MIRAMAR GROUP

Press Release **[For Immediate Release]**

Miramar Hotel and Investment Company, Limited

Announces 2019 Annual Results

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[Hong Kong – 20 March 2020] Miramar Hotel and Investment Company, Limited (the "Company") and its subsidiaries (collectively, the "Group"), HKSE stock code: 71, announced today the annual results for the year ended 31 December 2019.

HK$ Million	*For the year ended 31 December*		
	2019	2018	Change
Revenue	**3,062**	3,199	-4.3%
Profit attributable to shareholders	**1,288**	1,624	-20.7%
Underlying profit attributable to shareholders	**784**	828	-5.3%
Basic underlying earnings per share (HK$)	**1.13**	1.20	-5.8%
Dividend per share (HK Cents)			
Final dividend per share	**34**	37	-8.1%
Interim dividend per share	**24**	24	0%

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). Mr. Lai Ho Man, Director of Group Finance, said, "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." 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 payout for the whole year will be HK58 cents per share.

The year under review started its first half under a tepid business environment following the uncertainties and restrained demand 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 55.91million (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.

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 were 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.

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. 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.

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 7.7% to a drop of 57.2% during the comparable periods. 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.

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.

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.

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). 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 11.0% 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 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. 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).

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.

Mr. Lee Ka Shing, Chairman and CEO of the Company, has concluded, “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."

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About Miramar Hotel and Investment Company, Limited

Established in Hong Kong in 1957, Miramar Hotel and Investment Company, Limited (Miramar Group) is a group with a diversified service-oriented business portfolio comprising stylish hotels and serviced apartments, property rental, food and beverage, and travel services in Hong Kong and Mainland China. Miramar Group has been listed on the Hong Kong Stock Exchange since 1970 (HKEx Stock Code: 71) and is a member of Henderson Land Group.

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