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)

2019 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 2019 together with the comparative figures for the corresponding year in 2018.

Highlights

- The Group's revenue decreased by 4.3% to HK$3,062 million (2018: HK$3,199 million)
- Profit attributable to shareholders decreased by 20.7% to HK$1,288 million (2018: HK$1,624 million)
- Underlying profit attributable to shareholders* dropped by 5.3% to approximately HK$784 million (2018: HK$828 million)
- Earnings per share (basic) and underlying earnings per share (basic)* were HK$1.86 (2018: HK$2.36) and HK$1.13 (2018: HK$1.20) respectively
- Final dividends per share proposed are HK34 cents (2018: HK37 cents), which makes a total annual dividend of HK58 cents per share (2018: HK61 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 Miramar Hotel and Investment Company, Limited (the "Company"), I am delighted to present my report on the operation and financial performance of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

CONSOLIDATED RESULTS

The Group's revenue for the year amounted to HK$3,062 million, representing a decrease of 4.3% (2018: HK$3,199 million). Profit attributable to shareholders for the reporting period decreased by 20.7% to HK$1,288 million (2018: HK$1,624 million). The decline is caused by the weakened operating results of our hotel and restaurant businesses, coupled with a notable reduction in the revaluation gain of our investment properties as compared to the prior year.

Excluding the net increase of HK$504 million (2018: HK$783 million) in the fair value of our investment properties and other net gain from non-core businesses, the underlying profit attributable to shareholders* decreased by 5.3% to approximately HK$784 million (2018: HK$828 million). The underlying earnings per share (basic)* dropped by 5.8% to HK$1.13 (2018: HK$1.20), which is in line with the decrease in underlying profit attributable to shareholders.

FINAL DIVIDEND

The Board is pleased to recommend a final dividend of HK34 cents per share payable to shareholders whose names are on the Register of Members as at 24 June 2020. Including an interim dividend of HK24 cents per share paid on 11 October 2019, the total dividend payment for the whole year will be HK58 cents per share.

OVERVIEW

The year under review started its first half under a tepid business environment following the uncertainties and restrained demands inflicted by the lingering Sino-US trade disputes. The business conditions were aggravated since the second half of the year with the onset of Hong Kong's social activities, which led to a rapid drop in the number of incoming visitors and serial business disruptions that imperiled the Group's planning, operation, customer services as well as business performance. For the whole year, GDP receded by 1.2% compared with a growth of 2.9% in the prior year while unemployment rate edged up from 2.8% in 2018 to 3.3% in 2019. Total visitor arrivals in the year decreased by 14.2% to 55.91 million (2018: 65.15 million) while overnight visitors declined by 18.8% to 23.75 million (2018: 29.26 million), attributable predominantly to those originating from mainland China.

* *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 the wake of these adverse operating conditions, the Group had closely kept track of the shifting but weak market demands and adjusted its business strategies in response to intensified competition for its hotel and restaurant businesses. Dynamic pricing and promotion packages were offered to our hotel and restaurant customers while at the same time operating efficiency was being organized towards a more sustainable cost structure in anticipation of a prolonged business depression. For the Group's property rental business, we communicated closely with all our tenants to ensure that necessary premises safety measures are in place and, in regard of our mall tenants, to feature enchanting promotional campaigns aimed at drawing more footfalls. Our travel business, on the other hand, succeeded in fulfilling customers' destination preferences and reported satisfactory results.

BUSINESS OUTLOOK

As the hospitality and retail sectors are endeavouring to battle the economic headwinds of trade disputes and social unrests that had crippled the consumer sentiments, the outbreak of Coronavirus Disease 2019 ("COVID-19") pandemic has further eclipsed the already brittle business confidence in the new year. The hazards of contagion and hassles of quarantine have dealt heavy blows to the hotel and travel industries as international traffic is nearly paralyzed. Local residents have also distanced themselves from shopping and dining activities in order to avoid cross-contamination and prevent community outbreaks. Consequentially, the economic slowdown will inevitably culminate into subdued rental yield for our property rental business. The Group is wary of the unprecedented challenges and uncertainties it is encountering this year as the bleak economic outlook is further roiled by the volatile global financial markets. Vigilance and providence will be the keys of our business strategies, buttressed upon our steady rental income and solid financial position. I remain confident that Hong Kong is resilient as always and will emerge from all these setbacks even stronger. I will continue to steer the Group prudently, working with my management team and staff to improve our service quality and strengthen operational efficiency while at the same time on the lookout for appropriate investment opportunities with a view to increase profitability and shareholder returns.

DIRECTOR

Dr. Lee Shau Kee retired as director of the Company during the first half of the fiscal year. The Board of Directors offered him their best wishes and would like to express our tremendous gratitude for his valuable contributions and brilliant leadership in the past decades.

ACKNOWLEDGEMENT

I sincerely thank the Board of Directors for their excellent contribution in leading and guiding the Group's development over the past year. On behalf of all shareholders and the Board of Directors, I would also like to express my utmost gratitude to my management team and all my staff for their dedication and devotion to the Group in a very difficult and challenging year.

Lee Ka Shing
Chairman and CEO

Hong Kong, 20 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Hotels and Serviced Apartments Business

The Group's hotels and serviced apartments business performed steadily with a solid first half of the year but results began to plummet as the social activities started to wreak havocs to visitor arrivals in the second half.

Total visitor arrivals in the first half of 2019 grew by 13.9% but nosedived to a drop of 51% in December 2019 while overnight visitor arrivals similarly from a growth of 7.7% to a drop of 57.2% during the comparable periods. For the whole year, total overnight visitor arrivals declined by 5.5 million or 18.8%, with those from Mainland China accounting for 3.7 million or 66.7% of it. Occupancy rates of the Group's hotels were in line with those Tariff A category in the Tsim Sha Tsui area which hovered at over 90% until the latter months of the year when the figures plummeted to about 50-60%, resulting in a year-on-year decrease of 15.0%. Events and catering businesses were also affected as incessant social unrests had caused plenty cancellation of bookings. Dining business continued to form an integral part of our hotels operation and during the year with Cuisine Cuisine and WHISK at The Mira Hong Kong continue to be awarded as Michelin Guide Hong Kong and Macau 2019's Recommended Restaurants.

Our hotels and serviced apartments business recorded total revenue of HK$560 million, a decrease of 21.2% during the year under review. EBITDA (earnings before interest, taxes, depreciation and amortization) dropped by 34.5% to HK$174 million.

Property Rental Business

The Group's property rental business recorded a steady performance in 2019 with revenue of HK$913 million and EBITDA of HK$798 million, representing a slight drop of 0.1% and 1.1% respectively compared to the prior year.

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

The Mira Place as the iconic multi-purposes property in central Tsim Sha Tsui area has been enjoying a steadily rising demand from commercial customers with our lettable floor areas close to being fully occupied. Despite this, the relentless crowd protests and social unrests had not reprieved our rental business as the renewal pace slowed down and rental negotiation became more lengthy towards the end of the year under review. In the second half of the year, the Group was preoccupied with the tasks of ensuring our mall and office properties a safe, secured and hygienic commercial hub for all of our tenants. In light of the adverse socio-economic conditions, we had also stayed in close communication with our tenants and regularly gauged their business, with timely and appropriate measures implemented to help alleviate their temporary operating burdens.

During the year, the Group continued its on-going exercise in promoting its property branding, refining its tenant mix and improving its property management services. The destination choice of Mira Place as the debut flagship stores in Hong Kong by a number of highly-coveted brands from Japan, including Don Don Donki and Tokyo Lifestyle have infused fresh shopping experience and invigorated shopper appeals. Collaborative promotions and campaigns were also launched with the Group's hotels and restaurants to offer more and better shop-dine-wellness experience to our customers encompassing various business segments.

During the year, the Group launched a series of popular promotional activities to keep the mall illustrious for its unique and modernistic dynamism. The popular annual musical fiesta "*Gimme LiVe Music Festival*" and "*MIRAcle Voice*" are widely acclaimed by shoppers and participants alike. Other applauded events held in the year included "*OINK for Happiness*" in collaboration with renowned Japanese illustrator Ogawa Kohei; "*Secret PetGarden*" Pop-up Store; "*All About Coffee*" Coffee Mart; "*Get FIT Together*" and "*DRESDEN X'mas Market*", which all further embellished Mira Place with vogue and frantic joy. Our landmark "e-PARKING" mobile application, being a novel, artificial-intelligence-enhanced parking service dexterously embodied in a leisure mall digital service platform to impart more intimate customer visit experience, was also featured in our mall promotion "*Win a Car*" to amass popularity, while the mobile solution itself has garnered multiple accolades in 2019, including the Silver Award of the Hong Kong ICT Awards 2019 — Smart Mobility Award (Smart Transportation).

Net increase in fair value of investment properties

The Group adopts the accounting policy of recording its investment properties at their fair value. Cushman & Wakefield, an independent professional surveying firm, was appointed to conduct a valuation for the Group's investment properties as at 31 December 2019. On account principally of the steady stream of rental revenue generated by the Mira Place, our major property, the Group's investment property portfolio continued to record a net increase in fair value of HK$504 million, (2018: HK$783 million), bringing the book value of our total portfolio of investment properties to stand at HK$15.4 billion.

Food and Beverage Business

In respect of the Group's food and beverage business, continuous efforts were made in 2019 to rationalize operating efficiency and outlet locations. Our premium restaurant business was hampered by slower business patronage caused by trade disputes and in general affected by the social protests and unrests. Revenue in 2019 dropped by 23.6% to HK$244 million yet EBITDA managed to rise 85.6% to HK$24 million as a result of the closure of inefficient outlets and containment of operating costs.

The Group operates reputable brands including Chinese restaurants (Cuisine Cuisine at ifc and Tsui Hang Village) and Western restaurants (The French Window and Assaggio Trattoria Italiana). During the year, Cuisine Cuisine at ifc was awarded “My Favourite Cantonese Restaurant” by U Magazine, and Tsui Hang Village at the Mira Place in Tsim Sha Tsui won the honour of Michelin Guide Hong Kong and Macau 2019’s Recommended Restaurants for seven years in a row. Quality of foods remains commendable as average check per customer has stayed unaffected despite fewer visits. Our present emphasis will continue to concentrate resources towards improving operational efficiency at our restaurants, raising culinary quality and service level as well as developing appetizing dishes and flavourable menu themes in response to the increasingly challenging market. Going forward, the Group will continue to evaluate suitable opportunities to diversify its brand portfolio and positioning.

Travel Business

Revenue from travel segment amounted to HK$1,345 million, representing an increase of HK$89 million or 7.1% as customers’ destination preferences had been appositely fulfilled with punctilious services. Long-haul travels, especially to Europe and Russia, had seen strong demand during the year while tour to Japan remains the most favourite choice among the short-haul destinations.

With the addition of consciousness in efficiency improvement which reduced operating costs, EBITDA rose substantially to HK$94 million, registering an increase of 57.6%, as compared to last year.

Operating and Other Expenses and Other Revenue

The Group has continued striving for improved operational efficiency with overall operating costs well maintained at HK$211 million (2018: HK$237 million), a drop by 11% in 2019 as compared to the prior year. Due to the depreciation of RMB during the year, an exchange translation loss of HK$4 million (2018: HK$13 million) was recorded. Other revenue comprising mainly bank deposit interests increased by HK$24 million as a result of a moderate uptick in the interest rate levels.

CORPORATE FINANCE

The Group runs its business operations primarily in Hong Kong with 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 and bank deposits denominated in RMB and USD, as well as equity investments denominated in USD and EUR. The Group’s loan arrangement is denominated in EUR. Interests on bank borrowings are chargeable at fixed rates. As of 31 December 2019, total credit facilities granted to the Group amounted to HK$1.3 billion (31 December 2018: HK$1.3 billion), and 0.2% of this amount (31 December 2018: 0.2%) have been utilized.

The Group’s gearing ratio (calculated by dividing consolidated total borrowings by the consolidated total shareholders’ equity) as of 31 December 2019 was at only 0.04% (31 December 2018: 0.1%). Consolidated net cash was at approximately HK$5.2 billion (31 December 2018: HK$4.7 billion), of which HK$2.73 million were from secured borrowings (31 December 2018: HK$2.85 million). The Group maintains its conservative and sound financial policy with ample cash and 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 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	*3*	**3,061,704**	3,199,078
Cost of inventories		**(134,043)**	(160,729)
Staff costs		**(473,269)**	(511,698)
Utilities, repairs and maintenance and rent		**(133,716)**	(202,857)
Tour and ticketing costs		**(1,156,752)**	(1,093,342)
Gross profit		**1,163,924**	1,230,452
Other revenue		**161,928**	136,533
Operating and other expenses		**(214,927)**	(249,755)
Depreciation		**(132,601)**	(99,142)
		978,324	1,018,088
Finance costs	*4(a)*	**(3,944)**	(1,108)
Share of profits less losses of associates		**129**	4,197
		974,509	1,021,177
Other non-operating net gain	*4(b)*	**2,423**	13,481
Net increase in fair value of investment properties	*8(a)*	**503,945**	783,475
Profit before taxation	*4*	**1,480,877**	1,818,133
Taxation	*5*		
Current		**(138,097)**	(150,919)
Deferred		**(5,948)**	(7,703)
Profit for the year carried forward		**1,336,832**	1,659,511

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)
For the year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Profit for the year brought forward		**1,336,832**	1,659,511
Attributable to:			
Shareholders of the Company		**1,288,227**	1,624,151
Non-controlling interests		**48,605**	35,360
		1,336,832	1,659,511
Dividends attributable to the year:	*6(a)*		
Interim Dividend		**165,830**	165,830
Final Dividend		**234,926**	255,655
		400,756	421,485
Earnings per share			
Basic	*7(a)*	**HK$1.86**	HK$2.36
Diluted	*7(b)*	**HK$1.86**	HK$2.36

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**1,336,832**	1,659,511
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 fair value through other comprehensive income ("FVOCI"):		
— changes in fair value	**2,745**	(15,095)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of overseas subsidiaries	**(17,756)**	(29,326)
Reclassification adjustments for amounts transferred to profit or loss on liquidation of a subsidiary	**—**	(16,589)
	(15,011)	(61,010)
Total comprehensive income for the year	**1,321,821**	1,598,501
Attributable to:		
Shareholders of the Company	**1,276,227**	1,570,224
Non-controlling interests	**45,594**	28,277
Total comprehensive income for the year	**1,321,821**	1,598,501

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	8(a)	**15,371,179**	14,867,081
Other property, plant and equipment	2 and 8(b)	**359,739**	266,792
		15,730,918	15,133,873
Interests in associates		**583**	4,200
Equity securities designated at FVOCI		**94,936**	92,191
Financial assets measured at fair value through profit or loss ("FVPL")		**1,699**	1,547
Deferred tax assets		**8,779**	6,540
		15,836,915	15,238,351
Current assets			
Inventories		**116,674**	119,060
Trade and other receivables	9	**227,168**	282,363
Financial assets measured at FVPL		**55,532**	70,128
Cash and bank balances		**5,252,640**	4,713,351
Tax recoverable		**2,976**	5,535
		5,654,990	5,190,437
Current liabilities			
Trade and other payables	10	**(415,141)**	(477,025)
Bank loan		**(2,727)**	(2,848)
Rental deposits received		**(89,654)**	(97,459)
Contract liabilities		**(181,898)**	(164,469)
Lease liabilities	2	**(61,537)**	—
Tax payable		**(141,286)**	(48,481)
		(892,243)	(790,282)
Net current assets		**4,762,747**	4,400,155
Total assets less current liabilities carried forward		**20,599,662**	19,638,506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Total assets less current liabilities brought forward		**20,599,662**	19,638,506
Non-current liabilities			
Deferred liabilities		**(181,906)**	(176,907)
Amounts due to holders of non-controlling interests of a subsidiary	*11*	**—**	(12,100)
Lease liabilities	*2*	**(88,172)**	—
Deferred tax liabilities		**(284,078)**	(278,188)
		(554,156)	(467,195)
NET ASSETS		**20,045,506**	19,171,311
CAPITAL AND RESERVES			
Share capital		**2,227,024**	2,227,024
Reserves		**17,654,506**	16,799,764
Total equity attributable to shareholders of the Company		**19,881,530**	19,026,788
Non-controlling interests		**163,976**	144,523
TOTAL EQUITY		**20,045,506**	19,171,311

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2019 and 2018 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 2018 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 2019 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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

2. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

The Group has initially applied HKFRS 16 from 1 January 2019. The Group has elected to use the modified retrospective approach and there was no impact on the opening balance of equity at 1 January 2019 upon the initial application of HKFRS 16. Comparative information has not been restated and continues to be reported under HKAS 17.

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

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16.

b. *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are relating to properties.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

2. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

b. *Lessee accounting and transitional impact (continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(i) *Leasehold investment properties*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have any impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold investment properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(ii) *Lessor accounting*

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.5%.

To ease the transition to HKFRS 16, at the date of initial application of HKFRS 16, the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

2. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

b. *Lessee accounting and transitional impact (continued)*

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	HK$'000
Operating lease commitments at 31 December 2018	170,063
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(11,002)
	159,061
Less: total future interest expenses	(8,626)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	150,435

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

As at 31 December 2018, the Group had no leases previously classified as finance leases.

The Group presents right-of-use assets in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

2. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16, *Leases* (continued)

b. *Lessee accounting and transitional impact (continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	266,792	150,435	417,227
Lease liabilities (current)	—	(45,908)	(45,908)
Lease liabilities (non-current)	—	(104,527)	(104,527)

c. *Lease liabilities*

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within 1 year	**61,537**	**64,562**	45,908	50,020
After 1 year but within 2 years	**42,503**	**44,146**	42,491	44,764
After 2 years but within 5 years	**45,669**	**46,884**	55,941	58,145
After 5 years	**—**	**—**	6,095	6,132
	88,172	**91,030**	104,527	109,041
	149,709	**155,592**	150,435	159,061
Less: total future interest expenses		**(5,883)**		(8,626)
Present value of lease liabilities		**149,709**		150,435

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 2019 and 2018 is set out below.

	2019					
	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)*	**913,318**	**559,748**	**243,573**	**1,345,065**	**—**	**3,061,704**
Reportable segment results (adjusted EBITDA)	**798,221**	**173,680**	**23,756**	**94,257**	**170**	**1,090,084**
Unallocated corporate expenses						**(111,760)**
						978,324
Finance costs						**(3,944)**
Share of profits less losses of associates						**129**
Other non-operating net gain						**2,423**
Net increase in fair value of investment properties	**503,945**	**—**	**—**	**—**	**—**	**503,945**
Consolidated profit before taxation						**1,480,877**

3. REVENUE AND SEGMENT REPORTING (continued)

	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

Note: Except for property rental income of HK$913,318,000 (2018: HK$914,465,000) which falls within the scope of HKFRS 16 (2018: 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's 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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Hong Kong Special Administrative Region	**2,996,324**	3,132,727	**14,998,202**	14,394,451
The People's Republic of China	**65,380**	66,351	**679,412**	691,245
The United Kingdom	**—**	—	**53,887**	52,377
	3,061,704	3,199,078	**15,731,501**	15,138,073

4. PROFIT BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans	**28**	27
Interest on amounts due to holders of non-controlling interests of a subsidiary	**733**	1,056
Other borrowing costs	**13**	25
Interest on lease liabilities	**3,170**	—
	3,944	1,108
(b) Other non-operating net gain		
Net gain on liquidation of a subsidiary	**—**	(16,589)
Net realised and unrealised (gains)/losses on financial assets measured at FVPL	**(2,423)**	3,108
	(2,423)	(13,481)

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**132,046**	143,710
Over-provision in respect of prior years	**(359)**	(309)
	131,687	143,401
Current tax — Overseas Taxation		
Provision for the year	**6,410**	7,518
	138,097	150,919
Deferred tax		
Change in fair value of investment properties	**(55)**	1,594
Origination and reversal of temporary differences	**6,003**	6,109
	5,948	7,703
	144,045	158,622

Provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 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 2019 of HK$24,000 (2018: HK$853,000) is included in the share of profits less losses of associates.

6. DIVIDENDS

(a) Dividends attributable to the year

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK24 cents per share (2018: HK24 cents per share)	**165,830**	165,830
Final dividend proposed after the end of the reporting period of HK34 cents per share (2018: HK37 cents per share)	**234,926**	255,655
	400,756	421,485

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

	2019	2018
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK37 cents per share (2018: HK36 cents per share)	**255,655**	248,745

7. **EARNINGS PER SHARE**

(a) Basic earnings per share

For the year ended 31 December 2019, the calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$1,288,227,000 (2018: HK$1,624,151,000) and the weighted average of 690,959,695 shares (2018: 687,811,189 shares) in issue during the year, calculated as follows:

Weighted average number of shares (basic)

	2019	2018
Issued ordinary shares at 1 January	**690,959,695**	628,577,818
Effect of exercised bonus warrants	**—**	59,233,371
Weighted average number of shares (basic) at 31 December	**690,959,695**	687,811,189

(b) Diluted earnings per share

For the year ended 31 December 2019, the calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$1,288,227,000 (2018: HK$1,624,151,000) and the weighted average of 690,959,695 shares (2018: 688,086,841 shares), calculated as follows:

Weighted average number of shares (diluted)

	2019	2018
Weighted average number of shares (basic) at 31 December	**690,959,695**	687,811,189
Effect of exercisable bonus warrants	**—**	275,652
Weighted average number of shares (diluted) at 31 December	**690,959,695**	688,086,841

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:

	2019	2018
	HK$'000	*HK$'000*
Profit attributable to shareholders of the Company	**1,288,227**	1,624,151
Changes in fair value of investment properties during the year	**(503,945)**	(783,475)
Effect of deferred tax on changes in fair value of investment properties	**(55)**	1,594
Effect of share of non-controlling interests	**—**	2,469
Net gain on liquidation of a subsidiary	**—**	(16,589)
Underlying profit attributable to shareholders of the Company	**784,227**	828,150
Underlying earnings per share (basic)	**HK$1.13**	HK$1.20

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

Investment properties of the Group were revalued at 31 December 2019 and 2018. 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$503,945,000 (2018: HK$783,475,000).

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

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method at 1 January 2019 to recognise right-of-use assets of HK$150,435,000 relating to leases which were previously classified as operating leases under HKAS 17. There was no impact on the opening balance of equity at 1 January 2019 upon the initial application of HKFRS 16.

During the year ended 31 December 2019, the Group entered into a number of lease agreements for use of operation outlets and therefore recognised the additions to right-of-use assets of HK$56,750,000. Depreciation charges related to the right-of-use assets of HK$57,988,000 is recognised during the year.

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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**39,078**	58,139
1 month to 2 months	**11,538**	13,005
Over 2 months	**17,697**	15,193
Trade receivables (net of loss allowance)	**68,313**	86,337
Other receivables, deposits and prepayments	**158,855**	196,026
	227,168	282,363

At 31 December 2019 and 2018, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK$17,434,000 (2018: HK$14,034,000) 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:

	2019	2018
	HK$'000	*HK$'000*
Due within 3 months or on demand	**60,972**	79,642
Due after 3 months but within 6 months	**46,274**	43,518
Trade payables	**107,246**	123,160
Other payables and accrued charges	**225,052**	276,842
Amounts due to holders of non-controlling interests of subsidiaries *(see note 11)*	**78,547**	72,716
Amounts due to associates *(note)*	**4,296**	4,307
	415,141	477,025

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$5,953,000 (2018: HK$12,100,000), which are unsecured, interest bearing at 6% per annum and repayable within one year (2018: interest bearing at 6% per annum and repayable after 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. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

13. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") has impacted the Group's operations. The international travel restrictions and quarantines have been affecting the Group's hotel and travel operations. In addition, local residents have reduced social activities such as shopping and dining since the start of the COVID-19 outbreak. With the overall economic slowdown, the Group's property rental business may also be affected against the backdrop of declining rental yields.

The Group will continue to pay close attention to the development of the COVID-19 outbreak, and evaluate and proactively respond to its impact on the Group's financial position and operating results.

ANNUAL GENERAL MEETING

The 2020 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 Friday, 12 June 2020 at 12:00 noon. The Notice of 2020 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 2020.

CLOSURE OF REGISTER OF MEMBERS

(1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2020 Annual General Meeting, the Register of Members will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 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 Monday, 8 June 2020; and

(2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Thursday, 18 June 2020 to Wednesday, 24 June 2020, 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 Wednesday, 17 June 2020.

DESPATCH OF DIVIDEND WARRANTS

Subject to the approval to be obtained at the 2020 Annual General Meeting, the dividend warrants for the proposed final dividend will be despatched by mail to shareholders on or around 8 July 2020.

EMPLOYEES

As at 31 December 2019, the Group had a total of about 1,535 full-time employees, including 1,507 employed in Hong Kong and 28 employed in The People's Republic of China. The Group is the "Equal Opportunity Employer"; we value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism for all of our employees that supports the achievement of the Group's Mission, Vision and Business Strategies. It is the policy of the Group to remunerate employees in a fair and equitable manner. The Group develops a performance-driven culture and adopts Total Rewards Management for talent attraction, employee recognition and retention. The Group reviews its Remuneration and Benefits Program on a regular basis to ensure the programme is in compliance with the latest laws, in line with market practice and keeps up with market conditions and levels of remuneration.

TRAINING AND DEVELOPMENT

The Group regards Employees as our most precious asset. We commit ourselves to providing a continuous learning environment and opportunities to our Employees at all levels to help them grow and excel in productivity.

The Group strives to continuously develop a comprehensive Learning and Development Road Map including the provision of in-house and external training programmes such as Management/Supervisory Skills, Business Knowledge, Technical Skills, Customer Services Skills, Language Ability, People Management and Personal Effectiveness, etc. for Employees at all levels to advance their career achievements within the Group.

Subsequent to continued deployment of resources towards employee training and development, the Group has been awarded "Manpower Developer" by the Employees Retraining Board every year since 2011, in recognition of the Group's outstanding achievements in fostering an organisational culture conducive to manpower training and development as well as life-long learning.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2019, 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 2019 and discussed with the Director of Audit, Risk & 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 2019 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 2019, 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 2019.

FORWARD-LOOKING STATEMENTS

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

By Order of the Board
LEE KA SHING
Chairman and CEO

Hong Kong, 20 March 2020

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. 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.