of Hong Kong was about half of the pre-pandemic level. The aviation industry estimated that it will recover to 70% of the pre-pandemic level by the end of 2023, and further return to the pre-pandemic level by the end of 2024, meaning that the air capacity of Hong Kong will nearly double between the middle of this year and the end of next year. The development of the travel business was constrained by insufficient air capacity. As such, with the expectation of doubling air capacity by next year, a promising and bright outlook for the travel business can be foreseen. During the period, revenue from the travel business was HK$337.4 million with EBITDA profit of HK$10.5 million, compared with revenue of HK$10.8 million and EBITDA loss of HK$7.9 million in the same period last year.

Operating and Other Expenses

Due to strong revenue growth in several business segments of the Group in the first half of the year (including 147.6% and 112.6% growth in hotels and serviced apartments and food and beverage businesses respectively, as well as strong growth in travel business), the Group also recorded an increase in related operating and other expenses. Coupled with the labour shortages caused by waves of migration and post-pandemic business demand, the Group's hotels have fully implemented a five-day work week since February this year in an effort to retain talents and attract more young people to join the Group. The Group's food and beverage department has also enhanced the number of monthly holidays for its staff, which has enabled the Group to maintain its high service standards and competitiveness despite the significant increase in labour costs. In view of its consistent strategy for maintaining stringent cost control and enhancing operating efficiency, the Group's operating and other expenses only increased by HK$24.4 million (34.4%) as compared to the same period last year, which was significantly lower than the increase in revenue.

Treasury Management and Financial Condition

In respect of the exposure to exchange rate, interest rate, liquidity and financing risks arising from the course of its daily operations, the Group manages them in accordance with its established policies, while closely monitoring 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 with 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. 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's 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 USD 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 2023, the effective interest rate of the Group's overall deposits was 4.5% per annum, representing an increase of 6.5 times or 3.9 percentage points as compared to 0.60% in the same period last year, which was a remarkable improvement.

As at 30 June 2023, the Group had a consolidated cash position of HK$5.5 billion (31 December 2022: HK$5.4 billion) and no loans (31 December 2022: nil). In terms of financing risk, as at 30 June 2023, the total amount of credit facilities available to the Group was HK$914 million (31 December 2022: HK$1 billion), none of them have been utilised (31 December 2022: nil). Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) was nil (31 December 2022: nil).

The Group adopts a stable and healthy financial policy all the 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, so as to ensure our 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 2023

		For the six months ended 30 June	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,142,095**	590,784
Cost of food and beverage		**(71,297)**	(36,906)
Staff costs	*4(a)*	**(245,947)**	(190,752)
Utilities, repairs and maintenance and rent		**(62,432)**	(48,562)
Tour and ticketing costs		**(301,374)**	(9,772)
Gross profit		**461,045**	304,792
Other revenue and other non-operating net gain		**138,158**	53,218
Operating and other expenses		**(95,237)**	(70,857)
Depreciation		**(32,108)**	(27,602)
		471,858	259,551
Finance costs	*4(b)*	**(1,174)**	(918)
Share of profits less losses of associates		**114**	88
		470,798	258,721
Net decrease in fair value of investment properties	*8*	**(17,100)**	(6,833)
Profit before taxation	*4*	**453,698**	251,888
Taxation	*5*		
Current		**(42,087)**	(43,046)
Deferred		**(18,392)**	(650)
Profit for the period carried forward		**393,219**	208,192

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Profit for the period brought forward		**393,219**	208,192
Attributable to:			
Shareholders of the Company		**380,132**	203,802
Non-controlling interests		**13,087**	4,390
		393,219	208,192
Earnings per share			
Basic and diluted	*7(a)*	**HK$0.55**	HK$0.29

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

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Profit for the period	**393,219**	208,192
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	**(64,859)**	(3,584)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**(36,369)**	(39,048)
	(101,228)	(42,632)
Total comprehensive income for the period	**291,991**	165,560
Attributable to:		
Shareholders of the Company	**287,059**	166,279
Non-controlling interests	**4,932**	(719)
Total comprehensive income for the period	**291,991**	165,560

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**At 30 June 2023 HK$'000 (Unaudited)**	At 31 December 2022 HK$'000 (Audited)
Non-current assets			
Investment properties	*8*	**15,122,306**	15,159,392
Other property, plant and equipment		**238,389**	243,053
		15,360,695	15,402,445
Interests in associates		**1,189**	1,074
Equity securities designated at FVOCI		**262,334**	28,140
Deferred tax assets		**18,624**	33,122
		15,642,842	15,464,781
Current assets			
Inventories		**115,358**	119,655
Trade and other receivables	*9*	**233,750**	214,747
Financial assets measured at fair value through profit or loss ("FVPL")		**42,988**	58,443
Other financial instruments		**97,399**	—
Cash and bank balances		**5,487,264**	5,385,923
Tax recoverable		**1,291**	1,461
		5,978,050	5,780,229
Current liabilities			
Trade and other payables	*10*	**(596,651)**	(363,974)
Rental deposits received		**(108,429)**	(129,223)
Contract liabilities		**(129,519)**	(80,567)
Lease liabilities		**(42,426)**	(42,005)
Tax payable		**(25,778)**	(9,643)
		(902,803)	(625,412)
Net current assets		**5,075,247**	5,154,817
Total assets less current liabilities carried forward		**20,718,089**	20,619,598

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2023

	Note	At 30 June 2023 HK$'000 (Unaudited)	At 31 December 2022 HK$'000 (Audited)
Total assets less current liabilities brought forward		**20,718,089**	20,619,598
Non-current liabilities			
Deferred liabilities		**(137,139)**	(111,818)
Lease liabilities		**(42,436)**	(57,055)
Deferred tax liabilities		**(328,385)**	(329,633)
		(507,960)	(498,506)
NET ASSETS		**20,210,129**	20,121,092
CAPITAL AND RESERVES			
Share capital	*11*	**2,227,024**	2,227,024
Reserves		**17,825,821**	17,739,140
Total equity attributable to shareholders of the Company		**20,052,845**	19,966,164
Non-controlling interests		**157,284**	154,928
TOTAL EQUITY		**20,210,129**	20,121,092

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 2023 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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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 2022 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 new and 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.

The HKICPA has also issued a new HKICPA guidance on the accounting implications of abolition of the Mandatory Provident Fund-Long Service Payment offsetting mechanism in July 2023. As the Group is in the progress of making an assessment, further impacts may be identified in due course.

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 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**

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

	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						(62,311)
						259,551
Finance costs						(918)
Share of profits less losses of associates						88
Net decrease in fair value of investment properties	(6,833)	—	—	—	—	(6,833)
Consolidated profit before taxation						251,888

Note: Except for property rental income of HK$398,948,000 (six months ended 30 June 2022: HK$406,896,000) 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*. Hotel revenue from room rental in hotels and serviced apartments segment of HK$154,430,000 (six months ended 30 June 2022: HK$55,547,000) 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.

4. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
(a) Staff costs		
Contributions to defined contribution retirement plan	**9,725**	7,636
Salaries, wages and other benefits	**236,222**	183,116
	245,947	190,752
(b) Finance costs		
Interest on lease liabilities	**1,174**	918
(c) Other items		
Dividend and interest income	**(131,438)**	(16,195)
Net realised and unrealised loss/(gain) on financial assets measured at FVPL	**10,329**	(595)
Reversal of provision for properties held for resale	**(41)**	(44)
Government subsidies *(Note)*	**—**	(28,626)

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 prior period.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the period	**38,705**	41,517
Current tax — Taxation outside Hong Kong		
Provision for the period	**3,382**	1,529
	42,087	43,046
Deferred tax		
Change in fair value of investment properties	**3,036**	4
Origination and reversal of temporary differences	**15,356**	646
	18,392	650
	60,479	43,696

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2022: 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$10,000 (six months ended 30 June 2022: HK$13,000) 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	
	2023	2022
	HK$'000	*HK$'000*
Interim dividends declared after the interim period of HK23 cents per share (six months ended 30 June 2022: HK21 cents per share)	**158,921**	145,102

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	
	2023	2022
	HK$'000	*HK$'000*
Final dividends in respect of the previous financial year, approved during the following interim period, of HK29 cents per share (six months ended 30 June 2022: HK26 cents per share) *(Note)*	**200,378**	179,649

Note: 2022 final dividends and 2021 final dividends were paid on 11 July 2023 and 8 July 2022 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$380,132,000 (six months ended 30 June 2022: HK$203,802,000) and 690,959,695 shares (six months ended 30 June 2022: 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 2023 and 2022, 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 2023	30 June 2022
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company	**380,132**	203,802
Changes in fair value of investment properties during the period	**17,100**	6,833
Effect of deferred tax on changes in fair value of investment properties	**3,036**	4
Underlying profit attributable to shareholders of the Company	**400,268**	210,639
Underlying earnings per share	**HK$0.58**	HK$0.30

8. INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 30 June 2023 and 31 December 2022. 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$17,100,000 (six months ended 30 June 2022: HK$6,833,000).

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 2023	At 31 December 2022
	HK$'000	*HK$'000*
Within 1 month	**42,671**	37,187
1 to 2 months	**8,667**	9,202
Over 2 months	**35,909**	42,948
Trade receivables (net of loss allowance)	**87,247**	89,337
Other receivables, deposits and prepayments	**146,503**	125,410
	233,750	214,747

At 30 June 2023, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK$8,874,000 (31 December 2022: HK$12,889,000) 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 2023	At 31 December 2022
	HK$'000	*HK$'000*
Within 3 months or on demand	**57,884**	27,676
Over 3 months but within 6 months	**28,522**	20,235
Trade payables	**86,406**	47,911
Other payables and accrued charges	**232,913**	239,120
Amounts due to holders of non-controlling interests of subsidiaries *(note (a))*	**72,695**	72,682
Amounts due to associates *(note (b))*	**4,259**	4,261
Dividend payable *(note 6(b))*	**200,378**	—
	596,651	363,974

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

	2023		2022	
	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 2023 was HK$177,000 (six months ended 30 June 2022: HK$60,000) and the balance available to be utilised as at 30 June 2023 was nil (31 December 2022: 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 2023 (six month ended 30 June 2022: nil). The balance available to be utilised as at 30 June 2023 was nil (31 December 2022: 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 Wednesday, 27 September 2023 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 Tuesday, 26 September 2023.

EMPLOYEES

As at 30 June 2023 the Group had a total of 1,247 full-time employees, including 1,215 employed in Hong Kong, 22 employed in The People's Republic of China and 10 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 14 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 2023 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 2023 and discussed with the Director of Audit, Risk & Corporate Services and independent external auditors regarding matters on internal control, risk management and financial reports of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 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, 17 August 2023

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.