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)

2018 FINAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The Board of Directors of Miramar Hotel and Investment Company, Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding year in 2017.

Highlights

- The Group's revenue increased by 0.4% to HK$3,199 million (2017: HK$3,186 million)
- Profit attributable to shareholders increased by 6.9% to HK$1,624 million (2017: HK$1,519 million)
- Underlying profit attributable to shareholders* rose by 8.4% to approximately HK$828 million (2017: HK$764 million)
- Earnings per share (basic) and underlying earnings per share (basic)* were HK$2.36 (2017: HK$2.52) and HK$1.20 (2017: HK$1.27) respectively
- Final dividends per share proposed are HK37 cents (2017: HK36 cents), which makes a total annual dividend of HK61 cents per share (2017: HK59 cents), and are payable in cash

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

CHAIRMAN AND CEO'S STATEMENT

Dear Shareholders

On behalf of the Board of the Miramar Hotel and Investment Company, Limited (the "Company"), I am pleased to present my report on the operation and the financial performance of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

CONSOLIDATED RESULTS

The Group's revenue for the year amounted to HK$3,199 million, representing an increase of 0.4% compared to last year (2017: HK$3,186 million). Profit attributable to shareholders for the reporting period increased by 6.9% to HK$1,624 million (2017: HK$1,519 million). This growth is mainly attributable to the satisfactory performance of both the property rental segment and hotels and serviced apartments segment, with additional contribution from revaluation gain of investment properties.

Excluding the net increase of HK$783 million in the fair value of our investment properties and net gain from non-core businesses, the basic underlying profit attributable to shareholders* increased by 8.4% to approximately HK$828 million (2017: HK$764 million). The underlying earnings per share (basic) dropped by 5.5% to HK$1.20 (2017: HK$1.27). Excluding the effect of the increased number of shares issued in the beginning of the year pursuant to the bonus warrant scheme, basic underlying earnings per share would have shown a growth in line with the underlying profit attributable to shareholders.

FINAL DIVIDEND

The Board is pleased to recommend a final dividend of HK37 cents per share payable to shareholders whose names are on the Register of Members as at 18 June 2019. Including an interim dividend of HK24 cents per share paid on 16 October 2018, the total dividend payment for the whole year will be HK61 cents per share.

OVERVIEW

Hong Kong's economy was booming in the first half of 2018 but growth momentum slowed down in the second half of the year. For the whole year, GDP has risen by 3.0%, and the unemployment rate has dropped further to a low level of 2.8%. Supply of labor turned increasingly tense, leading to a continued rise in labour costs. Incoming visitor arrivals increased by 11.4% to 65.15 million in 2018 (2017: 58.47 million), while overnight visitors only rose by 4.9% to 29.26 million (2017: 27.88 million).

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

In respect of hotels and serviced apartments business, the Group adopted a dynamic revenue management strategy, based on market supply and demand and state of competition, resulting in improved operational efficiency. Our property rental business has achieved a respectable performance as the Group continually optimized the tenant mix of the shopping mall and office tower and enhanced the quality of services, affording tenants and customers solicitous services and gleeful shopping experience. For food and beverage business, we continued to adjust our business strategies in response to changes in rental levels and market preferences for different brands. In regard to travel business, the performance is encouraging due to proactive control of operating costs and responsive strategies pursued to tackle changing destination preferences of the customers.

BUSINESS OUTLOOK

In the second half of 2018, growth in the global economy has shown a slowing trend, under uncertainties that a consensual and comprehensive trade pact was not yet in sight in the Sino-US negotiations and likewise in the Brexit arrangements. Looking forward to 2019, the global political and economic environment remains confronted by a wide variety of uncertainties which are characterised by great complexity and vicissitude, hindering economic growth. I will continue to lead the Group management in our unreserved effort to manage our businesses prudently, with particular attention paid to improving service quality and strengthening operational efficiency, while at the same time on the lookout for appropriate investment opportunities, with a view to increasing profitability and shareholder return.

ACKNOWLEDGEMENT

I sincerely thank the Board of Directors for their outstanding leadership over the past year, steering the Group towards steady development. On behalf of all shareholders and the Board of Directors, I would like to express my sincere gratitude to the management team and all staff for their valuable contributions to the Group.

Lee Ka Shing
Chairman and CEO

Hong Kong, 18 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Hotels and Serviced Apartments Business

In 2018, overnight visitor arrivals increased by 4.9% compared to last year. Occupancy rates of hotels in Tsim Sha Tsui area and hotels in the Tariff A category both increased compared to last year. Our hotels and serviced apartments business recorded satisfactory results in both revenue and EBITDA (earnings before interest, taxes, depreciation and amortisation).

During the year, the management adopted dynamic marketing and pricing strategies which served to increase the attractiveness and competitiveness of our hotels, and succeeded in bringing about improved operational efficiency. Revenue has increased by 7.3% to HK$710 million compared to last year while EBITDA amounted to HK$265 million, representing an increase of approximately 6.9%. Average occupancy rates of both The Mira Hong Kong and Mira Moon stayed at high levels and RevPAR (revenue per available room) registered satisfactory growth.

Property Rental Business

The Group's Property Rental business grew steadily during the year and recorded revenue of HK$914 million and EBITDA of HK$807 million, rising by 6.5% and 7.1% respectively compared to last year. Leveraging on Mira Place as a landmark strategically located in the golden shopping hub in Tsim Sha Tsui, the Group has blended this in combination with our cozy hotel facilities, diversified retail selections and appealing mall activities, bringing customers and visitors a delightful lifestyle transcending shopping, amusement, dining as well as relaxation experiences.

Mira Place (Mira Place Tower A, Mira Place 1 and Mira Place 2)

During the year, the Group continued to optimize the tenant mix of its office and retail space. Occupancy rate maintained at a high level and rental income grew steadily. The synergetic effect in the continuous upgrade of the shopping mall and offices has enabled stable appreciation of the total value of our properties.

Retail sales in Hong Kong has shown steady growth last year. Aside from attaining a streamlined pedestrian flow which has become more efficient and comfortable, the realignment and optimization of spatial planning have also increased lettable areas, bringing in extra rental income. At the same time, the management has also meticulously adjusted the retail mixes in the mall and brought in fashionable brands of different products and services so as to offer our customers and visitors expansive choices.

Asset Enhancement Program and Mall Integration

The Group devoted relentless efforts towards enhancing the overall image and positioning of its property assets, continually improving its surroundings, upgrading its service quality and keeping the mall iconic for its unique personality and dynamism. During the year, Mira Place has upgraded its mobile application software to strengthen customer services and promote interactions, and successfully launched Hong Kong's first smart parking solution "e-PARKING" as well as a number of popular promotional activities such as "Washu Fes Hong Kong 2018"; "2018 New Zealand & Australia Cultural Tour"; "OMG Santa is HOT", a Christmas event; "MIRAcle Voice"; and remarkably the "Gimme Live Music Festival 2018", which has been held for six consecutive years and has evolved as an annual musical sensation in the Tsim Sha Tsui area, embellishing Mira Place with vogue and frantic joy. These events have driven up Mira Place's average yearly footfall by 18% and boosted tenants' sales revenue by 4%.

Net increase in fair value of investment properties

Mira Place is the Group's major investment property. Based on the Group's accounting policy, investment properties are recorded at their fair value. We have appointed independent professional surveying firm, Cushman & Wakefield, to conduct valuation for the Group's investment properties as at 31 December 2018. Due to the continuous increase in rental revenue from Mira Place, the Group's investment property portfolio recorded a net increase in fair value of HK$783 million, amounting to HK$14.9 billion as at 31 December 2018.

Food and Beverage Business

The food and beverage business recorded revenue of HK$319 million and EBITDA of HK$13 million, which dropped by 19.2% and 44.1% respectively, due to a strategic revamp through which the management closed certain shops that lacked operational efficiency.

Group's Chinese restaurants (Cuisine Cuisine and Tsui Hang Village) have achieved good performance. Average check per head and profitability both recorded steady growth. Besides maintaining good product quality and brand reputation, we also featured seasonal promotions such as Classic Gourmet Delight, Shunde Delicacies, Taste of Fish Village and Nourishing Winter, which were highly commented by diners. The business of the Western restaurants (The French Window, and Assaggio) was stable, as the management continued to actively raise service levels and improve product quality, which showed promising progress. Next step the management will adopt effective methods to improve financial performance.

The Group's strategy is to improve operational efficiency, improve product and service qualities, and to create new dishes and new themes on a regular basis. In addition, the Group will continue to seek for new opportunities to properly implement the strategy of brand diversification.

Travel Business

Revenue from travel segment at HK$1,256 million was level with that in the prior year but EBITDA improved substantially to HK$60 million, registering an increase of 108% due to proactive control of operating costs and responsive strategies pursued to tackle changing destination preferences of the customers.

Operating and other expenses and other revenue

The Group has further enhanced its operating efficiency and managed to keep the overall operating costs stable at HK$237 million (2017: HK$227 million). Due to the depreciation of Reminbi, exchange loss of HK$13 million (2017: exchange gain of HK$27 million) was recorded during the year. Other revenue comprising mainly bank deposit interests increased to HK$49.2 million as a result of a mild uptick in the interest rate levels.

CORPORATE FINANCE

Gearing, calculated by dividing consolidated total borrowings by the consolidated total shareholders' equity, was at only 0.1% as at 31 December 2018 (31 December 2017: 0.1%). The Group has its business operations primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure results from its operations in mainland China as well as certain bank deposits which are denominated in RMB and USD, plus equity investments which are denominated in USD and EUR. The majority of the Group's loan arrangement is denominated in EUR and interests on bank loans and borrowings are chargable at fixed rate.

At 31 December 2018, total available credit facilities amounted to approximately HK$1.3 billion (31 December 2017: approximately HK$1.3 billion), 0.2% (31 December 2017: 0.2%) of which have been utilised. At 31 December 2018, consolidated net cash were at approximately HK$4.7 billion (31 December 2017: HK$3.4 billion), of which HK$2.85 million were secured borrowings (31 December 2017: HK$3 million).

The Group maintains its conservative and sound financial policy with ample cash and available banking facilities, enabling the Group to comfortably deal with the uncertain economic environment in the foreseeable future and to fund opportune business development projects that promise good investment returns.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	3	**3,199,078**	3,186,203
Cost of inventories		**(160,729)**	(173,387)
Staff costs		**(511,698)**	(516,397)
Utilities, repairs and maintenance and rent		**(202,857)**	(220,399)
Tour and ticketing costs		**(1,093,342)**	(1,140,645)
Gross profit		**1,230,452**	1,135,375
Other revenue		**136,533**	87,340
Operating and other expenses		**(249,755)**	(199,878)
Depreciation		**(99,142)**	(113,614)
		1,018,088	909,223
Finance costs	4(a)	**(1,108)**	(7,159)
Share of profits less losses of associates		**4,197**	(1,065)
		1,021,177	900,999
Other non-operating net gain	4(b)	**13,481**	61,724
Net increase in fair value of investment properties	8	**783,475**	723,487
Profit before taxation	4	**1,818,133**	1,686,210
Taxation	5		
Current		**(150,919)**	(139,027)
Deferred		**(7,703)**	(3,855)
Profit for the year carried forward		**1,659,511**	1,543,328

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)
For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year brought forward		**1,659,511**	1,543,328
Attributable to:			
Shareholders of the Company		**1,624,151**	1,519,245
Non-controlling interests		**35,360**	24,083
		1,659,511	1,543,328
Dividends attributable to the year:	*6(a)*		
Interim Dividend		**165,830**	143,031
Final Dividend		**255,655**	226,288
		421,485	369,319
Earnings per share			
Basic	*7(a)*	**HK$2.36**	HK$2.52
Diluted	*7(b)*	**HK$2.36**	HK$2.45

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**1,659,511**	1,543,328
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Equity securities designated at FVOCI:		
— changes in fair value	**(15,095)**	—
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries	**(29,326)**	39,120
Reclassification adjustments for amounts transferred to profit or loss on liquidation of a subsidiary	**(16,589)**	—
Available-for-sale securities:		
— changes in fair value	**—**	33,292
— transfer to profit or loss upon disposal	**—**	(29,597)
	(61,010)	42,815
Total comprehensive income for the year	**1,598,501**	1,586,143
Attributable to:		
Shareholders of the Company	**1,570,224**	1,553,048
Non-controlling interests	**28,277**	33,095
Total comprehensive income for the year	**1,598,501**	1,586,143

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	8	**14,867,081**	14,102,734
Other property, plant and equipment		**266,792**	305,955
		15,133,873	14,408,689
Interests in associates		**4,200**	801
Equity securities designated at FVOCI		**92,191**	—
Financial assets measured at FVPL		**1,547**	—
Available-for-sale securities		**—**	80,831
Deferred tax assets		**6,540**	5,994
		15,238,351	14,496,315
Current assets			
Inventories		**119,060**	126,254
Trade and other receivables	9	**282,363**	295,453
Financial assets measured at FVPL		**70,128**	—
Available-for-sale securities		**—**	43,767
Trading securities		**—**	6,052
Cash and bank balances		**4,713,351**	3,438,569
Tax recoverable		**5,535**	197
		5,190,437	3,910,292
Current liabilities			
Trade and other payables	10	**(477,025)**	(534,436)
Bank loans and overdrafts		**(2,848)**	(3,954)
Sales and rental deposits received		**(97,459)**	(196,214)
Contract liabilities		**(164,469)**	—
Tax payable		**(48,481)**	(39,548)
		(790,282)	(774,152)
Net current assets		**4,400,155**	3,136,140
Total assets less current liabilities carried forward		**19,638,506**	17,632,455

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Total assets less current liabilities brought forward		**19,638,506**	17,632,455
Non-current liabilities			
Deferred liabilities		**(176,907)**	(197,458)
Amounts due to holders of non-controlling interests of a subsidiary	*11*	**(12,100)**	—
Deferred tax liabilities		**(278,188)**	(275,427)
		(467,195)	(472,885)
NET ASSETS		**19,171,311**	17,159,570
CAPITAL AND RESERVES			
Share capital	*12*	**2,227,024**	1,384,869
Reserves		**16,799,764**	15,644,115
Total equity attributable to shareholders of the Company		**19,026,788**	17,028,984
Non-controlling interests		**144,523**	130,586
TOTAL EQUITY		**19,171,311**	17,159,570

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap.622).

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 9, *Financial instruments*

— HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(a) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) HKFRS 9, *Financial instruments* (continued)

The following table summarises the impact of transition to HKFRS 9 on retained profits and reserves at 1 January 2018.

	HK$'000
Retained profits	
Transferred from investment revaluation reserve (recycling) relating to:	
— financial assets now measured at FVPL	463
— financial assets now carried at amortised cost	40
— financial assets now designated at FVOCI	159
Increase in retained profits at 1 January 2018	662
Investment revaluation reserve (recycling)	
Transferred to retained profits relating to:	
— financial assets now measured at FVPL	(463)
— financial assets now carried at amortised cost	(40)
— financial assets now designated at FVOCI	(159)
	(662)
Transferred to investment revaluation reserve (non-recycling) relating to financial assets now designated at FVOCI	(10,217)
Decrease in investment revaluation reserve (recycling) at 1 January 2018	(10,879)
Investment revaluation reserve (non-recycling)	
Transferred from investment revaluation reserve (recycling) relating to financial assets now designated at FVOCI	10,217

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

(i) *Classification of financial assets*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) HKFRS 9, *Financial instruments* (continued)

(i) *Classification of financial assets (continued)*

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Re-classification	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost			
Unlisted debt securities outside Hong Kong *(note (i))*	—	28,200	28,200
Financial assets designated at FVOCI (non-recyclable)			
Equity securities not held for trading *(note (ii))*	—	50,212	50,212
Financial assets measured at FVPL			
Equity securities not held for trading *(note (ii))*	—	2,419	2,419
Trading securities *(note (iii))*	6,052	—	6,052
Unlisted investment fund *(note (iv))*	—	43,767	43,767
	6,052	46,186	52,238
Financial assets classified as available-for-sale under HKAS 39 *(notes (i), (ii) and (iv))*	124,598	(124,598)	—

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) HKFRS 9, *Financial instruments* (continued)

(i) *Classification of financial assets (continued)*

Notes:

(i) Under HKAS 39, unlisted debt securities outside Hong Kong were classified as available-for-sale financial assets. It is classified as financial assets carried at amortised cost under HKFRS 9 as the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. The investment was fully amortised during the year.

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as financial assets measured at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated some of its equity investments at FVOCI as they are held for strategic purposes.

(iii) Trading securities were classified as financial assets measured at FVPL under HKAS 39. These securities continue to be measured at FVPL under HKFRS 9.

(iv) Under HKAS 39, unlisted investment fund was classified as available-for-sale financial assets. It is classified as financial assets measured at FVPL under HKFRS 9 as the investment does not meet the criteria for being measured at amortised cost or designated at FVOCI (recycling).

The measurement categories for the Group's financial liabilities remain the same.

(ii) *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and bank balances, trade and other receivables, amounts due from associates and loans to associates) and lease receivables.

Impairment based on the expected credit loss model on the Group's financial assets measured at amortised cost and lease receivables have no significant financial impact on the Group's consolidated statement of profit or loss for the current accounting period.

(iii) *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) HKFRS 9, *Financial instruments* (continued)

(iii) *Transition (continued)*

— The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

- the determination of the business model within which a financial asset is held; and
- the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*. The adoption of HKFRS 15 has no significant financial impact on the Group's consolidated financial statements except for the following:

(i) Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

To reflect these changes in presentation, at 1 January 2018, as a result of the adoption of HKFRS 15, the Group has reclassified "sales deposits received" amounting to HK$134,867,000 and "receipts in advance" amounting to HK$12,766,000, which were previously included in sales and rental deposits received and other payables and accrued charges respectively, to contract liabilities.

(ii) The Group's property development activities are carried out in the People's Republic of China ("the PRC"). Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This change in accounting policy had no impact on opening balances as at 1 January 2018.

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 operating 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.

(a) Segment results

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 years ended 31 December 2018 and 2017 is set out below.

	2018					
	Property rental *HK$'000*	**Hotels and serviced apartments** *HK$'000*	**Food and beverage operation** *HK$'000*	**Travel operation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue (revenue from external customers) *(Note)*	**914,465**	**710,034**	**318,607**	**1,255,972**	**—**	**3,199,078**
Reportable segment results (adjusted EBITDA)	**807,072**	**265,123**	**12,798**	**59,810**	**(3,154)**	**1,141,649**
Unallocated corporate expenses						**(123,561)**
						1,018,088
Finance costs						**(1,108)**
Share of profits less losses of associates						**4,197**
Other non-operating net gain						**13,481**
Net increase in fair value of investment properties	**783,475**	**—**	**—**	**—**	**—**	**783,475**
Consolidated profit before taxation						**1,818,133**

3. REVENUE AND SEGMENT REPORTING (continued)

	2017					
	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)*	858,515	661,522	394,077	1,272,089	—	3,186,203
Reportable segment results (adjusted EBITDA)	753,729	248,066	22,881	28,685	(1,284)	1,052,077
Unallocated corporate expenses						(142,854)
						909,223
Finance costs						(7,159)
Share of profits less losses of associates						(1,065)
Other non-operating net gain						61,724
Net increase in fair value of investment properties	723,487	—	—	—	—	723,487
Consolidated profit before taxation						1,686,210

Note: Except for property rental income of HK$914,465,000 (2017: HK$858,515,000) which falls within the scope of HKAS 17, *Leases*, all of the remaining revenue from contracts with customers falls within the scope of HKFRS 15.

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

3. REVENUE AND SEGMENT REPORTING (continued)

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group non-current assets other than financial instruments and deferred tax assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the asset, in case of interests in associates, the location of operations.

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Hong Kong Special Administrative Region	**3,132,727**	3,125,666	**14,394,451**	13,689,224
The PRC	**66,351**	60,537	**691,245**	720,266
United Kingdom	**—**	—	**52,377**	—
	3,199,078	3,186,203	**15,138,073**	14,409,490

4. PROFIT BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans	**27**	1,530
Interest on amounts due to holders of non-controlling interests of a subsidiary	**1,056**	1,324
Other borrowing costs	**25**	4,305
	1,108	7,159
(b) Other non-operating net gain		
Net gain on disposal of a subsidiary	**—**	(31,918)
Net gain on liquidation of a subsidiary	**(16,589)**	—
Net gain on disposal of available-for-sale securities	**—**	(29,597)
Net realised and unrealised losses on financial assets meaured at FVPL	**3,108**	—
Net realised and unrealised gains on trading securities	**—**	(209)
	(13,481)	(61,724)

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**143,710**	135,957
Over-provision in respect of prior years	**(309)**	(4,890)
	143,401	131,067
Current tax — Overseas Taxation		
Provision for the year	**7,518**	7,960
Deferred tax		
Change in fair value of investment properties	**1,594**	—
Origination and reversal of temporary differences	**6,109**	3,855
	7,703	3,855
	158,622	142,882

Provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

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 year ended 31 December 2018 of HK$853,000 (2017: HK$12,000) is included in the share of profits less losses of associates.

6. DIVIDENDS

(a) Dividends attributable to the year

	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK24 cents per share (2017: HK23 cents per share)	**165,830**	143,031
Final dividend proposed after the end of the reporting period of HK37 cents per share (2017: HK36 cents per share)	**255,655**	226,288
	421,485	369,319

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

6. DIVIDENDS (continued)

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK36 cents per share (2017: HK34 cents per share)	**248,745**	209,443

The final dividend paid of HK$248,745,000 for the year ended 31 December 2017 was calculated based on HK36 cents per share and the total number of issued shares as at the dividend pay-out date.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$1,624,151,000 (2017: HK$1,519,245,000) and the weighted average of 687,811,189 shares (2017: 602,418,473 shares) in issue during the year, calculated as follows:

Weighted average number of shares (basic)

	2018	2017
Issued ordinary shares at 1 January	**628,577,818**	577,537,634
Effect of exercised bonus warrants *(note 12(b))*	**59,233,371**	24,880,839
Weighted average number of shares (basic) at 31 December	**687,811,189**	602,418,473

(b) Diluted earnings per share

For the year ended 31 December 2018, the calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$1,624,151,000 (2017: HK$1,519,245,000) and the weighted average of 688,086,841 shares (2017: 619,399,618 shares), calculated as follows:

Weighted average number of shares (diluted)

	2018	2017
Weighted average number of shares (basic) at 31 December	**687,811,189**	602,418,473
Effect of exercisable bonus warrants *(note 12(b))*	**275,652**	16,981,145
Weighted average number of shares (diluted) at 31 December	**688,086,841**	619,399,618

7. EARNINGS PER SHARE (continued)

(c) Underlying earnings per share (basic)

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

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company	**1,624,151**	1,519,245
Changes in fair value of investment properties during the year	**(783,475)**	(723,487)
Effect of deferred tax on changes in fair value of investment properties	**1,594**	—
Effect of share of non-controlling interests	**2,469**	—
Net gain on liquidation of a subsidiary	**(16,589)**	—
Net gain on disposal of a subsidiary	**—**	(31,918)
Underlying profit attributable to shareholders of the Company	**828,150**	763,840
Underlying earnings per share (basic)	**HK$1.20**	HK$1.27

8. INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 31 December 2018 and 2017. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among its staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the year, the net increase in fair value of investment properties was HK$783,475,000 (2017: HK$723,487,000).

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 (or date of revenue recognition, if earlier), as at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**58,139**	69,782
1 month to 2 months	**13,005**	7,430
Over 2 months	**15,193**	19,455
Trade receivables (net of loss allowance)	**86,337**	96,667
Other receivables, deposits and prepayments	**196,026**	198,786
	282,363	295,453

At 31 December 2018 and 2017, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK$14,034,000 (2017: HK$13,715,000) which is expected to be recovered after one year.

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

	2018	2017
	HK$'000	*HK$'000*
Due within 3 months or on demand	**79,642**	83,499
Due after 3 months but within 6 months	**43,518**	43,271
Trade payables	**123,160**	126,770
Other payables and accrued charges	**276,842**	311,822
Amounts due to holders of non-controlling interests of subsidiaries *(see note 11)*	**72,716**	91,524
Amounts due to associates *(note)*	**4,307**	4,320
	477,025	534,436

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

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

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

Except the amounts due to holders of non-controlling interests of a subsidiary amounting to HK$12,100,000 (2017: HK$18,840,000), which are unsecured, interest bearing at 6% per annum and repayable after one year (2017: interest bearing at 6% per annum and repayable within one year), all of the amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. SHARE CAPITAL

(a) Issued share capital

	2018		2017	
	No. of shares	***Amount HK$'000***	*No. of shares*	*Amount HK$'000*
Ordinary shares, issued and fully paid:				
At 1 January	**628,577,818**	**1,384,869**	577,537,634	695,826
Shares issued on exercise of warrants	**62,381,877**	**842,155**	51,040,184	689,043
At 31 December	**690,959,695**	**2,227,024**	628,577,818	1,384,869

12. SHARE CAPITAL (continued)

(b) Bonus warrants

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

During the year, 62,381,877 units (2017: 51,040,184 units) of warrants were exercised to subscribe for an aggregate of 62,381,877 shares (2017: 51,040,184 shares) in the Company. The new shares rank *pari passu* in all respects with the existing shares of the Company. On 19 January 2018 (the end of the warrants' exercisable period), the remaining 1,717,807 units of outstanding warrants expired and all subsciption rights attached to these warrants which have not been exercised were lapsed (2017: 64,099,684 units of warrants remained outstanding).

13. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company will be held at The Ballroom, 18/F, The Mira Hong Kong, 118–130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 4 June 2019 at 12:00 noon. The Notice of 2019 Annual General Meeting will be published on the websites of both The Stock Exchange of Hong Kong Limited and the Company, and despatched to Shareholders of the Company on or around 24 April 2019.

CLOSURE OF REGISTER OF MEMBERS

(1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2019 Annual General Meeting, the Register of Members will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") 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 ("Computershare"), no later than 4:30 p.m. on Wednesday, 29 May 2019; and

(2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Tuesday, 11 June 2019 to Tuesday, 18 June 2019, both days inclusive, during such period no transfer of shares will be registered. In order to establish entitlements to the proposed final dividend, Shareholders must lodge the Share Transfer Documents for registration with Computershare no later than 4:30 p.m. on Monday, 10 June 2019.

DESPATCH OF DIVIDEND WARRANTS

Subject to the approval to be obtained at the 2019 Annual General Meeting, the dividend warrants for the proposed final dividend will be despatched by mail to shareholders on or around 4 July 2019.

EMPLOYEES

As at 31 December 2018, the Group had a total of about 1,542 full-time employees, including 1,510 employed in Hong Kong and 32 employed in The People's Republic of China. The Group is the "Equal Opportunity Employer"; we value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism for all of our employees that supports the achievement of the Group's Mission, Vision and Business Strategies. It is the policy of the Group to remunerate employees in a fair and equitable manner. The Group develops a performance-driven culture and adopts Total Rewards Management for talents 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 conductive to manpower training and development as well as life-long learning.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2018, with the exception of one deviation that roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Code. Mr. Lee Ka Shing was re-designated as Chairman and Chief Executive Officer as from 12 June 2014. Mr. Lee has been the Chief Executive Officer since 1 August 2006 with in-depth experience and knowledge of the Group and its businesses. The Board is of the view that his appointment 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 year ended 31 December 2018 and discussed with the Director of Internal Audit, Director of Risk Management & Corporate Services and independent external auditors regarding matters on auditing, internal control, risk management and financial report of the Group.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

During the year ended 31 December 2018, 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 as set out in the Model Code throughout the year ended 31 December 2018.

FORWARD-LOOKING STATEMENTS

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

By Order of the Board
LEE KA SHING
Chairman and CEO

Hong Kong, 18 March 2019

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