ANNUAL REPORT

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

Stock code 71

2018

CONTENTS

A Dynamic And Design-oriented Group Providing Lifestyle Products

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.

1948
Miramar Hotel opened its doors and became the first postwar hotel in Hong Kong.

1957
Businessman Mr. Young Chi Wan took over the 192-room hotel property from a Spanish mission. Together with Dr Ho Sien Heng, they founded Miramar Hotel and Investment Company, Limited.

1966
Miramar Hotel was the first hotel in Hong Kong to join an international hotel network, taking advantage of the worldwide marketing exposure.

1970
Miramar Hotel and Investment Company, Limited went public.

1973
The renowned Tsui Hang Village Restaurant began building a loyal following with authentic Cantonese cuisine. It continues to serve up the same great regional classics and tasty dim sum to this day.

1978
With eight years of listing on the local stock exchange, Miramar Hotel grew to over 1,300 rooms, making it the largest hotel in Southeast Asia at the time.

1986
Miramar Express was launched.

1988
The Group ventured into the property market with the opening of Miramar Shopping Centre and Miramar Tower which offer retail shopping and prime office space that remain a key revenue driver.

1993
Acquired by Henderson Land Group.

2002
The Group grew its property portfolio with the development of Knutsford Steps, adjacent to Miramar Shopping Centre.

2006
Miramar Travel was launched.

2008

Miramar Hotel was re-branded as The Mira Hong Kong.

2010

The Mira Hong Kong became the first Hong Kong hotel to join the Berlin-based cutting edge collective, Design Hotels™ network.

2017

In honor of its 60th anniversary, the Group had launched a wide array of innovative marketing promotions throughout the year.

The enhancement project of integrating Miramar Shopping Centre, Mira Mall, The Mira Hong Kong & Miramar Tower has been successfully completed. The newly branded Mira Place as an integrated complex consists of hotel, office tower and shopping mall is now a landmark providing onestop entertainment, shopping & dining experience.

2014

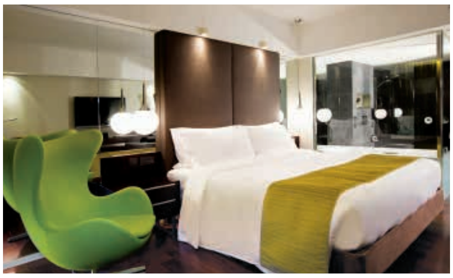
Mr. Lee Ka Shing was re-designated as the Chairman and Chief Executive Officer of Miramar Group. With his leadership, he has been overseeing corporate policy formulation and schematization to enhance its competitiveness in the industry.

Our flagship hotel, The Mira Hong Kong, celebrated its 5th anniversary whilst our dining brand with the longest history, Tsui Hang Village marked its 40th anniversary with year-round offers.

2013

Miramar Group launched its second Design Hotels™ member property, Mira Moon in Causeway Bay.

A fun and casual Korean restaurant, School Food, made its debut and a third outlet of the popular Tsui Hang Village Cantonese restaurant chain was opened in Causeway Bay.

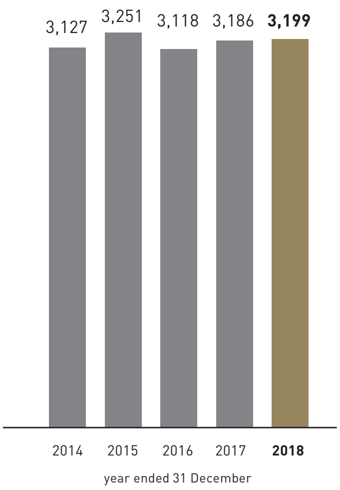


CONNECTING

THE INFINITE OPPORTUNITIES

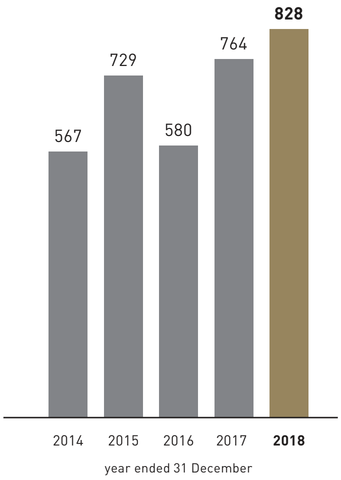
Consolidated revenue

HK$'million



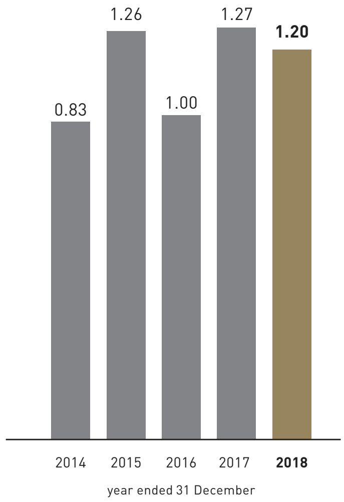
Underlying profit attributable to shareholders of the Company

HK$'million



Underlying earnings per share (Basic)

HK$

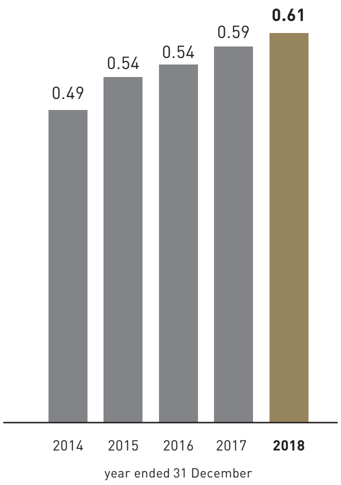


	For the year ended 31 December	
	2018	2017
	HK$'million	HK$'million
Revenue		
Property rental	**914**	858
Hotels and serviced apartments	**710**	662
Food and beverage operation	**319**	394
Travel operation	**1,256**	1,272
Others	**–**	–
Consolidated revenue	**3,199**	3,186
Profit attributable to shareholders of the Company	**1,624**	1,519
Underlying profit attributable to shareholders of the Company *(Note)*	**828**	764

Note: 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

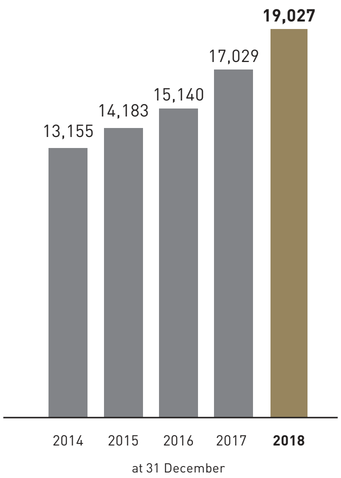
Dividend per share

HK$



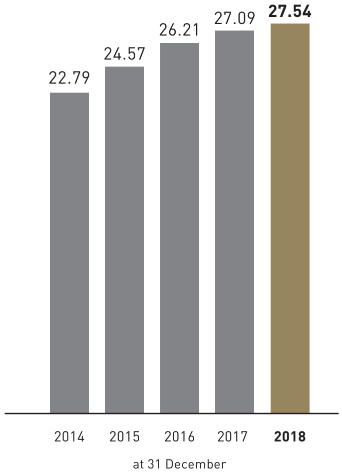
Consolidated net assets attributable to shareholders of the Company

HK$'million



Consolidated net assets value attributable to shareholders of the Company per share

HK$



	For the year ended 31 December	
	2018	2017
	HK$	HK$
Earnings per share (Basic)	**2.36**	2.52
Underlying earnings per share (Basic) *(Note)*	**1.20**	1.27
Dividend per share	**0.61**	0.59

	At 31 December	
	2018	2017
	HK$' million	HK$' million
Consolidated net assets attributable to shareholders of the Company	**19,027**	17,029
	HK$	HK$
Consolidated net assets value attributable to shareholders of the Company per share	**27.54**	27.09

Note: 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

TURNING OPPORTUNITIES INTO MILESTONES

Dear Shareholders

On behalf of the Board of 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.

Chairman and CEO's Statement

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 other 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

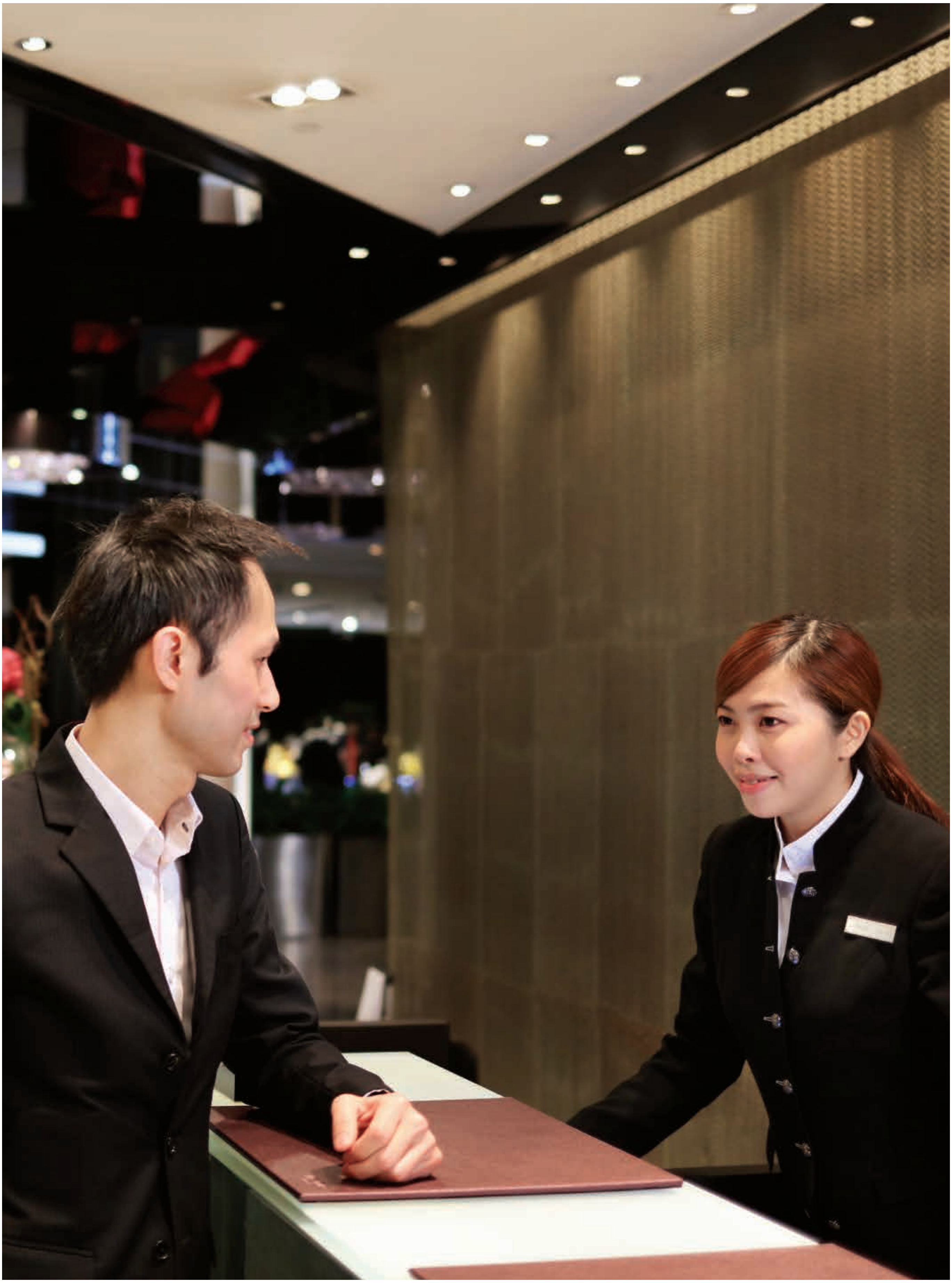
Hong Kong, 18 March 2019

INTEGRATING CHIC AND SOPHISTICATED HOSPITALITY

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).



Management Discussion and Analysis

Hotels and Serviced Apartments Business

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.

STRIDING INTO THE SMART ERA

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.


DISCOVERY

Management Discussion and Analysis

Property Rental Business

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.

CURATING SENSATIONAL HARMONY

Food and Beverage Business

The Group's 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.

Management Discussion and Analysis

Food and Beverage Business

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.

ACCESSING THE WORLD

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.

SUSTAINING ROBUST GROWTH

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 HK$1.3 billion (31 December 2017: 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.

GOING BEYOND THE APPLAUSES

Miramar Group

- Bronze, Diversified Business, Traditional Annual Report, International ARC Awards 2018, MerComm, Inc.
  Winning project: FY2017 annual report
- Honors, Diversified Business, Printing & Production, International ARC Awards 2018, MerComm, Inc.
  Winning project: FY2017 annual report
- 10 Years Plus Caring Company Logo, The Hong Kong Council of Social Service
- Manpower Developer Award Scheme 2011–2019, Employees Retraining Board

Hotels and Serviced Apartments

Mira Moon

- Best Arts Hotels, Condé Nast Traveler China Gold List 2018

The Mira Hong Kong

- 2018 Certificate of Excellence Hall of Fame, TripAdvisor
- 2018 Recommended Hotel, MICHELIN Guide Hong Kong & Macau
- 2018 Certificate of Excellence Award, TripAdvisor
- 2018 Best Themed Wedding Venue, Wedding Magazine
- 2018 My Favorite Wedding Banquet, Wedding Magazine

Cuisine Cuisine (The Mira Hong Kong)

- Recommended Restaurant, Michelin Guide Hong Kong & Macau 2018
- Best of Award of Excellence, Wine Spectator 2018
- SCMP's 100 Top Tables 2018

WHISK (The Mira Hong Kong)

- Recommended Restaurant, Michelin Guide Hong Kong & Macau 2018
- Best of Award of Excellence, Wine Spectator 2018

Property Rental

Mira Place 1, Mira Place 2 & Mira Place Tower A

- 2018 Silver Award, Promotion: Brand Identity, International Galaxy Awards, MerComm, Inc.
  Winning project: Meet Together @ Mira Place
- Excellence in Facility Management Award (Retail) 2018, The Hong Kong Institute of Facility Management
- Certificate of Excellence — Sustainability Achievement of the Year 2018, Royal Institution of Chartered Surveyors
- Certificate of Achievement — Outstanding security Personnel award 2018, Kowloon West Regional Crime Prevention Office
- My Favorite Shopping Mall and My Favorite Shopping Mall Events, My Favorite Shopping Mall Awards 2018–2019, Hong Kong Economic Times

Food and Beverage

Cuisine Cuisine (ifc)

- Ctrip Gourmet List Hong Kong 2018 — Recommended Restaurant, Ctrip

Tsui Hang Village (Tsim Sha Tsui)

- Recommended Restaurant, Fine Cantonese Food by the Michelin Guide 2018–2019: Asia, Europe and USA

Travel

Miramar Travel

- Caring Company 2017–2018, The Hong Kong Council of Social Service
- Taiwan Tourism Award 2018, Taiwan Tourism Bureau
- Partner Employer Award 2017–2018, The Hong Kong General Chamber of Small and Medium Business
- 2018 Best of the Best Travel Agency Award, Capital Magazine

CHERISHING THE FUTURE

Environmental, Social and Governance Report

Miramar Group believes that a sustainable business provides not only financial returns to investors, but also sustainable growth to stakeholders and community we serve. The Group has continued its commitment as a responsible corporate citizen by active engagement in environmental, social and livelihood issues.

The Board of Directors (the "Board") has overall responsibility for the Group's Environmental, Social and Governance ("ESG") strategy and reporting, including evaluating and determining ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. All ESG-related risks have been embedded into our risk management system including risk identification, risk assessment, risk treatment, monitoring and review processes which are described in the Section of "Risk Management and Internal Control" in pages 62 to 71.

Our Scope

The scope of this Environmental, Social and Governance Report covers every material areas of our business operations, which we have reviewed and assessed with due consideration of all our stakeholders including tenants, customers, guests, staff, contractor and supplier, and the media, through materiality and self-assessment exercises. This Report mainly focuses on our Group's Hong Kong business operations which represent 98%[1] of the Group's business portfolio, and provides an overview of our Group's efforts made on the environment, our employees, supply chain, products, health and safety, community, anti-corruption and corporate governance during the year ended 31 December 2018. This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

1 Based on the Group's annual revenue in 2018

Stakeholder Engagement

The Group regularly communicates with its stakeholders through different channels and collects their views and comments both formally and informally. This year, we have engaged over 160 stakeholders in our ESG survey who provided the Group with a better understanding of stakeholders' concerns and expectations in general. This survey provides helpful guiding light to our endeavors to pursue common goals of ESG with our stakeholders.

The channels to communicate with our stakeholders are summarized below:

Staff

- ○ Intranet
- ○ CEO Channel
- ◷ Monthly Gathering
- ○ Interviews and Training
- ● Performance Review
- ○ Team Building Activities
- ◔ Employee Newsletters–MiChat
- ● Risk Management Workshop
- ○ Direct Engagements in Daily Operations
- ○ Community Activities
- ● Survey

Shareholder/ Investor

- ◐ Annual/ Interim Report
- ○ Circular to Shareholder
- ○ Announcement
- ○ Investor Relations in Corporate Website
- ● Annual General Meeting ("AGM")

Contractor/ Supplier

- ○ Quotation and Tendering Process
- ○ Vendor Management Process
- ○ Ongoing Direct Engagements
- ○ Project Meetings
- ● Survey

Tenant/Customer

- ○ Hotline
- ○ Comment Cards
- ○ Mira Place Mobile App
- ○ Miramar Travel Mobile App
- ○ Customer Satisfaction Survey
- ○ Ongoing Direct Engagements
- ○ Website and Social Media
- ○ Loyalty Programme
- ● Survey

Government/ Regulator

- ○ Seminars/ Trainings held by Government Bodies
- ○ News released by Regulators
- ○ Publications of Government

Public/Media

- ○ Press Conferences
- ○ Press Interviews
- ○ Website and Social Media
- ○ Press Centre in Corporate Website
- ● Survey

Industrial Partner

- ○ Website & Social Media
- ○ Association Involvement
- ○ Seminars
- ○ Industrial Sharing
- ○ Industrial Publication

NGO

- ○ Community Activities co-organized
- ○ Regular Communication

● Yearly ◐ Half-Yearly ◔ Quarterly ◷ Monthly ○ On-going

Materiality Assessment

To identify the key ESG topics to the Group, we have conducted a quantitative materiality assessment by inviting a wide range of stakeholders to participate in a "Stakeholder Engagement Survey" this year. This survey focused on a number of ESG-related topics drawn from due consideration of the Listing Rules requirements, ESG's relevance to the Group and industry benchmarks. After having the Group's management to assess the relevance of each ESG topic with regard to our businesses, we invited stakeholders to rate the importance of each of the ESG topics.

The below matrix summarized the results of 160 survey returns from stakeholders. A total of 16 ESG topics have been identified to be of importance to the Group. The results provided insight to the Group in the process of planning business development and formulating operating strategy. The Group's activities related to each material topic are illustrated in the corresponding sections.

Materiality Matrix

OUR ENVIRONMENT

- M 1. Minimizing and Recycling of Waste in Daily Operation
- 2. Minimizing and Recycling of Food Waste
- M 3. Energy Efficiency
- M 4. Efficient Use of Water
- 5. Minimizing Green-house Gas Emissions
- 6. Minimizing Emissions of Other Air Pollut-ants
- 7. Proper Handling of Hazardous Waste
- 8. Green Buildings and Facilities Investment

OUR PEOPLE

- M 9. Staff Remuneration and Benefits
- M 10. Work-life Balance
- M 11. Occupational Health and Safety
- M 12. Training and Development
- M 13. Employee Relations
- M 14. Anti-discrimination, Equal Opportunity and Diversity in Employment
- M 15. Child and Forced Labour

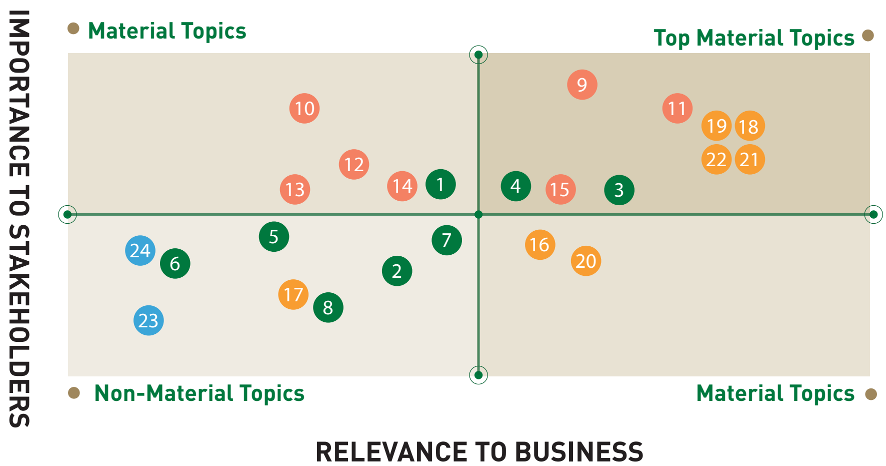
OUR SUPPLY CHAIN

- M 16. Ethical and Responsible Procurement Practice
- 17. Promote Environmental Friendly Practices/Social Responsibilities to Business Partners
- M 18. Product Safety and Service Quality
- M 19. Customer Satisfaction
- M 20. Responsible Marketing
- M 21. Anti-corruption
- M 22. Data Protection and Privacy

OUR COMMUNITY

- 23. Community Engagement and Investment
- 24. Knowledge Sharing

M Material Topic



Our Environment

Top Material Topics	3. Energy Efficiency 4. Efficient Use of Water
Material Topics	1. Minimizing and Recycling of Waste in Daily Operation

The Group values the importance of environmental protection and has conducted self-assessment on all business operations which may have an impact on the environment. The self-assessment includes materiality and quantity of our greenhouse gas emissions, discharge of water and generation of hazardous and non-hazardous wastes, etc. The self-assessment showed that the Group's business operations have no direct relationship with the production of hazardous waste but are susceptible mainly to indirect emissions of greenhouse gases and air pollutants. Our self-assessment results are consistent with the results from the materiality assessment that the effective use of resources such as electricity, water and careful management of non-hazardous waste are important aspects in the Group's drive towards environmental protection. Besides, materials used and recycling of waste in daily operations such as cooking oil, paper and plastic bottles are under scrutiny. Accordingly, the Group continues to focus on green activities to reduce energy consumption and minimize wastage.

Green Approach

Our green approach includes development of "Leadership and Culture", "Green Facilities Enhancement" and embeds them into our daily business operations to ensure "Effective Use of Resources". With this approach, we enhanced individual health, corporate performance and helped foster a green community. The diagram illustrates the objectives of our green approach which serves as a direction for exploring, designing, implementing and participating in every green activity.

(I) Leadership & Culture

Environmental Policy

Our Group's Environmental Policy was established and approved by the Board of Directors in 2016, which applies to every stage of business operations and pertains to our people and across our supply chain. We have given due consideration to the environmental issues in our corporate decision-making process and have been recognized as a market pioneer in actively implementing effective environmental protection programmes in business operations. We continued to improve our performance in environmental protection and outperform the compliance requirements of the applicable environmental laws and standards. For the year ended 31 December 2018, there was no non-compliance case noted in relation to environmental laws and regulations that had a significant impact on the Group.

Green Committees

Two committees namely "Green Management Committee" and "Energy Management Committee" have been set up in the Asset Management Division of the Group. The committees are staffed by industry experts, who meet periodically to explore enhancement of green performance, strengthen our green practice and minimize adverse impacts to the environment from our business operations.

Employee Involvement

Besides the green tone from the top, the Group also enhances employee's awareness and commitment to environmental protection. Environmental protection training is included in our staff orientation programme. We encourage employees to pay due attention to energy saving measures and explore new ideas on energy saving while performing their duties. In addition, we post notices to remind employees to turn off air-conditioning, lighting, personal computers and electrical appliances upon leaving their office or workplace. We also share our green experience and achievements with staff via the Employee Newsletter — MiChat. In our staff canteen, green menu is regularly provided to promote a healthier diet and reduce carbon footprint by advocating for eating less meat.

(II) Green Facilities Enhancement & Efficient Use of Resources

Energy Efficiency

Our self-assessment indicated that the major source of the Group's indirect greenhouse gas emissions was from electricity consumption in the course of providing air-conditioning and lighting to our rental properties and hotel premises. Small amounts of greenhouse gases were released through burning of towngas in kitchen operations of the hotel and food and beverage businesses and consumption of fuels from provision of car services in our travel business. In the past few years, the Group has made a wide range of investments towards reduction of greenhouse gas emissions, mainly through installation of green facilities to improve energy efficiency, and also took initiatives to implement green practices and promote green activities. The main investments and initiatives are as follows:

Electricity

Chiller Plants

Our chiller plants conversion project at our shopping mall and office building, Mira Place 1 and Mira Place Tower A, started in 2012. The project converted the old chiller plants to a more energy efficient and effective central water-cooled chillers and air-cooled oil-free chillers with variable frequency inverters for air conditioning supply. A significant reduction in electricity consumption, by 39%, has been achieved in 2018 as compared with 2012. In addition, since 2015, we started to install more environmental-friendly R410A split-type air conditioners in our core properties to meet the Electrical & Mechanical Services Department ("EMSD") building energy efficiency requirements.

An optimization programme was implemented on the chiller plant at our hotel premises, The Mira Hong Kong, in 2016, which achieved reduction in energy consumption without compromising air-conditioning service standard. The programme included optimization with multiple chillers, variable speed pumps, condenser water temperature and chilled water supply temperature reset. We target to realize energy saving to the order of 1,040,000 kWh per annum, which represents 16.6% of the pre-optimization energy consumption.

Lighting

Another major source of electricity consumption is provision of lighting in our properties and restaurants. The Group has started retrofitting the lighting system by LED-type lighting fixtures in common areas of Mira Place 1 and Mira Place Tower A since 2012, carried out phase by phase and integrated into the Asset Enhancement Packages. In the latest phase, retrofit was completed in the carpark area and sport zone on the ground floor in 2017. The whole project brought approximately 4.7% reduction in electricity consumption this year, as compared with 2012.

Other Green Facilities Enhancement in Electricity Consumption

Variable Voltage Variable Frequency ("VVVF") On-demand Controls for certain escalators in Mira Place 1 were installed in 2015 to optimize operation in different demand periods and reduce energy consumption. In addition, 2 LED TV walls have been installed at the Façade of Mira Place for advertising activities. With the transparent design of the LED TV walls, natural sunlight can penetrate into the mall and greatly reduces electricity consumption for lighting.

Smart Use of Facilities

Besides enhancement of green facilities in our major business operations, the Group recognizes smart use of facilities is important for effective energy-saving. We have signed up the "Energy Saving Charter on Indoor Temperature" and maintained the temperature in open areas within our properties at 24°C to 26°C. We will temporarily suspend part of the lift services during non-peak hours. In Mira Moon, the chiller plant will be manually stopped when outside temperature drops below 13°C. We installed motion sensors in hotel corridors and back-of-house areas, and set timer to control outdoor signage light.

Energy Saving Measures on Facilities Enhancement

As electricity consumption is the major cause for indirect greenhouse gas emissions, we have set Key Performance Indicators ("KPIs") in our energy monitoring system to keep track of energy-saving performance. Results of the major facilities improvement after completion of installation are summarized below.

	Installations and Measures	Year of Implementation	Target achievement (kWh) (no. of year)	Saving achieved in 2018 (kWh)	% of achievement vs target since implementation
Chiller Improvement Programme					
a	Central water-cooled chillers in Mira Place 1 and Mira Place Tower A	2015	23.95M (5 yrs)	8.39M	132.99%
b	Central air-cooled oil-free chillers in Mira Place 1	2015	5.15M (5 yrs)	1.05M	77%
c	Chiller Plant Optimization Programme in The Mira Hong Kong	2016	1.04M (per annum)	998,906	96%
Lighting Improvement Programme					
d	Replace the 50W halogen lamps by 7W LED lamps in Mira Place Tower A	2016	867,600 (5 yrs)	173,520	51.67%
e	Remove 50W halogen lamps, 1200mm and 600mm T5 decorative florescent tubes and 1200mm T8 florescent tubes in ceiling recessed light fittings in Mira Place Tower A	2016	592,200 (5 yrs)	118,440	51.67%
f	LED lighting systems for Asset Enhancement Package A & B Projects in Mira Place 1	2014/ 2015	992,000 (5 yrs)	198,400	74.8%
g	LED lighting systems for Asset Enhancement Package C Project in Mira Place 1	2017	127,300 (5 yrs)	25,460	28.33%
h	LED lighting systems for Mira Place Carpark	2017	243,400 (5 yrs)	48,680	40%
i	LED lighting systems for Sport Zone in Mira Place 1	2017	865,800 (5 yrs)	173,160	31.67%
Other Energy Saving Programme					
j	LED TV screens installed in Mira Place 1	2015/ 2016	111,600 (5 yrs)	22,320	61.67%
k	VVVF On-demand control for escalators in Mira Place 1	2012	96,000 (5 yrs)	19,200	121.67%

Towngas

In order to make more efficient use of towngas, our restaurants installed energy-efficient kitchen equipment, such as high-efficiency food steamers, which would save both towngas and water consumption. In addition, we also maintained regular cleaning programs on our major towngas consuming installations, such as boiler plants, to help maintain their efficiency.

Vehicle Use

The Group's travel business owns 6 vehicles for passenger transportation. To avoid unnecessary vehicle use and thus increased fuel consumption, control mechanisms are in place to ensure that the vehicles are for commercial purposes only. The Group encourages employees to use public transport for travelling between offices and outlets. In addition, our hotels also provide electric limousine services to guests for eco-friendly travelling experience. In support of initiatives on roadside air quality improvement and greenhouse gas emissions reduction, several electric vehicle chargers have been installed in our carparks.

Energy Consumption

With the implementation of various energy-saving programmes and promotion of smart use of the green facilities, our Greenhouse Gas ("GHG") emissions due to electricity consumption in 2018 was 21,336 tonnes, while other small amount emissions, such as gas, diesel, unleaded petrol consumption was 4,127 tonnes. Data on our energy consumption and GHG emission are shown in the below table:

A. Energy Consumption in Hong Kong Operations

	Overall	Property Rental	Hotel & Service Apartment	Food & Beverage	Travel
Electricity					
Consumption (kWh)	38.72M	17.28M	15.90M	5.04M	501,581
Intensity	12,360 kWh per $1M Rev	14.67 kWh per sq.ft	54.69 kWh per guest night	4.36 kWh per cover	16.15 kWh per sq.ft
Gas (Towngas & LPG)					
Consumption (MJ)	60.86M	N/A	37.54M	23.32M	N/A
Intensity	19,429 MJ per $1M Rev	N/A	129.14 MJ per guest night	20.19 MJ per cover	N/A
Diesel					
Consumption (L)	9,300	250	N/A	N/A	9,050
Intensity	2.97 L per $1M Rev	0.0002 L per sq.ft	N/A	N/A	1,508 L per vehicle
Unleaded Petrol					
Consumption (L)	11,272	N/A	N/A	N/A	11,272
Intensity	3.60 L per $1M Rev	N/A	N/A	N/A	1,879 L per vehicle

B. GHG Emission[2] in Hong Kong Operations

	Overall	Property Rental	Hotel & Service Apartment	Food & Beverage	Travel
Direct Emission[3]					
Emission (tonnes)	3,383	85.09	1,997	1,246	54.51
Indirect Emission[4]					
Emission (tonnes)	22,080	8,814	9,212	3,709	345
Total Emission					
Emission (tonnes)	25,463	8,899	11,209	4,955	399.51
Intensity	8,123 kg per $1M Rev	7.55 kg per sq.ft	38.55 kg per guest night	4.29 kg per cover	12.86 kg per sq.ft

[2] Quantification methodology and emission factors adopted in calculating the GHG emission are referenced to Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition), 2017 Sustainability Reports of CLP, HK Electric and Towngas

[3] Direct GHG emission includes emission from backup generators, refrigerants, fire extinguishers, boilers, cookers, vehicles and offsetting from newly plant tree within our operations

[4] Indirect emission includes emission generated due to the consumption of electricity and towngas within our operations

Efficient Use of Water

Another focus towards environmental protection is efficient use of water. To minimize water consumption in our business operations, most of the public toilets in our shopping centers have been equipped with automatic sensors at the washing basins and the urinals, and dual flush system devices at the water closets. Water aerators have been installed to the shower facilities to reduce the water flow in all guest rooms in our hotels. We also installed a 1,000-litre storage tank in the basement of Mira Place Carpark to collect discarded water from the fire-fighting system for future cleaning purposes. Due to our business nature, there is no issue on sourcing water.

Water Consumption in Hong Kong Operations

	Overall	Property Rental	Hotel & Service Apartment	Food & Beverage	Travel
Consumption (m^3)	456,168	72,189	249,782	134,197	N/A
Intensity	145.61 m^3 per $1M Rev	0.061 m^3 per sq.ft	0.859 m^3 per guest night	0.116 m^3 per cover	N/A

Minimizing and Recycling of Waste in Daily Operation

Green practice to minimize waste

We put green purchasing and practices across our business and back office operations to ease the burden to the environment. For example, we used environmental-friendly soybean ink, PEFC certified paper and eco-friendly cleaning chemicals, and set 2-sided black-&-white printing by default. We also maximized use of internet technology to promote paperless operations which also applied to our daily purchasing and tendering procedures. We adopted recyclable and renewable materials and other green alternatives in our operations, such as sourcing sustainable seafood products provided by suppliers operating green fish farming, and paper straws and paper takeaway bags without lamination for our restaurants.

Waste Recycling

Recycling bins are provided at Mira Place Tower A, Mira Place 1 & 2 and The Mira Hong Kong for collecting paper, plastics, aluminum cans, glass containers, used soap and amenity bottles from guest rooms for recycling. We also joined the Christmas and Peach Blossom Trees Recycling Programmes organized by Environment Protection Department. In addition, licensed waste recycler is appointed to handle the electronic waste such as computers, printers, monitors, etc.

Cooking Oil

We have appointed a contractor with international sustainability and carbon certification to handle used cooking-oil in our hotels and restaurants. As a socially-responsible landlord, we encouraged the Food and Beverage ("F&B") tenants in our shopping mall to participate in such recycling programme. The appointed contractor can recycle the used cooking-oil into biodiesel vehicle/industrial fuel at its plant. During 2018, 25,592L of used cooking-oil has been collected.

Food Wastage

Two food decomposer machines were installed in Mira Place 1 for handling food waste collected from F&B tenants and staff canteen. The decomposers use water and heat to biodegrade leftover food and turn the solidified leftovers into nutrient-rich water that can be disposed or diluted for use on lawns and flowerbeds. During 2018, 821,598 kg of food waste has been handled.

Recycling Statistics on our Hong Kong Operations in 2018 are summarized below:

Green Recognition

Our efforts in environmental protection have been highly recognized by various professional bodies, institutions and government bodies. ISO14001 certification has been accredited to Mira Place Tower A, Mira Place 1 & 2 and The Mira Hong Kong for successful implementation of environmental management system, which demand environmental-friendly considerations on products and services. In the past few years, Miramar Group has been honored with several green-related awards and certificates, which include various green awards from Environmental Protection Department, Green Council, Hong Kong Quality Assurance Agency, CLP Power Hong Kong Limited, HK Q-Mark Council Federation, Federation of HK Industries, HK Institute of Facility Management and Chartered Association of Building Engineers, etc. In 2017, the Group has been awarded the honor as among the "Top Green Companies in Asia" at the Asia Corporate Excellence & Sustainability Awards organized by MORS Group, which champions revolutionary leadership and sustainability in companies operating in the Asian region. In the same year, we have also received the "Hanson Outstanding Award (Shopping Mall)" in Energy Saving Championship Scheme organized by Environmental Bureau/EMSD and "Progress Award" in Power Smart Energy Saving Contest organized by Friends of the Earth.

OUR PEOPLE

Top Material Topics	**9. Staff Remuneration and Benefits** **11. Occupational Health and Safety** **15. Child and Forced Labour**
Material Topics	**10. Work-life Balance** **12. Training and Development** **13. Employee Relations** **14. Anti-discrimination, Equal Opportunity and Diversity in Employment**

The Group values employees as our most precious asset and is committed to providing all employees with a safe, healthy, equal-opportunity and non-discriminatory working environment. We are an "Equal Opportunity Employer". We value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism in all our employees in a coordinated effort to achieve our Group's Mission, Vision and Business Strategies. It is the policy of the Group to remunerate employees in a fair and equitable manner and provide a continuous learning environment and opportunities to our employees at all levels to help them grow and excel in productivity. There is no non-compliance case noted in relation to laws and regulations regarding employment, employee's compensation, occupational safety and health, minimum wage and anti-discrimination that had a significant impact on the Group for the year ended 31 December 2018.

(I) Employment, Remuneration and Benefits

We reward our employees with competitive remuneration packages, which include competitive compensation and benefits, such as medical and life insurance, dental benefit, marriage, maternity and paternity leaves, free meal, free sports and recreational facilities. The Group reviews its Remuneration and Benefits Programs on a regular basis to ensure the programs are in compliance with the latest laws, in line with market practice and keeps up with market conditions and levels of remuneration. We establish prevention controls over the requirements under the labour law including prevention of use of child and forced labour and extend such expectations to our supply chain. The Group is honored to be the recipient of the "10 Years Plus Caring Company" award from The Hong Kong Council of Social Service and "Certificate of the Good Employer Charter" from Labour Department.

(II) Anti-discrimination, Equal Opportunity and Diversity

The Group is staffed by a diverse group of employees, who provide us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. Our approach to the selection of candidates is consistent with the Board Diversity Policy which takes into account a range of diversity perspectives. These include but are not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Group ensures equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. In protecting our employees from unfair or discriminative treatment, sexual harassment or any other sort of abuse, we have established policies and procedures and channels for employees to air any grievances, which will be appropriately handled in a timely manner.

Hong Kong Employee Statistics as of 31 December 2018

A. Number of Employees by Gender, Age Group and Employee Category

	Corporate	Property Rental	Hotel & Service Apartment	Food & Beverage	Travel
Staff Number	145	101	582	317	365
By Gender					
Male	61	79	311	186	179
Female	84	22	271	131	186
By Age Group					
Below 30	28	11	130	53	92
30 to 50	85	57	292	129	205
Over 50	32	33	160	135	68
By Employee Category					
Senior Managerial/Executives	15	4	6	2	28
Middle Management	40	15	66	24	16
Supervisory & General	90	82	510	291	321

B. Number of Employees by Gender and Age Group per Employee Category

	Overall	By Gender		By Age Group		
		Male	Female	Below 30	30–50	Over 50
Senior Managerial/Executives	55	29	26	0	25	30
Middle Management	161	96	65	7	109	45
Supervisory & General	1,294	691	603	307	634	353
Overall	1,510	816	694	314	768	428

(III) Occupational Health and Safety

We place the health and safety of our employees as the topmost priority of concern. A Hygiene & Health Safety Team has been formed to promote training to staff on hygiene and occupational safety awareness. All relevant staff is encouraged to take Occupational Health and Safety and First Aid courses. As of December 2018, there are 31 staff with valid First Aid Certificate working in different outlets. First aid arrangement at different workplaces is well established in accordance to legal requirements. Standard Operating Procedures for prevention and handling of work injury has been established and communicated to staff as well.

We strive to provide a safe and secure workplace for our employees so as to maintain low incident rate at work through improving our work process, facilities, equipment and systems. For example in our F&B outlets and Hotel premises, we have provided or sponsored our staff with appropriate personal protective equipment such as cut-resistant gloves and slip-resistant shoes, and also paved kitchen floors with anti-slip strips, so as to prevent one of the most common accidents in F&B industry. Internal communication channel was also established for reporting hygiene and safety non-conformity and sharing hygiene and safety-related news. In addition, investigation and rectification would be conducted immediately for any incident of injury at workplace in an effort to avoid recurrence. During the reporting year, 60 work injury cases accounting for 510 lost work-days were reported, but no serious or fatal work injury.

(IV) Staff Training and Development

The Group offers comprehensive learning and development roadmaps for employees to advance their career achievements within the Group. These include provision of in-house and external training programmes in various aspects, such as professional and technical skills, industry knowledge, customer services, green practices, new laws and regulations, etc. We also offer sponsorship to encourage staff to pursue continuing education.

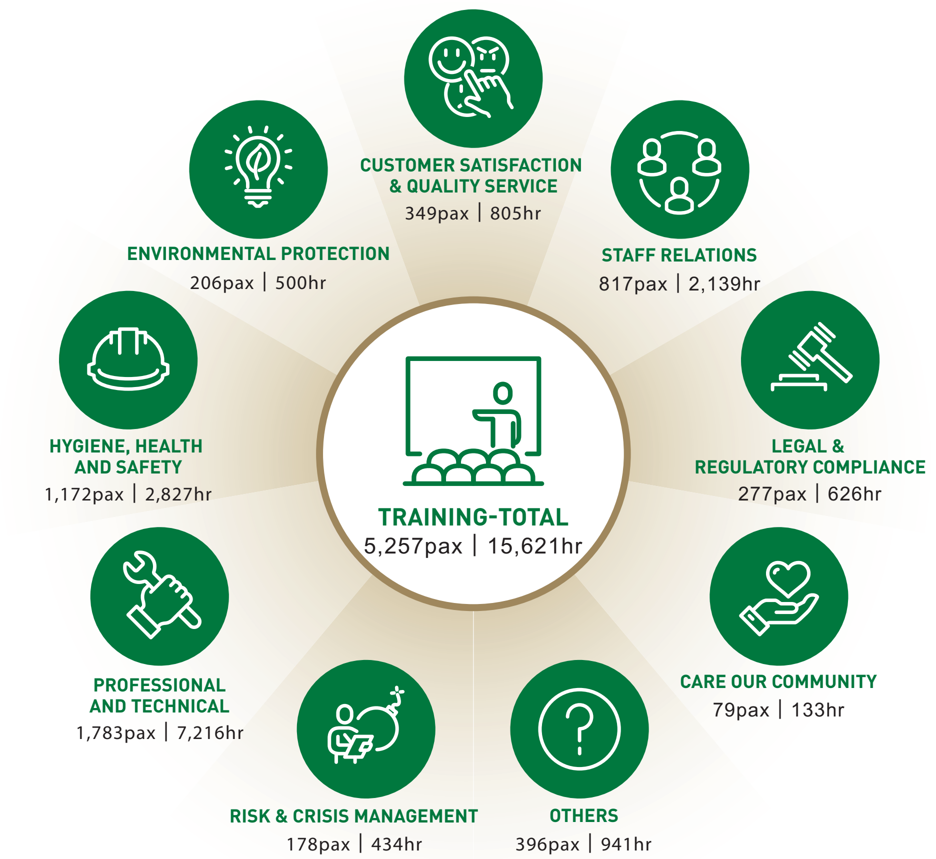
We support our staff to gain industrial recognition and global exposure through various activities. During the year, the Group has subsidized sommeliers from our Hotel and F&B divisions for a trip to France for wine tasting and winery visit. In addition, one of our restaurant Head Chef has participated in the "Candia Professional Pastry Trophy" on behalf of The Mira Hong Kong and won the "Gold Award" and "Media Creativity Award".

Hong Kong Staff Training Statistics in 2018

A. Total Attendance and Average Training Hours by Gender and Employee Category

	Overall	By Gender		By Employee Category		
		Male	Female	Supervisory & General	Middle Management	Senior Managerial/ Executives
Total Attendance (pax)	5,257	2,566	2,691	4,777	445	35
Average Training Hours (hr)	13.6	12.6	15.0	14.6	8.8	4.3

B. Total Attendance and Total Training Hours per Training Topics



In recognition of the Group's outstanding achievements in fostering an organizational culture conductive to manpower training, development and life-long learning, the Group has been awarded the honour of "Manpower Developer" by the Employees Retraining Board since 2011.

(V) Work Life Balance

We encourage and support our staff to develop personal hobbies and interests outside of work to achieve work-life balance. During the year, the Group supported the Mira Soccer Team to participate in the 2018 Hong Kong Hotels Association 7-A-Side Soccer Tournament and organized "Mahjong Competition 2018" in which team members participated and competed for the title of "Mahjong King". Besides, the Group provides staff with free sports and recreational facilities such as snooker and cycling machine in leisure rooms and pantry, and also free booking of sport venues for maintaining healthy lifestyle in office and outside office.

(VI) Employee Relations

We care about employees and aim to build a positive and caring atmosphere in the workplace. The Group has continued to offer a wide range of employee activities to build morale and team spirit, such as monthly team gathering for birthday celebrations, team building activities, and annual snake feast for employees to enjoy the night. We value the voices from our staff and has established a CEO channel, which allows our staff to have open communication to our Chairman & CEO freely and directly.

We understand that work life balance is important to every employee, especially for employee with family responsibilities. In addition to the statutory requirements for maternity leave and paternity leave, the Group also provides employees with marriage and compassionate holiday. In addition, a nursing room is available in the workplace to support breastfeeding for working mothers. During the year, the Group has been honored as "Family-Friendly Employers 2017/18" and granted "Awards for Breastfeeding Support 2017/18" from the Family Council for the recognition of our effort in building a family-friendly working environment.

Our Supply Chain

Top Material Topics	**18. Product Safety and Service Quality** **19. Customer Satisfaction** **21. Anti-corruption** **22. Data Protection and Privacy**
Material Topics	**16. Ethical and Responsible Procurement Practice** **20. Responsible Marketing**

The Group places importance on green purchases and emphasizes local procurement wherever possible to reduce carbon emissions associated with transport and shipping. Our supply chain management is effective which helps to maintain high-standard compliance with legal and regulatory requirements. Our social, environmental and occupational health and safety standards are clearly stipulated in our vendor registration and tendering processes in which only qualified vendors are invited in every procurement exercise. These processes are independently reviewed and monitored to ensure that procurement activities are conducted in accordance with the Group's requirements. Besides, terms of every contract requires compliance with relevant local legislation, such as minimum wage ordinance, environmental-related ordinances, competition law and labour law. Should any contractor or supplier be found in any serious non-compliance, they will be removed from the registered vendor list.

Customer Satisfaction and Quality Controls

The Group strives to offer premium quality services and goods to customers and we believe that customer satisfaction and comments are of paramount importance to business success and sustainability. This entails our maintaining stringent product safety standards and a focus on health and safety issues in operations. A wide range of feedback channels, such as mobile app, social media and comment cards, are established to invite comments from our stakeholders. Comments are systematically analyzed for ways to further improvement.

To enhance customer satisfaction, the Group uses advanced technology to uplift our service quality. Such technological facilitations include a Mira Place mobile app to provide visitors up-to-date information about events and promotions in our malls, a virtual tour in the hotel website offering guests a 360° view of the hotel rooms and facilities, and a mobile app in our travel business offering customers an integrated platform experience for search, application and e-payment. In 2018, we are proud to launch Hong Kong's first innovative e-parking service at Mira Place. With Internet of Things ("IoT") technology, e-PARKING in Mira Place App simplifies the parking process with a few clicks to perform parking reservation, parking navigation, search for parked car location and online payment.

Product Safety and Service Quality

(I) Food Safety in F&B Business

The Group has hired professional hygiene teams to ensure food safety in our F&B operations. Our food hygiene control system is applied throughout the processes from food purchases to production, from preservation to catering. All food vendors are prequalified with assessment of high level of hygiene standard. Standard hygiene inspection procedures are also applicable to food receiving procedures, regular on-site hygiene inspection and regular supplier audits. Immediate rectification is requested if irregularity is identified. Our hygiene teams regularly review food safety and respond promptly to health alerts raised by the Centre for Food Safety to deal with identified food-safety issues. During the reporting period, there was no non-compliance case noted in relation to food safety laws and regulations that had a significant impact on the Group.

In addition, the Group has taken further steps to provide customers with a healthy diet. Since early 2019, we have responded to the "Less Salt Less Sugar Campaign" organized by the Food and Health Bureau and designed a series of delicious and healthy dishes with more than 70% reduction in salt or sugar in our selected restaurants.

(II) Quality Services in Property Management

The Group follows the ISO9001 and ISO14001 standards to ensure quality property management services in our office building and shopping malls. Key service providers such as cleansing services, water supply and sewerage maintenance services are required to adhere to our standards as stipulated in contract. We pursue to provide excellent environment to our tenants and customers. Since 2013, we have been identified with "Good Class" for the shopping mall and "Excellent Class" for office tower in "Indoor Air Quality Certification Scheme" by Environmental Protection Department.

Anti-corruption and Responsible Business Practice

(III) Ethical Procurement & Marketing Practice

As a responsible corporation, the Group is committed to achieving the highest level of business ethics with due consideration for the impact of our business activities on our customers, business partners, society and the environment.

In our procurement process, we have established a fair vendor selection system through the vendor prequalification, competitive quotation and tendering processes. Monitoring controls are in place to oversee the quality of their services and products, through performance review, complaint log, warning system, license validity checking and deregistration mechanism. We also emphasize local procurement wherever possible so as to support local businesses and reduce indirect carbon emissions associated with transport and shipping. In 2018, local purchase accounted for over 98% of our total purchasing amount.

In our sales and marketing process, we stand up for the highest integrity in promoting and advertising our products and services in ways that do not mislead our consumers. As such we have developed policies to ensure that menus in our restaurants should accurately reflect the actual products used. Nutrition labels for prepackaged food products will also be tested by accredited laboratory registered under Hong Kong Laboratory Accreditation Scheme ("HKOLAS") so as to ensure the food products correspond with the declared values on the nutrition labels. During the reporting period, there was no confirmed case of non-compliance with any laws and regulations in relation to advertising and labelling, such as trade description ordinance.

(IV) Anti-corruption

We strive to uphold the highest standard of business ethics and integrity. We do not tolerate any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. Expected professional conduct at the workplace is outlined in the Group's Code of Conduct, which requires all employees to abide by anticorruption regulations in Hong Kong. The Code of Conduct also lays down rules against soliciting or accepting any unfair advantages. Risk assessment on and controls against corruption and malpractice are always included in the risk management processes. In addition, we ensure sufficient segregation of duties in the design of sales and procurement approval processes. During the year, we invited the Independent Commission Against Corruption to organize several anti-corruption courses for key staff to further enhance their understanding of various issues of anti-corruption drives, and integrate relevant practices into our daily operations.

Whistleblowing Policy and Procedures have been established since 2013. It encourages employees to directly bring to the attention of senior management and/or Director of Internal Audit for any malpractice, non-compliance, criminal offence and other material matters in operations. The escalated matters to management is assured of confidentiality and the employee will be protected from being disciplined if nothing improper is found after investigation. During the reporting period, there was no confirmed case of corruption and non-compliance with any rules and regulations as regards anti-corruption such as the Prevention of Bribery Ordinance.

(V) Data Protection and Privacy

The Group is committed to protecting private data of employees and customers and ensuring their legal right to privacy. Control procedures were established to ensure compliance with the requirements of relevant laws and regulations, such as of Personal Data (Privacy) Ordinance and General Data Protection Regulations. Information collected from job applicants will be kept for only 6 months with their consent. Information collected from our sales activities is used only for business development and customer relationship management purposes, with customers being provided the choice of opting out of any direct marketing messages. All collected personal data is treated as confidential and kept securely, accessible by designated staff only. During the reporting period, there was no substantiated complaint received concerning breaches of customer privacy and losses of customer data.

(VI) Legal and Regulatory Compliance

The Group is committed to achieving high standard of professional ethics, good corporate governance and compliance with all applicable rules and regulations in conducting businesses. We have established effective risk management and internal control processes to identify and manage new legal and regulatory requirements. Major risks and internal controls in regard to business, financial, legal and regulatory compliance are periodically reviewed and assessed. We integrate our control and risk mitigation measures into our daily operations through policies and procedures.

OUR COMMUNITY ENGAGEMENT

Material Topics	**No Material Topics identified in this Aspect**

The Group has been actively assuming corporate social responsibility. We bring together knowledge, resources, experience and effort of our employees, business partners and community organizations to nurture the next generation, promote a harmonious community and care for our environment.

(I) Nurturing the Next Generation

The development of the next generation is important to our future. We continue to invest our time, knowledge, and resources to partner with different educational and creative institutions to provide opportunities for our next generation to develop their interests and potential.

Career Development

Our Hotels have continued to organize career fairs, career seminars and hotel visits so as to share work experiences with students and interested parties. We have also arranged internship programs for local and overseas students to provide them with the opportunities to acquire knowledge and learn practical skills in the hospitality industry. In 2018, we offered 38 internships and arranged hotel visits for 90 visitors. Moreover, Mira Dining has partnered with the Hong Kong College of Technology to provide barista training for students to obtain a Basic Certificate of Coffee.

Platform for Creativity

Mira Place has continued to support local creativity by providing performance platform in our shopping malls. This year, we organized the "Gimme LiVe Music Festival 2018", "MIRAcle Voice Busking" and "Be EVITA Singing Battle", which provided a good arena for young singers to show their talents. We also offered low-rate venues for "CreARTive Handcrafted & Design Exhibition" and "Hong Kong Design Labels in London Fashion Week" to support local designers to showcase their masterpieces to the public.

(II) Harmonious Community

The Group cares for vulnerable and minority groups and recognizes that understanding their needs is important to providing better help for them. We maintain long term relationship with various charity bodies and support their efforts by donation, sponsorship, providing venue for free or at discounted rates, and partnering with various community groups to organize activities to help people in need.

Understanding the Disadvantaged

This year, we co-organized with the Hong Kong Guide Dogs Association and Unicef to hold "Guide Dog Seminar" and "Say Yes to Breast Feeding Seminar". Through these seminars, we have gained a better understanding of the function of guide dogs and need for working mothers to breastfeed. This knowledge is important for us to provide better help to people with visual impairments and those who need facilities for breastfeeding in our hotels and shopping mall. Mira Place is equipped with a range of facilities to help people with special needs, such as barrier-free accesses, baby rooms, disabled-friendly toilets and wheelchair lending, etc.

Expressing our Care

This year, we continued to work with Hong Chi Association to arrange for our volunteer team to visit Hong Chi Morninghill School for the Mid-Autumn Festival celebration. Our team had spent a memorable night with around 200 students with intellectual disabilities and their families. In addition, we have continued to arrange hotel visits for students from low-income families through Sheng Kung Hui Holy Carpenter Church, aiming to provide them with precious exposure outside of the classroom.

Support & Participation in Charity and Community Activities

In 2018, our staff participated in Red Cross Blood Donation Day, ORBIS World Sight Day, Unicef Charity Run and Community Chest Dress Casual Day. Mira Place sponsored the Hong Kong Institute of Animal Assisted Intervention and hosted the "Meet & Greet" event at our shopping malls. The event provided the public with an opportunity to meet with animal ambassadors, who promoted their mission to enhance acceptability of animal-assisted treatments and create a harmonious society in which humans and animals help and respect each other in the community.

(III) Care for the Environment

We value the importance of environmental protection and strive to minimize undesirable impact of the environment on the community's well-being. We are constantly involved in various activities organized by different environmental organizations.

Take Actions

Since 2013, our hotels have been collaborating with Food Angel and Foodlink Foundation to donate leftover food to people in need. In 2018, we have donated over 2,660kg of leftover food to Food Angel and Foodlink Foundation. Same as last year, our staff has participated in Meal Boxes Preparation Volunteering Activity at Central Kitchen of Food Angel by Bo Charity Foundation, promoting the virtue of treasuring food and reducing food waste. Mira Dining supported the Mooncake Collection campaign cohosted by FOOD-CO and People's Food Bank of St James' Settlement. We collected from the media and public a total of 1,200 pieces of mooncake and donated them to 6 charity organizations.

Take the Leadership

We have continuously engaged in various campaigns organized by different environmental protection organizations such as Earth Hour of WWF, Hong Kong No Air-Con Night of Green Sense, and Green Power Hike of Green Power to promote environmental conservation. In addition, Mira Place has supported the Jockey Club Museum of Climate Change to promote climate change knowledge and green messages to the local community by providing low-rate venue for the "Green Family Day" event.

ESG Reporting Guide Content Index

Aspect	Comply or Explain Provision	Related Section	Page
A1 — Emissions	General Disclosure	Our Environment	32
	KPI A1.1 Types of emissions and respective emissions data	It is not material based on our assessment	N/A
	KPI A1.2 Greenhouse gas emissions in total and, where appropriate, intensity	Our Environment — Energy Consumption	35
	KPI A1.3 Total hazardous waste produced and, where appropriate, intensity	It is not material based on our assessment	N/A
	KPI A1.4 Total non-hazardous waste produced and, where appropriate, intensity	Our Environment — Minimizing & Recycling of Waste in Daily Operation	36
	KPI A1.5 Description of measures to mitigate emissions and results achieved	Our Environment — Energy Efficiency	33
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	**Hazardous waste** It is not material based on our assessment	N/A
		Non Hazardous waste Our Environment — Minimizing & Recycling of waste in daily operation	36
A2 — Use of Resources	General Disclosure	Our Environment	32
	KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity	Our Environment — Energy Consumption	35
	KPI A2.2 Water consumption in total and intensity	Our Environment — Efficient Use of Water	36
	KPI A2.3 Description of energy use efficiency initiatives and results achieved	Our Environment — Energy Efficiency	33
	KPI A2.4 Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	**Sourcing water** No issue in sourcing water	N/A
		Water Efficiency Initiatives Our Environment — Efficient use of water	36
	KPI A2.5 Total packaging material used for finished products, and if applicable, with reference to per unit produced	It is not material to our operations	N/A
A3 — The Environment and Natural Resources	General Disclosure	Our operations do not have significant impact on the environment and natural resources	N/A
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them		
B1 — Employment	General Disclosure	Our People	38
B2 — Health and Safety	General Disclosure		
B3 — Development and Training	General Disclosure		
B4 — Labour Standards	General Disclosure		
B5 — Supply Chain Management	General Disclosure	Our Supply Chain	41
B6 — Product Responsibility	General Disclosure		
B7 — Anti-corruption	General Disclosure		
B8 — Community Investment	General Disclosure	Our Community	44

Biographical Details of Directors

Mr LEE Ka Shing, JP

Aged 47. Mr Lee was appointed director of the Company in 2004 and has been actively involved in formulating the Group's corporate development strategies and directions. On 1 August 2006, he was appointed as Managing Director of the Company, with the title changed to Chief Executive Officer on 7 June 2012. On 12 June 2014, Mr Lee was re-designated as the Chairman and Chief Executive Officer and was also appointed as a member of the Remuneration Committee and the chairman of the Nomination Committee of the Company. He has been in charge of corporate policy formulation and schematization, as well as promoting the Group's business development and enhancing its competitiveness and status in the industry. He was educated in Canada. He is the Vice Chairman of Henderson Land Development Company Limited ("Henderson Land"), the Chairman and Managing Director of Henderson Investment Limited ("Henderson Investment"), a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is also a Vice Chairman of Henderson Development Limited ("Henderson Development") and a director of Hopkins (Cayman) Limited ("Hopkins"), Riddick (Cayman) Limited ("Riddick") and Rimmer (Cayman) Limited ("Rimmer"). Mr Lee is a Committee Member of the 13th Beijing Committee of the Chinese People's Political Consultative Conference. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2017. He is a member of The Court of The Hong Kong Polytechnic University. Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer have discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2018. He is also a director of certain subsidiaries of the Company. Mr Lee is the son of Dr Lee Shau Kee.

Dr David SIN Wai Kin, DSSc (Hon)

Aged 89. Dr Sin was appointed director of the Company in 1974 and has been a Vice Chairman of the Company since 1985. He is currently a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Dr Sin has a plenitude of experience in the businesses of jewelry, property development, property rental, hotel operation, and banking and finance. He is the Chairman of Myer Jewelry Manufacturer Limited. He is also a director of certain subsidiaries of the Company.

Dr The Honourable LEE Shau Kee, GBM, DBA (Hon), DSSc (Hon), LLD (Hon)

Aged 90. Dr Lee was appointed director of the Company in 1993 and has been the Chairman of the Company since 8 August 2001. On 12 June 2014, Dr Lee resigned as Chairman and member of both of the Remuneration Committee and Nomination Committee and was re-designated as non-executive director of the Company. He has been engaged in property development in Hong Kong for more than 60 years. He is the Founder and the Chairman and Managing Director of Henderson Land, the Chairman of The Hong Kong and China Gas Company Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. On 1 July 2015, Dr Lee resigned as Chairman and Managing Director of Henderson Investment, a listed company, and remains as an executive director. Dr Lee was awarded the Grand Bauhinia Medal (GBM) by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Multiglade Holdings Limited ("Multiglade"), Higgins Holdings Limited ("Higgins"), Threadwell Limited ("Threadwell"), Aynbury Investments Limited ("Aynbury"), Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer which have discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2018. Dr Lee is the father of Mr Lee Ka Shing.

Dr Patrick FUNG Yuk Bun

Aged 71. Dr Fung was appointed director of the Company in 1985. He is currently a member of the Audit Committee of the Company. He obtained his MBA degree from the University of Toronto in 1973, and was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University in 2001 and an Honorary Doctor of Laws by the University of Toronto in 2005. Dr Fung joined Wing Hang Bank, Limited (currently known as OCBC Wing Hang Bank Limited) in 1976 and was appointed a director of the Bank in 1980, Chief Executive in 1992, and then Chairman and Chief Executive in April 1996. Dr Fung is currently the Chairman of OCBC Wing Hang Bank Limited. Dr Fung was appointed as a non-executive director of King Fook Holdings Limited on 4 May 2016 and was re-designated as an executive director on 25 November 2016. He retired as an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust, with effect from 1 August 2014. The Link Real Estate Investment Trust is listed on the Hong Kong Stock Exchange.

Dr Fung is an honorary member of the Court and Adjunct Professor with the Faculty's School of Accounting and Finance of the Hong Kong Polytechnic University, a Vice President of the Hong Kong Institute of Bankers, a member of Board of Governors of The Hong Kong Philharmonic Society Limited and a member of Hang Seng Management College-Foundation Management Committee. He is also a director of certain subsidiaries of the Company.

Mr Dominic CHENG Ka On

Aged 69. Mr Cheng was appointed director of the Company in 1985. He is currently also a member of the Audit Committee of the Company and serves as director of certain subsidiaries of the Company. Mr Cheng has extensive practical experience in corporate management and is also the Managing Director of the Onflo International Group of Companies. He previously served as an executive director of King Fook Holdings Limited, a listed company, until his resignation on 30 March 2017.

Mr Richard TANG Yat Sun, SBS, JP, MBA

Aged 66. Mr Tang was appointed director of the Company in 1986. He is an MBA graduate from the University of Santa Clara, California, U.S.A., and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, U.S.A. He was an independent non-executive director of Hang Seng Bank Limited until his retirement on 10 May 2018. Mr Tang is currently the Chairman and Managing Director of Richcom Company Limited, the Chairman of King Fook Holdings Limited, an independent non-executive director of Wheelock and Company Limited and a director of various private business enterprises. He is an advisor of Tang Shiu Kin and Ho Tim Charitable Fund. He is also a director of certain subsidiaries of the Company.

Dr Colin LAM Ko Yin, SBS,FCILT, FHKIoD, DB (Hon)

Aged 67. Dr Lam was appointed director of the Company in 1993. He holds a Bachelor of Science (Honours) degree from The University of Hong Kong and has over 45 years' experience in banking and property development. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a director of Fudan University Education Development Foundation. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited, the Vice Chairman of Henderson Land and Henderson Investment as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. Dr Lam was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. Dr Lam is a director of Henderson Development, Multiglade, Higgins, Threadwell, Aynbury, Hopkins, Riddick and Rimmer. Multiglade, Higgins, Threadwell, Aynbury, Henderson Land, Henderson Development, Hopkins, Riddick and Rimmer have discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2018. He is also a director of certain subsidiaries of the Company.

Mr Eddie LAU Yum Chuen

Aged 72. Mr Lau was appointed director of the Company in 1996. He has over 45 years' experience in banking, finance and investment. He is also an executive director of Henderson Land as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited, both of which are listed companies. Henderson Land has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2018. He is also a director of certain subsidiaries of the Company.

Mr Norman HO Hau Chong, BA, ACA, FCPA

Aged 63. Mr Ho was appointed director of the Company in 1998. He is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 36 years' experience in management and property development. He is also a director of Vision Values Holdings Limited, as well as an independent non-executive director of Hong Kong Ferry (Holdings) Company Limited, Lee Hing Development Limited and Shun Tak Holdings Limited. He is also a director of certain subsidiaries of the Company.

Mr Howard YEUNG Ping Leung

Aged 62. Mr Yeung was appointed director of the Company in 2000 and was re-designated as independent non-executive director of the Company in December 2012. He has extensive experience in the businesses of property development, hotel operation and jewelry. He is also an independent non-executive director of New World Development Company Limited. He previously served as Chairman and director of King Fook Holdings Limited, a listed company, until his resignation on 1 July 2016.

Mr Thomas LIANG Cheung Biu, BA, MBA

Aged 72. Mr Liang was appointed director of the Company in 2004 and was re-designated as independent non-executive director of the Company in December 2012. He holds a Bachelor degree in Economics from the University of California, Berkeley and a Master degree in Business Administration from Columbia University. Mr Liang has extensive experience in financial management, corporate finance, banking, real estate development and equity investment. Mr Liang is a member of the Council of The Chinese University of Hong Kong with effect from 15 April 2015 and is a member of the Board of Governors, The Hang Seng University of Hong Kong with effect from 16 November 2015. He is also the Group Chief Executive of Wideland Investors Limited and an independent non-executive director of New World Development Company Limited.

Mr WU King Cheong, BBS, JP

Aged 68. Mr Wu was appointed as an independent non-executive director of the Company in 2005. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Ltd. He is an independent non-executive director of Henderson Land, Henderson Investment, Hong Kong Ferry (Holdings) Company Limited and Yau Lee Holdings Limited, all of which are listed companies. Henderson Land has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2018.

Mr Alexander AU Siu Kee, OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB

Aged 72. Mr Au was appointed as an independent non-executive director on 17 January 2005 and re-designated as a non-executive director of the Company on 7 November 2005. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Mr Au was an executive director and the Chief Financial Officer of Henderson Land, a listed company, from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. On 13 December 2018, Mr Au has been appointed as an independent non-executive director of Henderson Land and a member of the Audit Committee and the Corporate Governance Committee of Henderson Land. He was an independent non-executive director of The Wharf (Holdings) Limited until his resignation on 23 November 2017. Currently, Mr Au is an independent non-executive director of Henderson Investment and Wharf Real Estate Investment Company Limited. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of Henderson Land, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the shares of the Company under the provisions of Part XV of the Securities and Futures Ordinance as at 31 December 2018.

Dr Timpson CHUNG Shui Ming, GBS, JP, DSSc (Hon)

Aged 67. Dr Chung was appointed as an independent non-executive director of the Company in 2006. Dr Chung obtained a bachelor's degree in science from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong, and was awarded a Doctor of Social Sciences honoris causa by the City University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He is a member of the National Committee of the 10th, 11th, 12th and 13th Chinese People's Political Consultative Conference. He is a Pro-Chancellor of the City University of Hong Kong with effect from 1 August 2016 for three years. Currently, Dr Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, China Railway Group Limited and Orient Overseas (International) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. Formerly, Dr Chung was the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. He was previously an independent director of China Everbright Bank Company Limited and China State Construction Engineering Corporation Limited (both listed on the Shanghai Stock Exchange). He previously served as an independent non-executive director of Henderson Land, a listed company, until his retirement on 2 June 2016.

Biographical Details of Senior Management

Mr Alexis WONG Lit Chor

Aged 60. Mr Wong joined the Group in May 2016 as Deputy Chief Executive Officer. He holds a Bachelor of Arts Degree in Economics and Commerce from the University of Toronto, Canada and a Master of Business Administration from The Chinese University of Hong Kong. With over 30 years of corporate management experience, he is proficient in securities dealing, corporate finance, banking, investment management as well as merger and acquisition. Prior to joining the Group, he was the Managing Director and Responsible Officer of China Tonghai Securities Company Limited. He had also worked as a senior executive for a number of listed Hong Kong and PRC companies. Mr Wong is an independent non-executive director of Inspur International Limited and Tempus Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong.

Mr Dickson LAI Ho Man

Aged 45. Mr Lai joined the Group in September 2016 as Director of Group Finance and appointed as joint company secretary in June 2018. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a Certified Tax Adviser of the Taxation Institute of Hong Kong. He holds a Bachelor of Arts Degree in Accountancy from the Hong Kong Polytechnic University and a Master of Business Administration from University of Birmingham. Mr Lai has over 20 years of experience in auditing, finance, accounting as well as financial management. He began his career with auditing in KPMG Hong Kong. Prior to joining the Group, he was the Chief Financial Officer and Company Secretary of Bi Feng Tang (Group) Holdings Limited. He also worked as a senior executive for a number of listed and private Hong Kong and PRC companies, including the Hosa International Limited, CITIC Pacific Group, Kerry Beverage Group and AsiaAlum Group, etc.

Mr Clement WU Kim Man

Aged 50. Mr Wu joined the Group in November 2012 as Business Unit Head of Asset Management. He is a Registered Professional Surveyor and Authorized Person in Hong Kong, and holds a Master of Business Administration (Financial Services) from The Hong Kong Polytechnic University. He is also a Member of the Chartered Institute of Arbitrators in U.K., a Panel Member of Appeal Tribunal (Buildings) in Hong Kong and a Registered BEAM Professional of Hong Kong Green Building Council. Mr Wu has over 20 years of experience in the property and construction industry with expertise in asset enhancement and management. Prior to joining the Group, Mr Wu was the General Manager (Project and Planning Department) of The Link Management Limited.

Mr Kenneth SORENSEN

Aged 53. Mr Sorensen joined the Group in November 2012 as Business Unit Head of Hotels and Serviced Apartments. A Danish national and holding a Degree in Hospitality Management from EHL in Lausanne, Mr Sorensen is a well-traveled multi-cultural seasoned executive with more than 25 years of sales, marketing, business development, operations, asset management and general management experiences, the last 19 in the Asia Pacific region. He has held key leadership roles in the main disciplines of the hospitality industry, with world leading organizations. Prior to joining the Group, he was at the helm of Onyx Hospitality Group — North Asia.

Mr Howard LAM Kin Keung

Aged 54. Mr Lam joined the Group's subsidiary, Mira Dining Cuisine (Holdings) Limited, in August 2018 as Chief Operations Officer of Group Food and Beverage Business. He is responsible for leading and managing all operations and project development of Group Food and Beverage Business. He holds a Bachelor's Degree of Business in Catering and Hotel Management. With over 30 years of experience in hospitality and Food and Beverage industries gained from reputable hotel chains, Hongkong Hilton, Marco Polo Hongkong Hotel and Crown Towers in Melbourne, Mr Lam is a seasoned executive in Food and Beverage business development, banquet and hotel restaurant operations. Prior to joining the Company, he was the Group Director of Chinese Cuisine at Langham Hospitality Group.

Ms Liza LEUNG Ka May

Aged 56. Ms Leung joined the Group in May 2006 as Director of Human Resources of Administration, Miramar Travel. She is the Acting Director, Group Human Resources & Administration. Ms Leung is a member of the Hong Kong Institute of Human Resource Management ("IHRM"), she has nearly 30 years of experience in human resources and administration in the Greater China Region. Her past duties included a full spectrum of functions covering human resources management, training and development, and general administration. Prior to joining the Group, she held senior management positions in recognized companies focusing on travel, hotels, securities and retail, etc.

Mr Anthony HO Wai Cheong

Aged 49. Mr Ho joined the Group in December 2012 as Director of Group Information Technology. He holds a Bachelor's Degree in Computer Engineering and a Master of Business Administration from The University of Hong Kong. Mr Ho has more than 20 years of experience in the information technology industry. He has held various leadership positions in global & local companies in the field and has a great depth of technical and management knowledge especially in project management and management of change. He is also well experienced in IT strategies and operations, and partnering with business units to provide online customer service and support. Prior to joining the Group, Mr Ho was the Chief Information Officer of Tradelink Electronic Commerce Limited.

Ms Jess CHAN Wing Yan

Aged 47. Ms Chan joined the Group in September 2017 as Director of Group Marketing & Corporate Communications. She was educated in the York University, Canada and holds a Master Degree of Business Administration from the University of Adelaide, Australia. Ms Chan has over 20 years of experience in Branding and Marketing Communications of hospitality, food and beverage and entertainment production fields in Hong Kong and Macau. She had held various marketing and communications positions in reputable companies including Galaxy Entertainment Group, Epicurean Management Limited, Sir Hudson International Limited and Hard Rock Café Hong Kong. Prior to joining the Group, she was the Executive Director of Marketing Communications in Melco Crown Entertainment.

Mr Kalvin LEE Kang Hung

Aged 53. Mr Lee joined the Group in November 2016 as Assistant Director of Group Procurement. Mr Lee holds a Master Degree of Logistics and Supply Chain from University of Lancaster; he has nearly 30 years of extensive experience in procurement, logistics and supply chain in Greater China Region. Prior to joining the Group, he held management positions in recognized companies focusing on packaging industry, food manufacturing, quick service restaurant and retail, etc.

Mr Patrick CHEANG Kwok Kei

Aged 50. Mr Cheang was appointed as Director of Risk Management & Corporate Services in March 2016. He holds a Bachelor's Degree in Finance from The University of Hong Kong and Diploma of Business Law from the University of Shenzhen. Mr Cheang has nearly 20 years of experience in auditing and risk management with expertise in property related areas. Prior to joining the Group, Mr Cheang worked at Link Asset Management Limited as Head of Risk Management & Compliance and Head of Internal Audit and before that, he was the Supervising Consultant (Group Audit) for Jardine Matheson Limited.

Mr Windsor WOO Lap Fai

Aged 38. Mr Woo joined the Group in June 2016 as Director of Internal Audit. He is a Certified Practising Accountant Australia ("CPAA") and a Certified Information Systems Auditor ("CISA"). He holds a Bachelor degree in Information Systems from the University of Melbourne, Australia. Mr Woo has over 13 years of experience in the audit and risk management industry. He began his career with Risk and Control Solutions in PricewaterhouseCoopers Hong Kong with expertise in financial and operation review and technology audit. Prior to joining the Group, he was the Supervising Consultant, Group Audit and Risk Management of Jardine Matheson.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance. The Company has complied with the code provisions 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 into the dual roles as Chairman and Chief Executive Officer is in the best interest of the Group ensuring continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

Board of Directors

The Board of Directors (the "Board") currently comprises fourteen members, of whom five are executive directors, four non-executive directors and five independent non-executive directors, as detailed below:

Executive Directors

Mr LEE Ka Shing
Mr Richard TANG Yat Sun
Dr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

Non-Executive Directors

Dr LEE Shau Kee
Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee

Independent Non-Executive Directors

Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung
Mr Thomas LIANG Cheung Biu

The biographical details of the directors and relationship among them are shown under the section "Biographical Details of Directors" in this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the directors.

All the non-executive directors (including independent non-executive directors) of the Company have been appointed for a term of not more than three years. The terms of Mr Dominic Cheng Ka On, Mr Wu King Cheong, Mr Alexander Au Siu Kee and Dr Lee Shau Kee are up to 31 December 2019; Dr David Sin Wai Kin, Mr Thomas Liang Cheung Biu, Dr Timpson Chung Shui Ming and Mr Howard Yeung Ping Leung up to 31 December 2020; Dr Patrick Fung Yuk Bun up to 31 December 2021; and all are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

The Board has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive directors are independent. Notwithstanding (i) Mr Howard Yeung Ping Leung and Mr Thomas Liang Cheung Biu have been non-executive directors of the Company prior to their re-designation as independent non-executive directors on 6 December 2012; (ii) Mr Howard Yeung Ping Leung is indirectly interested in the Company's subsidiary which was dissolved on 13 March 2018; and (iii) Mr Howard Yeung Ping Leung has minority interests in the business of the Company, the Board is of the view that they are independent since they did not take part in the day-to-day management or perform any management role or executive function in the Company or any of its subsidiaries before the re-designation. The Board is also of the view that Mr Howard Yeung Ping Leung is independent because (a) Mr Yeung is only indirectly interested in an insignificant minority stake in the Company's subsidiary which was dissolved on 13 March 2018 and (b) Mr Yeung does not have material interest in any principal business activity of the Company or being involved in any material business dealings with the Company that would fall within the ambit of Rule 3.13(4) of the Listing Rules.

In accordance with Articles 77, 78 and 79 of the Company's Articles of Association, Dr Lee Shau Kee, Dr David Sin Wai Kin, Dr Patrick Fung Yuk Bun, Mr Eddie Lau Yum Chuen and Mr Howard Yeung Ping Leung shall retire by rotation at the forthcoming 2019 Annual General Meeting and, being eligible, have offered themselves for re-election. The Nomination Committee has also recommended to the Board that they are eligible for re-election.

Dr David Sin Wai Kin has served as independent non-executive director for more than nine years. As an independent non-executive director with extensive experience and knowledge, Dr Sin has been providing objective and independent views to the Company over the years, and he remains committed to his independent role. The Board concurs with the view of the Nomination Committee that the long service of Dr Sin would not affect his exercise of independent judgement and is satisfied that Dr Sin has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director, and the Board thus recommends Dr Sin for re-election at the 2019 Annual General Meeting.

The Board makes broad policy decisions and has delegated the responsibility to the Chief Executive Officer for corporate policy formulation and schematization, as well as promoting the Group's business development and enhancing its competitiveness and status in the industry. The key function of the Chairman is the management of the Board. The day-to-day management and operation of the Company's businesses are delegated to the senior management. The Board has the following matters specifically reserved for its approval:

1. Major acquisitions and disposals, and joint ventures;

2. Major project investments, and major capital expenditure programmes;

3. Annual budgets, and business and financial plans;

4. Financial statements, dividend distributions, capital structure, treasury policy, and accounting policy;

5. Remuneration policy and terms of employment of the senior executive team; and

6. Public announcements as required under the Listing Rules.

During the year ended 31 December 2018, four board meetings were held to review and approve financial results, evaluate operating performance and direct business development. The Board has a total of four board committees to assist it in carrying out its responsibilities; and they are the General Purpose Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, all of which have defined terms of reference setting out their respective duties, powers and functions.

Corporate Governance Function

The Board has undertaken the following corporate governance functions:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

General Purpose Committee

The General Purpose Committee comprises five members, all of them are executive directors, namely Mr Lee Ka Shing, Mr Richard Tang Yat Sun, Dr Colin Lam Ko Yin, Mr Eddie Lau Yum Chuen and Mr Norman Ho Hau Chong. The General Purpose Committee operates with delegated authority from the Board.

Remuneration Committee

The Remuneration Committee comprises five members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and two are executive directors, namely Mr Lee Ka Shing and Mr Richard Tang Yat Sun. Dr Timpson Chung Shui Ming is the Chairman of the Remuneration Committee.

The Remuneration Committee meets at least once a year to review the structure of remunerations for directors and senior management with reference to the skill, knowledge, experience, responsibilities, individual performance and the overall profitability of the Company. The Remuneration Committee regards that the remunerations offered to the directors and senior management are appropriate for their duties and in line with market practice. No director would be involved in deciding his own remunerations. The Board has delegated responsibility to the Remuneration Committee to determine the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights, compensation payments and compensation payable for loss or termination of their office or appointment.

Audit Committee

The Audit Committee is primarily responsible for review of the financial results of the Group and oversight of the Group's financial controls, internal controls and risk management systems. It comprises five members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and two are non-executive directors, namely Dr Patrick Fung Yuk Bun and Mr Dominic Cheng Ka On. Dr Timpson Chung Shui Ming is the Chairman of the Audit Committee.

The Audit Committee met four times during the year ended 31 December 2018. The major work performed by the Audit Committee included reviewing the Group's internal controls, risk management, internal audit reports, audit plans, annual reports, interim reports, financial statements, connected transactions, approving the remunerations and terms of engagement of the external auditors and making recommendation to the Board on the re-appointment of auditors.

Nomination Committee

The Nomination Committee comprises four members, three of them are independent non-executive directors, namely Dr David Sin Wai Kin, Mr Wu King Cheong and Dr Timpson Chung Shui Ming, and an executive director, namely Mr Lee Ka Shing. Mr Lee Ka Shing is the Chairman of the Nomination Committee.

The Nomination Committee from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board. It will evaluate the balance of skills, qualification, knowledge and experience of the candidate to the directorship as may be required by the Company from time to time.

The Nomination Committee met once during the year ended 31 December 2018. It has discussed and reviewed the composition of the Board; assessed the independence of all independent non-executive directors; recommended to the Board for approval the re-election of all the retiring Directors at the Annual General Meeting

Nomination Policy

Our Board has adopted a Nomination Policy, which stated that Nomination Committee will consider the candidates based on merit having regard to the experience, skills and the diversity perspectives set out in the Board Diversity Policy of the Company. The candidate should be able to devote sufficient time to attend board meetings and participate in induction, trainings and other board associated activities. In particular, if the proposed candidate will be nominated as an independent non-executive director ("INED") and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board. The candidate must satisfy the Board and The Stock Exchange of Hong Kong Limited that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company. For candidate to be nominated as an independent non-executive director, it must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules.

If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board.

On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as director(s) to fill a casual vacancy(ies) or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria. Selection of candidates will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. Appointments will be first considered by the Nomination Committee and recommendation of the Nomination Committee are then put to the Board for decision. The ultimate decision will be based on merit and contribution.

Dividend Policy

The dividend policy of the Company is to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. Pursuant to the Dividend Policy, the Board may propose/declare the payment of dividend after taking into account the following factors:

(1) the actual and expected financial performance of the Company and its subsidiaries;

(2) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(3) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(4) the current and future operations, liquidity position and capital requirements of the Group; and

(5) any other factors that the Board deems appropriate.

Attendance Record of the Meetings

The number of meetings held by the Board, the Committees and the Company during the year ended 31 December 2018 and the attendance of directors are set out in the table below:

	Meetings attended/held				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	2018 Annual General Meeting
Executive Directors					
Mr LEE Ka Shing	4/4	N/A	1/1	1/1	1/1
Mr Richard TANG Yat Sun	4/4	N/A	1/1	N/A	1/1
Dr Colin LAM Ko Yin	4/4	N/A	N/A	N/A	1/1
Mr Eddie LAU Yum Chuen	4/4	N/A	N/A	N/A	1/1
Mr Norman HO Hau Chong	4/4	N/A	N/A	N/A	1/1
Non-Executive Directors					
Dr LEE Shau Kee	4/4	N/A	N/A	N/A	1/1
Dr Patrick FUNG Yuk Bun	3/4	3/4	N/A	N/A	1/1
Mr Dominic CHENG Ka On	4/4	4/4	N/A	N/A	1/1
Mr Alexander AU Siu Kee	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Dr David SIN Wai Kin	4/4	3/4	1/1	1/1	1/1
Mr WU King Cheong	4/4	4/4	1/1	1/1	1/1
Dr Timpson CHUNG Shui Ming	4/4	4/4	1/1	1/1	1/1
Mr Howard YEUNG Ping Leung	2/4	N/A	N/A	N/A	0/1
Mr Thomas LIANG Cheung Biu	4/4	N/A	N/A	N/A	1/1

Accountability and Audit

The Directors are responsible for overseeing the preparation of the annual financial statements which give a true and fair view of the Group's state of affairs and of the results and cash flow for the year. The Group's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are fair and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 94 to 98 of this Annual Report.

Directors' Training

During the year ended 31 December 2018, the directors have participated in continuous professional development to develop and refresh their knowledge and skills in the following manner:

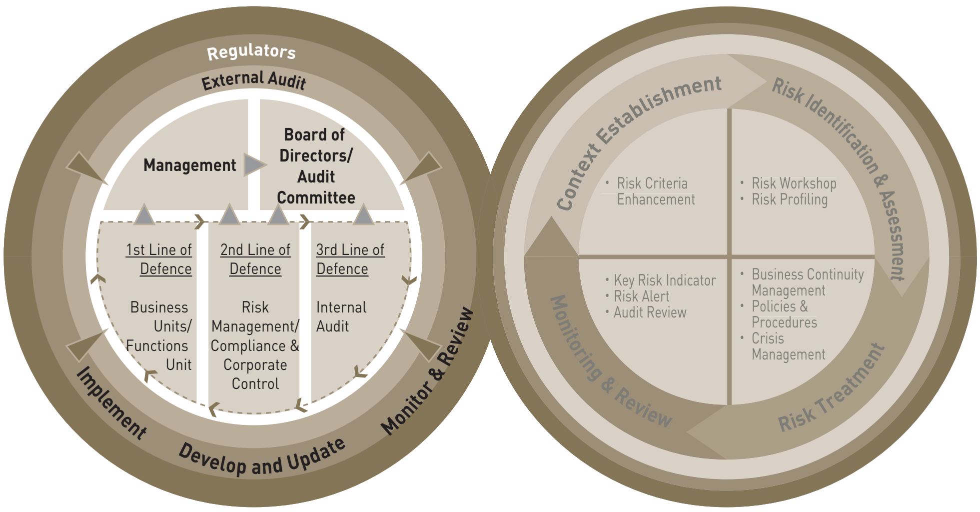
Directors	Type of trainings
Executive Directors	
Mr LEE Ka Shing	A, B
Mr Richard TANG Yat Sun	B
Dr Colin LAM Ko Yin	A, B
Mr Eddie LAU Yum Chuen	A, B
Mr Norman HO Hau Chong	A, B
Non-Executive Directors	
Dr LEE Shau Kee	A, B
Dr Patrick FUNG Yuk Bun	A, B
Mr Dominic CHENG Ka On	B
Mr Alexander AU Siu Kee	A, B
Independent Non-Executive Directors	
Dr David SIN Wai Kin	B
Mr WU King Cheong	A, B
Dr Timpson CHUNG Shui Ming	A, B
Mr Howard YEUNG Ping Leung	B
Mr Thomas LIANG Cheung Biu	A, B

A: attending seminars and/or conferences and/or forums
B: reading materials relevant to the directors' duties and responsibilities and/or the Group's financial status

Risk Management and Internal Control

Effective risk management is an essential and integral part of the Group's effort at achieving strategic objectives and sustainable development. Our risk management takes a holistic approach, blending seamlessly into business strategy, and operational and financial management. The management continuously implements, reviews and updates risk management directives to cope with the fast-changing environment, and regularly reports implementation activities to the board who oversees the risk management team to ensure robust risk management framework and effective systems are in place to identify, evaluate and manage key risks faced by the Group. Throughout 2018, there were no matters of concern identified in the financial, operational and compliance controls which might have significant impact to the Group. The existing risk management and internal control systems remain appropriate and effective.

Our risk management framework is guided by the model of "Three Lines of Defence" as follows:



Our risk management and internal control framework is integrated into daily operations and continuously applied under cycles of review, implementation, monitoring, and updating. During the year, there were some enhancements made to the framework. Details can be found in below sections.

1st Line of Defence — Operational Management and Internal Controls

Key internal control activities are integrated into daily operations with clear policies and procedures on governance, risk management and compliance. The policies and procedures are reviewed and updated on a regular basis to ensure their effectiveness, which are shared with our employees through posting to the intranet and comprehensive on-site training.

Key Group Policies and Procedures that apply to all employees:

- **Whistleblowing Policy** provides a proper reporting channel for employees to raise genuine concerns about malpractice or suspected wrongdoing.

- **Inside Information Policy** ensures inside information of the Group is to be kept in strict confidence or otherwise disseminated to the public in a timely manner in accordance with the applicable laws and regulations.

- **Connected Transactions Policy** provides a clear guideline to employees for handling connected transaction in order to comply with the Listing Rules requirement.

- **Code of Conduct** stipulates the Group policy on matters of personal conduct and relationships.

- **Approval Authority** sets clear authority limits on business decision and daily operations.

- **Operational Policies and Procedures** are set in each business and functional units to provide guidelines on daily operations within the corporate governance framework. A few more policies and procedures have been established during the year to further enhance controls on operations.

2nd Line of Defence — Risk Management and Corporate Services

Risk Management and Corporate Services Department ("RM&CS") has direct access to the management and Audit Committee

The key functions include:

- Establish and maintain appropriate and effective risk management system to facilitate business and functional units to continuously identify, evaluate and monitor risks to business objectives;

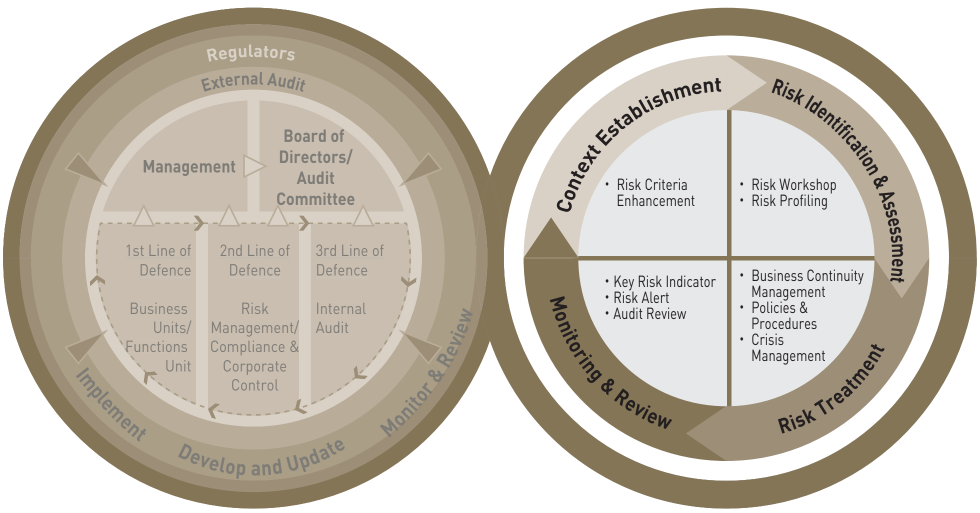
- Support management in assessing and responding to emerging risks;

- Lead in modifying control procedures in dealing with identified and/or potential irregularities at the business and functional units;

- Assist in developing and updating policies and procedures to ensure that key control and monitoring procedures over compliance and risk management have been integrated into the daily operations; and

- Report key risks and advise on mitigating strategies to the management and Audit Committee on a regular basis.

With reference to the globally recognized risk management framework, COSO ERM and ISO 31000, the Group's risk management process included risk identification, risk assessment, risk treatment and risk monitoring. The process is designed to manage and monitor the risks, but not eliminate all risks.



Highlights of Key Risk Management Activities

Risk Management Culture

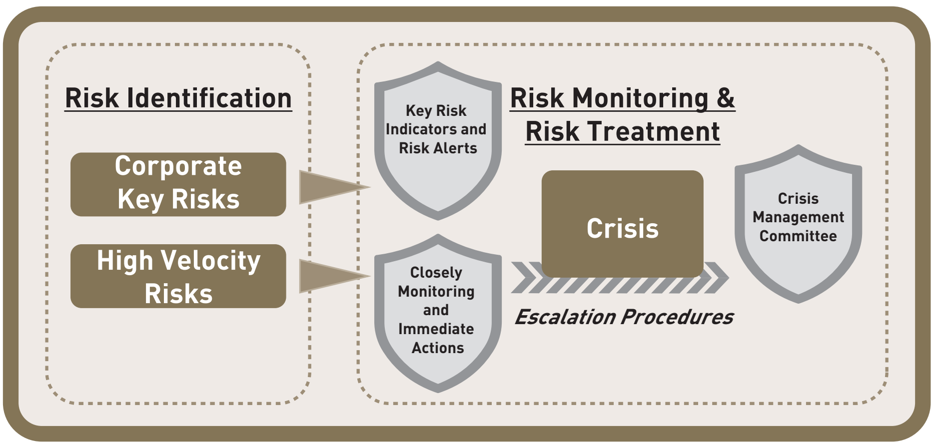
The Group believes that an ingrained risk culture is core to effective risk management. To embed such culture into daily business operations, annual risk management workshop was conducted to facilitate management and key team members to discuss, identify and assess risks in their operations, and to integrate business continuity management and risk mitigation elements into daily operations. This year, we increased the number of participants and invited different levels of team members to participate in our risk management workshop. The participants were facilitated to study and discuss different real-life events which highlighted and reinforced the importance of risk awareness and mitigation measures in their daily operations. In addition, we also discussed areas of improvements, especially with respect to emergency responses procedures, business continuity plan ("BCP") and crisis management. Results of a series of drills pursuant to the annual BCP plan were also discussed to ensure the plan can eventually be executed in an efficient and effective manner.

Enhancement on Risk Assessment — Environmental Impact

The risks presented by the environment and climate change have become the global focus for companies, regulators and the public. During the year, the Group conducted a two-way risk assessment on these areas, including the impact of our businesses on the environment as well as the impact of climate change on our businesses. To further enhance the assessment, we also included measurement of our impact on the environment in our assessment processes, so that the impact could be systematically assessed. Conversely, the impact of climate change on our businesses was also assessed through our existing risk measurement.

Monitoring on Key Risks and High Velocity Risk Events

To identify key risks to the Group, each possible risk event is assessed and prioritized based on its likelihood and impact. With the introduction and implementation of "Risk Velocity" in the risk assessment process last year, we have also identified risk events that would rapidly affect the Group. Accordingly, the Group could establish more effective monitoring and control measures based on the nature of different risk events. The Group has established key risk indicators to monitor key risks to the Group. Risk alerts based on periodic analysis on the risk indicators would be provided to business management so that they could administer corresponding responses in a timely manner. In addition, risk events identified with high velocity, such as events involving health and safety, media, system failure and natural disasters, would be controlled and monitored by embedding risk mitigation measures into day-to-day operations. The Group monitors such risk events on a daily basis and takes immediate actions to minimize impact to the Group.



Crisis Management

No system can perfectly manage all risks. Crisis events may occur in the next minute and damage could be catastrophic. The Group has established an effective crisis management team which includes senior management and key employees in various business and functional departments. As central commander, the committee responds quickly to crisis events in order to effectively and efficiently manage the impact to the Group.

3rd Line of Defence — Internal Audit

The Internal Audit Department, reporting directly and independently to the Audit Committee, is responsible for carrying out analysis and independent appraisal on adequacy and effectiveness of internal control and risk management system in accordance with its approved risk-based audit plan. Internal Audit periodically reports the key findings and recommendations to Audit Committee and follows up on the implementation of its recommendations. The objective is to ensure that all material controls are in place and functioning effectively.

During the year under review, internal audit has undertaken to provide the management with assurance that the Group's business operations and risk management practice complied with international and professional standards. With reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) internal control and risk management framework, the Group has conducted an assessment of the risk management and internal control system against the five elements of COSO, namely control environment, risk assessment, control activities, information & communication and monitoring.

Audit Committee and the Management

The Board has overall responsibility for the system of risk management and internal controls of the Group and has reviewed its effectiveness. Our Board has delegated the responsibility for overseeing overall risk management and internal control systems to Audit Committee.

The Audit Committee receives regular reports from Internal Audit Department and Risk Management & Corporate Services Department. The reports include key activities conducted and issues that arose in the period. The Audit Committee and the management regularly discuss the nature and impact of the issues and risks to see whether appropriate mitigating actions are in place and whether further action is needed. The management is tasked with ensuring adequate resources to support implementation of the decisions. Annually, the management would confirm to the Board on the status of risk management and internal control systems in respect of their effectiveness, design, implementation and monitoring. Like all systems, our systems could only provide reasonable but not absolute assurance against material misstatement, misstep or loss.

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 reporting of the Group.

External Auditors

The external auditors further supplement the 3rd Line of Defence process by obtaining an understanding of internal controls in the course of their audit work. The external auditors would independently communicate with the Audit Committee on any significant deficiencies in internal controls.

Mitigation Measures and Evaluation Findings

During the year, the risk management process assessed the following risk aspects, under 11 different categories, in respect of their impact on financial performance, reputation, health and safety, legal and compliance, staffing and the environment towards our business objectives. They are summarized as follows:

Risk Categories	Key Risks	Key Measures in Risk Mitigations	Risk Level (Risk Velocity)	Risk Momentum
Investment Strategy	Return on acquisitions/ investments/business developments could turn out to fall short of expectations due to uncontrollable external factors and may result in financial loss	– Investment decisions are supported by detailed integration plan and business strategies with management approval – Potential projects/ investments are subject to extensive due diligence review by in-house specialists and external advisors – Continuing monitoring and review of all aspects of development, planning and progress by experienced managers – Controls over projects/ investment are independently reviewed by internal audit	Medium (Slow)	←→ Under the current investment plan and control procedures, the risk is considered stable
Economic and Political Outlook	A significant portion of the Group's businesses and operations are in Hong Kong; adverse changes in economic and political environments could have a direct or indirect impact to the Group's earnings	– Establishment of risk indicators to constantly evaluate the economic environment it operates in and enable prompt response to any changes – Continuing monitoring of changes in the political agenda in Hong Kong and mainland China – Set up marketing strategy to cater to changes in economic and political outlook	Medium (Slow)	↑ Uncertainty is expected to increase amidst the uncertain economic & political outlook due to the China-US trade war

Risk Categories	Key Risks	Key Measures in Risk Mitigations	Risk Level (Risk Velocity)	Risk Momentum
Staff	Our core businesses are in people intensive industries. Risk related to employee issues, such as health and safety and loss of key staff, would affect the Group's ability to deliver on its strategies	– Maintain succession plans for key positions – Regular review on the competitiveness of our compensation and benefit arrangement – Provide development platform and comprehensive trainings to staff – Hygiene & Health Safety Teams are formed to regularly review and assess the work environment and to ensure compliance with the relevant legal requirements – Standard Operating Procedures for prevention and handling of work injury was established	Low to Medium (Rapid to Very Rapid)	←→ Although recruitment costs may increase due to new competitors entering the market, staff turnover rate has been stable in general. No significant health and safety issue in workplace has been brought to management attention
Legal and Compliance	Regulatory uncertainty and/or change of legal and regulatory requirements may lead to non-compliance of local/foreign regulations, leading to reputational damage and financial loss	– Actively engage with regulatory bodies and external advisors on any upcoming new legal and regulatory requirements – The requirements are closely monitored by RM&CS and relevant departments – Encourage staff to attend seminar to update relevant knowledge – Establish related policies and procedures to provide clear guidelines to staff – Regular independent review by Internal Audit Department to ensure compliance	Low to Medium (Slow)	←→ Although there are new legal and regulatory requirements which may increase compliance costs, the impact would not be significant

Risk Categories	Key Risks	Key Measures in Risk Mitigations	Risk Level (Risk Velocity)	Risk Momentum
Disaster Events	Major disaster events, including extreme weather events, terrorist attack and outbreak of contagious diseases such as Avian Flu, SARS, Ebola, would impact on our business operations, inflict damage to assets and company reputation, and reduce our earnings	– Emergency Procedures, Business Continuity Management and Crisis Management are in place to minimize impact to business operations during disaster events – Risk indicators are monitored on contagious diseases and preventive measures are carried out to minimize damages in extreme weather events – Drills on business continuity are conducted on an annual basis to ensure effectiveness – Comprehensive insurance coverages are in place for property assets, business interruption and third-party liabilities	Medium (Rapid to Very Rapid)	↑ Climate change is expected to increase frequency of extreme weather events over the world
Tenant and Customer	Loss of income due to customer dissatisfaction on our provision of goods/services, changes in customer/guest spending and dining propensity, competition from online shopping, and decline in spending on luxury goods and out-dining	– Continuously monitor guest feedbacks for further improvement – Enhance marketing and promotion to attract customers – Active engagement with current tenants/guests as part of marketing strategies – Keep continuously updated on market trends and make corresponding revisions to strategy	Low (Slow)	←→ No significant change in this area, and the risk level remains unchanged

Risk Categories	Key Risks	Key Measures in Risk Mitigations	Risk Level (Risk Velocity)	Risk Momentum
Contractor and Supplier	Association with problematic/ substandard contractors/ suppliers and food hygiene incidents may cause financial and reputational loss	– All vendors are required to go through the well-established pre-qualification mechanism – Closely monitoring of the performance of contractors/ suppliers – Mechanism on picking out and deregistering problematic vendors from the list is in place – Close monitoring by internal hygiene teams for food safety	Low (Rapid to Very Rapid)	←→ Under continuous monitoring procedures supplemented with crisis management mechanism, the risk level remains unchanged
Management & Operational Activities	Insufficient/ineffective internal controls in daily operations leading to financial loss and reputational damage, e.g. contractual risks, abusive use of discount, cash misappropriation, fraud committed with external parties, loss/degradation of physical assets, etc.	– Approval authority has been set up and well communicated among all staff – Policies and procedures on key controls have been established and published on intranet – Monitoring procedures, e.g. stocktaking/cash count by Group Finance, are in place – Regular repair and maintenance performed by internal team/contractors – Whistleblowing channel has been set up – Internal Audit conducts independent review on a regular basis	Low (Slow)	←→ As there is no significant change in business and operations, the risk level remains at a low level

Risk Categories	Key Risks	Key Measures in Risk Mitigations	Risk Level (Risk Velocity)	Risk Momentum
Information Technology ("IT")	Business operations may be adversely affected and sensitive information may be leaked out by Cyberattack by Internal/external hackers or security breach due to information technology infrastructure/ system failure	– Enforce security measures such as periodic change of password, updating antivirus and firewall protection – Establish information technology security policy on use of information technology equipment and installation of application software – Business continuity plan and disaster recovery plan on major information technology systems have been formulated and can be quickly applied to ensure business continuity – Recovery drills are conducted periodically to ensure its effectiveness	Low (Rapid to Very Rapid)	←→ The Group IT team stays alert with the IT security issues and the risk level remains at a low level
Brand and Reputation	The Group's brand and reputation may be affected by negative public attention which could result in significant decline in our tenant and customer base, and subsequent financial loss	– Guidelines on handling media enquiries to all level of staff have been established – Continuous monitoring of media coverages, with actions taken where necessary – Crisis management mechanism is in place with the formation of Crisis Management Committee – Spokesperson hierarchy and principles of corporate communications are in place	Low (Very Rapid)	←→ Marketing team closely monitors various media channels and incidents, and escalates to crisis management committee promptly. The risk level remains stable

Risk Categories	Key Risks	Key Measures in Risk Mitigations	Risk Level (Risk Velocity)	Risk Momentum
Environmental	Threats of adverse effects on environment by effluents, emissions, wastes, resource depletion, etc., arising out of daily operations; Negative impact on the operations resulting from climate change, e.g. supply chain disruption, food source, etc.	– Environmental Policy have been established – Environmental Committees have been set up to enhance environmental protection – Environmental trainings are provided to staff – Green purchasing practices are followed and sufficient vendor pool is maintained – Closely monitoring on energy usage – A series of Energy Saving Plan, e.g. upgrade of chiller plant, use of LED light bulbs, have been implemented – Promote awareness of the environment among guests, e.g. no provision of plastic straw	Low (Slow)	←→ Due to the industrial nature, the risk level remains at a low level

Risk Momentum: (↑) Risk level increased; (↓) Risk level decreased; or (←→) Risk level unchanged

Auditors' Remuneration

During the year ended 31 December 2018, the fees (before out-of-pocket expenses) paid/payable to the Company's auditors, KPMG, for the provision of audit services and non-audit services are as follows:

	Remuneration HK$'000
Audit services	2,720
Non-audit services:	
Interim review	440
Other services	295
	3,455

Model Code for Securities Transaction by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

Communication with Shareholders

During the year ended 31 December 2018, the Board has adopted a Shareholders Communication Policy reflecting mostly the current practices of the Company for communication with its shareholders. Such policy is to promote effective communication with shareholders of the Company and enable them to exercise their rights as shareholders in an informed manner and to furnish the investment community with equal and timely access to information about the Company. It will be updated in response to any subsequent changes in internal structure, regulatory and market developments.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.miramar-group.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website and the Articles of Association of the Company is made available on the respective websites of the Stock Exchange and the Company;

(iv) Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's Share Registrar serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

Shareholders' Rights

(a) Procedures for shareholders to convene an extraordinary general meeting ("EGM")

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call an EGM.

The request:

(i) must state the general nature of the business to be dealt with at the EGM;

(ii) may include the text of a resolution that may properly be moved and is intended to be moved at the EGM;

(iii) may consist of several documents in like form;

(iv) may be sent in hard copy form (to the Company's registered office, which is situated at 15/F Mira Place Tower A, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong for the attention of the Joint Company Secretaries) or in electronic form (via email at IR@miramar-group.com); and

(v) must be authenticated by the person or persons making it.

Pursuant to Section 567 of the Companies Ordinance. Directors must call an EGM within 21 days after the date on which they become subject to the requirement and the EGM so called must be held on a date not more than 28 days after the date of the notice convening the EGM.

Pursuant to Section 568 of the Companies Ordinance, if the Directors do not do so, the shareholders who requested the EGM, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an EGM. The EGM must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call an EGM. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the EGM by reason of the failure of the Directors duly to call the EGM.

(b) Procedures for putting forward enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Joint Company Secretaries whose contact details are as follows:

15/F, Mira Place Tower A
132 Nathan Road
Tsim Sha Tsui
Kowloon, Hong Kong
Fax: (852) 2736 4975
Email: IR@miramar-group.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

(c) Procedures for shareholders to request circulation of resolution for annual general meeting ("AGM")

Pursuant to Section 615 of the Companies Ordinance, shareholder(s) can make a request to circulate a notice of a resolution that may properly be moved and is intended to be moved at an AGM. The request must be made by:

(i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates; or

(ii) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

The request:

(i) may be sent in hard copy form (to the Company's registered office, which is situated at 15/F, Mira Place Tower A, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong for the attention of the Joint Company Secretaries) or in electronic form (via email at IR@miramar-group.com);

(ii) must identify the resolution of which notice is to be given;

(iii) must be authenticated by the person or persons making it; and

(iv) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

Constitutional Documents

During the year ended 31 December 2018, there are no changes in the Company's constitutional documents.

Principal Risks

Miramar Group's core businesses span hotels & serviced apartments, food & beverage, property leasing and travel agency. There are several principal risks & uncertainties to our business which may directly or indirectly affects the Group's business, financial conditions, operations, and future prospect of the business. The magnitude of impact arising from these risks on the Group depends on severity, duration and locality of the event should it occurs. Risk is a function of many dynamic forces and factors at play in the environment the Group operates. As such, there are risks that are not significant now but can turn significant, risk we are not aware of, and/or new risk emerging in the future. A comprehensive risk management system is established to continually monitor, review, evaluate, update and mitigate these risks. Outlined here are the principal risks that may affect the Group's businesses, and it is not intended to be exhaustive or comprehensive.

1. Economic Downturn and Investment Uncertainty

The Group's core businesses and investments are mainly in Hong Kong and susceptible to, amongst others, elements that impact consumer and investor confidence, retail spending, property prices, interest rates and visitor arrivals. Then global economy is expected to usher in a challenging year due to the US-China trade war, rising interest rates and uncertainty in financial markets. Hong Kong being an international financial centre is not expected to be spared from the hit. The Group would closely monitor the economic environment it operates in, and constantly evaluate and take appropriate actions to mitigate these risks and adjust our strategies and operations where appropriate.

2. Disaster Event

Global warming and climate change increase the frequency of natural disaster events, such as super typhoon, earthquake or flooding. Other disaster events include outbreak of contagious diseases and a major fire in our core properties, etc. Depending on the severity, duration and locality, they could severely disrupt the Group's business operations and causing damages to our properties. The Group has established a Crisis Management Team and devised comprehensive Business Continuity Management blueprints in an effort to minimize disruption to business, damage to assets and harm to personnel, on top of taking every step to prevent such occurrences. Crisis management procedures have been regularly reviewed and annual drills on Business Continuity Plan are conducted to identify areas for improvement. The Group regularly conducts risk assessment, and has taken out comprehensive insurance, covering its properties, business operations and third-party liabilities.

3. Human Resources

The Group's core businesses are people-intensive service businesses, in which retention of key and skillful staff is a challenge to our business performance. During the year, a few revisions to labour legislation came into force, including the increase in statutory minimum wages and the increase in statutory paternity leave. Competition for labour has been on the rise, as several large-scale competitors have recently entered the market. Labour costs are thus expected to increase. The Group monitors labour market conditions on a regular basis to ensure our employment terms are both reasonable and competitive while maintaining our high quality of services. As always, business strategies have been timely reviewed to optimize benefits to stakeholders.

4. Legal and Compliance

The Group is committed to complying with the relevant legal and regulatory requirements. The compliance costs are projected to be rising due to imposition of new standards and requirements by government and regulatory bodies. The costs include engagement of external consultants for advice and staff training, and for establishment/update of policies and procedures in response to the new requirements. The Group actively engages with the regulatory bodies and external advisors on any upcoming new requirements to ensure compliance.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding, and the principal activities of its principal subsidiaries are property rental, hotels and serviced apartments, food and beverage operation and travel operation; the particulars of which are set out in note 11 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2018 are set out in note 9 to the financial statements.

Group Profit

The profit of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 99 to 179.

Dividends

An interim dividend of HK24 cents per share (2017: HK23 cents per share) was paid on 16 October 2018. The directors now recommend the payment of a final dividend of HK37 cents per share (2017: HK36 cents per share) in respect of the year ended 31 December 2018 to shareholders whose names are on the Register of Members as at 18 June 2019. 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 about 4 July 2019.

Business Review and Performance

The business review of the Group for the year ended 31 December 2018 and the discussion on the Group's future business development are set out in the sections headed "Chairman and CEO's Statement" and "Management Discussion and Analysis". Description of the principal risks and uncertainties facing the Group are set out in the section headed "Principal Risks". There were no important events affecting the Group since the end of the financial year end. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on pages 4 and 5 of this Annual Report. Discussion on the Company's environmental policies and performance, relationships with employees, customers, suppliers and other stakeholders as well as compliance with relevant laws and regulations are in the sections headed "Environmental, Social and Governance Report".

Major Customers and Suppliers

Due to the diversity and nature of the Group's activities, the aggregate percentage of the Group's sales and purchases attributable to the Group's five largest customers and suppliers respectively was less than 30%.

At 31 December 2018, none of the directors, their close associates or shareholders who, to the knowledge of the directors, own more than 5% of the Company's number of issued shares, had an interest in any of the five largest customers and suppliers. The Directors do not consider any one employee, customer, supplier and others to be influential to the Group.

Directors

The directors who held office during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Mr LEE Ka Shing
Mr Richard TANG Yat Sun
Dr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

Non-Executive Directors

Dr LEE Shau Kee
Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee

Independent Non-Executive Directors

Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung
Mr Thomas LIANG Cheung Biu

In accordance with Articles 77, 78 and 79 of the Company's Articles of Association, Dr Lee Shau Kee, Dr David Sin Wai Kin, Dr Patrick Fung Yuk Bun, Mr Eddie Lau Yum Chuen and Mr Howard Yeung Ping Leung shall retire by rotation at the forthcoming 2019 Annual General Meeting and, being eligible, have offered themselves for re-election. The Nomination Committee has also recommended to the Board that they are eligible for re-election.

Directors of Subsidiaries

A list of names of all the directors who have served on the boards of the Company's subsidiaries during the year ended 31 December 2018 and up to the date of this report is available on the Company's website at www.miramar-group.com.

Directors' Service Contracts

No director proposed for re-election at the forthcoming 2019 Annual General Meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory obligations.

Management Contracts

No contracts (as defined in Section 543 of the Companies Ordinance (Cap. 622)) relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Disclosure of Interests

Directors' Interests in Shares

At 31 December 2018, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares

Long Positions

Name of Company	Name of Director	Personal Interests (shares)	Family Interests (shares)	Corporate Interests (shares)	Other Interests (shares)	Percentage of total issued shares
Miramar Hotel and Investment Company, Limited	Dr LEE Shau Kee	–	–	336,481,980 *(note 1)*	–	48.70%
	Mr LEE Ka Shing	–	–	–	336,481,980 *(note 2)*	48.70%
	Dr David SIN Wai Kin	4,989,600	–	–	–	0.72%
	Dr Patrick FUNG Yuk Bun	–	–	–	10,356,412 *(note 3)*	1.50%
	Mr Dominic CHENG Ka On	9,329,568	4,800	–	–	1.35%
	Mr Richard TANG Yat Sun	150,000	–	13,490,280 *(note 4)*	–	1.97%
	Mr Thomas LIANG Cheung Biu	–	2,218,000 *(note 5)*	–	–	0.32%

Save as disclosed above, as at 31 December 2018, none of the directors or the chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the year ended 31 December 2018 was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Others' Interest

The Company has been notified of the following interests in the Company's issued shares at 31 December 2018, amounting to 5% or more of the shares in issue:

Ordinary Shares

Long Positions

Substantial shareholders	No. of Shares Held		Percentage of total issued shares
Dr LEE Shau Kee	336,481,980	*(note 1)*	48.70%
Mr LEE Ka Shing	336,481,980	*(note 2)*	48.70%
Rimmer (Cayman) Limited ("Rimmer")	336,481,980	*(note 6)*	48.70%
Riddick (Cayman) Limited ("Riddick")	336,481,980	*(note 6)*	48.70%
Hopkins (Cayman) Limited ("Hopkins")	336,481,980	*(note 6)*	48.70%
Henderson Development Limited ("Henderson Development")	336,481,980	*(note 7)*	48.70%
Henderson Land Development Company Limited ("Henderson Land")	336,481,980	*(note 7)*	48.70%
Aynbury Investments Limited ("Aynbury")	336,481,980	*(note 7)*	48.70%
Higgins Holdings Limited ("Higgins")	120,735,300	*(note 7)*	17.47%
Multiglade Holdings Limited ("Multiglade")	119,140,680	*(note 7)*	17.24%
Threadwell Limited ("Threadwell")	96,606,000	*(note 7)*	13.98%
Persons other than substantial shareholders			
Mr CHONG Wing Cheong	68,910,652		9.97%

Save as disclosed above, as at 31 December 2018, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Notes:

(1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins. By virtue of the SFO, Dr Lee Shau Kee is taken to be interested in 336,481,980 shares, which are duplicated in the interests described in Notes 2, 6 and 7.

(2) As a director of the Company and one of the discretionary beneficiaries of two discretionary trusts holding units in a unit trust ("Unit Trust") as described in Note 6, Mr Lee Ka Shing is taken to be interested in 336,481,980 shares, which are duplicated in the interests described in Notes 1, 6 and 7, by virtue of the SFO.

(3) All these shares were held by a unit trust of which Dr Patrick Fung Yuk Bun was a beneficiary.

(4) All these shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued shares.

(5) These 2,218,000 shares, of which 1,080,000 shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary and the remaining of 1,138,000 shares were held by his spouse.

(6) Rimmer and Riddick, trustees of different discretionary trusts, held units in the Unit Trust. Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in Henderson Development. These 336,481,980 shares are duplicated in the interests described in Notes 1, 2 and 7.

(7) Henderson Development had a controlling interest in Henderson Land which was the holding company of Aynbury. The 336,481,980 shares were beneficially owned by some of the subsidiaries of Aynbury. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. These 336,481,980 shares are duplicated in the interests described in Notes 1, 2 and 6.

Continuing Connected Transactions

The Group has the following continuing connected transactions during the year ended 31 December 2018:

(1)(a) On 23 November 2015, a lease (the "Whole of 18th Floor Lease") was entered into between Shahdan Limited ("Shahdan") as landlord and Union Medical Centre Limited ("Union Medical") as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Premises	:	Units 1801–18 on the 18th Floor, Mira Place Tower A (previously known as Miramar Tower), 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years, commencing from 1 February 2016 to 31 January 2019 (both days inclusive).
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) (payable in advance on the 1st day of each month) during the term is HK$1,841,307.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) (payable in advance on the 1st day of each month) is HK$265,306.60; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Usage	:	To be used as a clinic only.

Union Medical is a company indirectly controlled by the private trusts of the family of Dr Lee Shau Kee. Accordingly, Union Medical is a connected person of the Company thereby rendering the Whole of 18th Floor Lease a continuing connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Such continuing connected transaction has expired on 31 January 2019, and was renewed under a tenancy agreement as listed under the following paragraph 1(b).

(1)(b) On 14 November 2018, a tenancy agreement (the "New Tenancy Agreement") was entered into between Shahdan as landlord and Union Medical as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Premises	:	Units 1801–18 on the 18th Floor, Mira Place Tower A, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years, commencing from 1 February 2019 to 31 January 2022 (both days inclusive).
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) (payable in advance on the 1st day of each month) during the term is HK$2,051,176.00; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) (payable in advance on the 1st day of each month) is HK$304,904.60; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Usage	:	To be used as a clinic only to be staffed by any combination of the specialist physicians specializing in Surgery, Cardiology, Urology, Chest Specialist, Orthopaedics, Obstetrics & Gynaecology, Ophthalmology, and Ear, Nose, Throat Surgery, Plastic and Cosmetic Surgery, Dermatology & Surgery, Health Check, Endoscopy Clinic, IVF Laboratory & Reproductive Medicine Centre, Child Assessment Clinic, Medical Imaging Centre, Dental Clinic, Internal Medicine, Conference Room.

Union Medical is a connected person of the Company thereby rendering the New Tenancy Agreement a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(1)(c) On 17 August 2016, a lease (the "1706-1707 Lease") was entered into between Shahdan as landlord and Union Medical as tenant, whereby Shahdan agreed to let to Union Medical the premises upon the terms as detailed below:

Premises	:	Units 1706–1707 on the 17th Floor, Mira Place Tower A (previously known as Miramar Tower), 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years, commencing from 1 September 2016 to 31 August 2019 (both days inclusive).
Rent-Free period	:	No rent is to be payable by the tenant for the initial 61 days starting from and inclusive of the Lease Commencement Date provided that the management fee and air-conditioning charges, government rates and utility charges for the Premises shall still be paid by the tenant during the rent-free period.
Rent and other charges	:	The rent payable on a monthly basis (exclusive of government rates, management fee and air-conditioning charges) (payable in advance on the 1st day of each month) during the term is HK$215,262.50; The aggregate monthly management fee and air-conditioning charges (subject to the periodic review or revision by Shahdan or its designated property manager) (payable in advance on the 1st day of each month) is HK$35,961.50; and Extra chilled water supply costs may be charged by Shahdan to Union Medical for additional chilled water supply required by Union Medical which is beyond the specified normal daily chilled water supply hours.
Usage	:	To be used as a clinic only.

Union Medical is a connected person of the Company thereby rendering the 1706-1707 Lease a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(2) On 19 November 2013, Profit Advantage Limited, a wholly-owned subsidiary of the Company as tenant entered into a sub-lease with IFC Development Limited as landlord ("Sub-Lease") and certain floor space at the ifc mall are also being licenced by the landlord to the tenant. Details of the terms and conditions are set out as follows:

Premises	:	Shop Nos. 3101-3107 on Level Three of ifc mall (the "ifc Premises") and certain floor space at ifc mall.
Term	:	Initial term of three years commencing from 7 July 2013 to 6 July 2016 (the "Initial Term") and, for the Licence, on an annual basis (and/or such shorter period as may be agreed between the landlord and the tenant) subject to termination upon termination of the Sub-Lease.
Rent and other charges	:	The rent payable on monthly basis (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings) during the term shall be as follows: (a) From 7 July 2013 to 6 July 2016, basis rent in the sum of HK$836,594.00 per month together with turnover rent representing the amount by which 11% of the Gross Receipts exceeds the basic rent per month (the "Turnover Rent"); and (b) From 7 July 2016 to 6 July 2019, provided an option (as defined below) is exercised by the tenant, at open market rent provided that the basic rent shall not be less than HK$836,594.00 per month or more than HK$1,003,912.80 per month, together with the Turnover Rent. The aggregate air-conditioning and management charges and promotional levy payable on monthly basis in respect of the Sub-Lease shall be approximately HK$435,736.00 per month (subject to review from time to time). The aggregate licence fee, air-conditioning and management charges and promotional levy payable on a monthly basis in respect of the Licence shall be approximately HK$9,890.40 per month (subject to review from time to time).
Option	:	An option exercisable by the tenant at the expiry of the Initial Term on 6 July 2016 to renew the sub-lease of the ifc Premises for three years. The parties will enter into new agreement(s) upon the tenant exercising the renewal option.
Usage	:	The ifc Premises shall be used for operating up-market restaurants and the certain floor space are used in connection with the restaurant business.

On 7 June 2016, the tenant exercised the option to renew the sub-lease of the ifc Premises (the "Renewed Sub-Lease") for three years upon the terms as detailed below:

Term	:	Three years commencing from 7 July 2016 to 6 July 2019.
Rent and other charges	:	The rent payable on monthly basis (exclusive of rates, air-conditioning and management charges, promotional levy and all other outgoings) during the term is HK$923,602.93 per month together with turnover rent representing the amount by which 11% of the Gross Receipts exceeds the basic rent per month. The aggregate air-conditioning and management charges and promotional levy payable on monthly basis in respect of the Renewed Sub-Lease shall be approximately HK$471,144.50 per month (subject to review from time to time).

As the landlord is an associate of Henderson Land Development Company Limited ("Henderson Land"), which in turn is a substantial shareholder of the Company, therefore the landlord is a connected person of the Company under Listing Rules. Accordingly, the entering into of the Sub-Lease and the Renewed Sub-Lease constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(3) On 5 December 2013, a lease (the "Mira Moon Lease Agreement") was entered into between Intelligent House Limited as landlord (the "Landlord") and Mira Moon Limited, a wholly-owned subsidiary of the Company, as tenant (the "Tenant"), whereby the tenant had agreed to lease from the landlord the premises upon the terms as detailed below:

Premises	:	the Premises, being the remaining portion of section A of Marine Lot No. 436 together with a building now known as "MIRA MOON" located at No. 388 Jaffe Road, Wanchai, Hong Kong.
Term	:	10 years and 6 months, commencing from 21 November 2013 to 20 May 2024 (both days inclusive).
Termination by sale and redevelopment	:	If, at any time during the Term, the Landlord shall resolve to (i) sell the Premises or any part of it; (ii) assign any of its rights and interests in the Premises or any part of it to any third party(ies); or (iii) re-develop the Premises or any part of it by demolition, rebuilding, renovation, refurbishment or otherwise, the Landlord shall have the right upon giving 6 months written notice to the Tenant to terminate the Mira Moon Lease Agreement; provided that such notice of termination shall not be given by the Landlord to the Tenant on or before the expiry date of the 5th year of the Term (i.e. on or before 30 June 2018).

Rent	:	A base rent of HK$1,320,000.00 per month (the "Base Rent") plus the Additional Rent, which is calculated in the following manner: <u>Additional Rent</u> The Additional Rent in respect of each and every year of the Term (the "Relevant Year") for the Term ("Annual Additional Rent") shall be: (i) where the Gross Annual Room Revenue is less than or equal to HK$80,000,000.00, the amount of the Additional Rent payable shall be 22.5% of the Gross Annual Room Revenue exceeding HK$15,840,000.00 for the Relevant Year; or (ii) where the Gross Annual Room Revenue is more than HK$80,000,000.00 but less than or equal to HK$100,000,000.00, the amount of the Additional Rent payable shall be 25% of the Gross Annual Room Revenue exceeding HK$15,840,000.00 for the Relevant Year; or (iii) where the Gross Annual Room Revenue is more than HK$100,000,000.00 but less than or equal to HK$130,000,000.00, the amount of the Additional Rent payable shall be 27.5% of the Gross Annual Room Revenue exceeding HK$15,840,000.00 for the Relevant Year; or (iv) where the Gross Annual Room Revenue is more than HK$130,000,000.00, the amount of the Additional Rent payable shall be 30% of the Gross Annual Room Revenue exceeding HK$15,840,000.00 for the Relevant Year. If the amount of Annual Additional Rent calculated based on the above formula is a negative figure, then no Annual Additional Rent shall be payable by the Tenant to the Landlord for that Relevant Year. The Annual Additional Rent in respect of any Relevant Year shall be paid annually in arrears by the Tenant to the Landlord within 90 days immediately following the end of the Relevant Year subject to the terms and conditions of the Mira Moon Lease Agreement.
Food and Beverage charges	:	The Tenant shall pay to the Landlord 15% of the monthly Food and Beverage Revenue of the Tenant's business at the Food and Beverage Outlets without any deduction (the "Food and Beverage Charges").

		Provisional Food and Beverage Charges in respect of any calendar month shall be paid in arrears by the Tenant in respect of the monthly Food and Beverage Revenue of the Tenant's business during the relevant calendar month by the 15th day of the immediately following calendar month. Within 90 days after the expiration of each calendar year, the Tenant shall supply a statement certified by its auditors or external accountants (the "Certified Statement") as to the actual amount of the Food and Beverage Revenue for the relevant calendar year. If the actual sum paid as provisional Food and Beverage Charges payable for any calendar month is less than the actual Food and Beverage Charges payable for the relevant calendar month calculated based on the Certified Statement, the shortfall shall be paid by the Tenant to the Landlord within 30 days of the Landlord's notice to the Tenant on such shortfall. If the actual sum paid as provisional Food and Beverage Charges payable for any calendar month is more than the actual Food and Beverage Charges payable for the relevant calendar month calculated based on the Certified Statement, such excess sum shall be refunded by the Landlord to the Tenant within 30 days of the Landlord's receipt of the Certified Statement.
Rates, outgoings and other charges	:	The Tenant shall pay and discharge all rates, taxes, assessments, duties, impositions, charges and outgoings levied on the Premises by the Government of Hong Kong or other lawful authority, save that the Government rent and property tax in respect of the Premises shall be paid by the Landlord. The Tenant shall also pay to the suppliers and indemnify the Landlord against all deposits and charges in respect of electricity, gas, water and telephone and other services consumed or used at or in relation to the Premises.
Deposit	:	A sum of HK$1,320,000.00 payable by the Tenant to the Landlord on the signing of the Mira Moon Lease Agreement.
Rent-free period	:	Three respective rent free periods for a total of 6 months during the Term as follows: (i) the 3rd and 4th months of the Term (i.e. commencing from 21 January 2014 to 20 March 2014 (both days inclusive)); (ii) the 15th and 16th months of the Term (i.e. commencing from 21 January 2015 to 20 March 2015 (both days inclusive)); and (iii) the 27th and 28th months of the Term (i.e. commencing from 21 January 2016 to 20 March 2016 (both days exclusive));

		during which the Tenant shall not be obliged to pay the Base Rent but shall pay the rates, all outgoings and utility charges in respect of the Premises. The Gross Annual Room Revenue received by the Tenant during each of the rent-free periods will be counted for the purpose of calculation of the Additional Rent for that relevant year of the Term and the Tenant shall also pay to the Landlord the Food and Beverage Charges during the rent-free periods.
Usage	:	To use the Premises for the purpose of a high class hotel and providing such types of services that are normally provided by other high class hotels in Hong Kong.
Commencement of business at the Premises		The Tenant shall commence business as a hotel at the Premises on or before 21 November 2013.
Opening contribution	:	The Landlord shall contribute a sum in a total amount of HK$9.7 million towards the actual cost incurred by the Tenant in setting up a first class design hotel at the Premises and such Opening Contribution shall be paid by the Landlord to the Tenant within 60 days after signing of the Mira Moon Lease Agreement by the Tenant.
Transfer of restaurant licence	:	At the expiration or sooner determination of the Term, the Tenant shall at the request of the Landlord assign or transfer or procure to assign or transfer the general restaurant licence and the liquor licence or related licences (collectively the "Licences") for operating the then existing Food and Beverage Outlets at the Premises to the Landlord or such person or corporation nominated by the Landlord without any consideration, compensation or payment. The Tenant shall not transfer or assign the Licences to any person or corporation for consideration or otherwise during the Term without the consent of the Landlord. All charges relating to the aforesaid assignment or transfer of the Licences shall be borne by the Landlord.
Transfer of hotel licence	:	At the expiration or sooner determination of the Term, the Tenant shall at the request of the Landlord assign or transfer or procure and ensure the assignment or transfer of the hotel licence used in the operation of the Premises as a hotel (the "Hotel Licence") to the Landlord or such person or corporation nominated by the Landlord without any consideration, compensation or payment. Without the consent of the Landlord, the Tenant or the holder of the Hotel Licence shall not transfer or assign the Hotel Licence to any person or corporation for consideration or otherwise. All charges relating to the aforesaid assignment or transfer of the Hotel Licence shall be borne by the Landlord.

As the Landlord is an indirect wholly-owned subsidiary of Henderson Land, which in turn is a substantial shareholder of the Company, therefore the Landlord is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Mira Moon Lease Agreement constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(4) On 3 August 2017, the Group entered into the following agreements with Henderson Property Agency Limited ("HPAL") which constituted continuing connected transactions for the Company:

(i) A tenancy agreement (the "Tenancy Agreement") entered into between Shahdan as landlord and HPAL as tenant; and

(ii) A licence agreement (the "Pillar Signage Licence Agreement") entered into between Shahdan as licensor and HPAL as licensee.

Details of the terms and conditions of the agreements are set out as follows:

Details of the Tenancy Agreement

Premises	:	Shops 501, 502, 503, 505 and 506, 5/F., Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years commencing from 5 August 2017 to 4 August 2020, both days inclusive. Both the landlord and the tenant shall have the right to early terminate the lease by giving a notice of not less than three months to the other party after 4 February 2019.
Rent and other charges	:	(a) rent payable on a monthly basis (exclusive of Government rates, management fee, air-conditioning charges and promotion contribution) during the term is HK$2,200,000.00; (b) Government rates (subject to Government's review) is HK$219,000.00 per quarter; (c) aggregate monthly management fee and air-conditioning charges (subject to periodic review by Shahdan or its designated management company of the Premises) is HK$393,566.70; and (d) monthly promotion contribution, being 1.75% of the monthly rent of Premises, that is HK$38,500.00 subject to periodic review by Shahdan.

Details of the Pillar Signage Licence Agreement

Pillar Signage Licence Area	:	Pillar Signage near Shop No. G02 on the Ground Floor of Mira Place 1, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong.
Term	:	Three years commencing from 5 August 2017 to 4 August 2020, both days inclusive, subject to the right of early termination. The licensor shall have the right to early terminate the license by giving one month's prior notice to the licensee and repossess the Pillar Signage Licence Area without any compensation to the licensee.
Licence fee and other charges	:	(1) The licence fee (exclusive of electricity charges but inclusive of management fee, air-conditioning charge and rates) payable for the whole term is HK$1,100.00; and (2) Electricity charges, and ongoing maintenance cost (if any) shall be borne by the licensee during the Licence Period.
User	:	To be used for advertising the trade name of the licensee only

As HPAL is an indirect wholly-owned subsidiary of Henderson Land, which in turn is a substantial shareholder of the Company, therefore HPAL is a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Tenancy Agreement and Pillar Signage Licence Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since both Dr Lee Shau Kee and Mr Lee Ka Shing, being Directors, through companies indirectly controlled by the private trusts of the family of Dr Lee Shau Kee, are deemed to be interested in the shares in Henderson Land and Union Medical, they both have material interest in all of the above transactions.

Annual review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed that they have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the above relevant agreements governing them which terms are fair and reasonable and in the interests of the Company's shareholders as a whole.

The independent non-executive directors confirmed the above based mainly on the confirmation offered by the Company's Director of Internal Audit.

The auditors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed in writing to the board of directors of the Company that they:

(i) have received the approval of the board of directors of the Company;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the terms of the above relevant agreements governing the transactions; and

(iv) have not exceeded the relevant cap amounts of such transactions as disclosed in the relevant announcements for the year ended 31 December 2018.

Directors' Interests in Transactions, Arrangements or Contracts

Apart from the material interest that some of the directors and their connected entity held in the contracts under the paragraph of the Continuing Connected Transactions, there were no other transactions, arrangements or contracts of significance which subsisted during or at the end of the financial year in which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director was interested, directly or indirectly, and the director's interest was material.

Directors' and Management Emoluments

Particulars of directors' emoluments and the five highest paid individuals in the Group are set out in notes 5 and 6 respectively to the financial statements.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2018 was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Business

The following directors are considered to have interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules:

1. Dr Lee Shau Kee, Mr Lee Ka Shing and Dr Colin Lam Ko Yin are also directors of Henderson Development and Henderson Land which, through their subsidiaries, are also engaged in the businesses of property investment and other related services.

2. Mr Eddie Lau Yum Chuen and Mr Alexander Au Siu Kee are also directors of Henderson Land which, through its subsidiaries, is also engaged in the businesses of property investment and other related services.

3. Dr Lee Shau Kee, Dr Colin Lam Ko Yin, Mr Eddie Lau Yum Chuen, Mr Norman Ho Hau Chong and Mr Alexander Au Siu Kee are also directors of Hong Kong Ferry (Holdings) Company Limited ("HK Ferry"), the principal activities of this group include property development and property investment.

4. Mr Alexander Au Siu Kee is also a director of Wharf Real Estate Investment Company Limited which is also engaged in the businesses of property investment, hotel management and operation and other related services.

5. Dr Lee Shau Kee and Mr Lee Ka Shing are also treated to have deemed interest in Henderson Development, Henderson Land and HK Ferry by virtue of the Securities and Futures Ordinance, Chapter 571.

As the board of directors of the Company is independent from the boards of the above-mentioned companies and none of the above directors controls the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of those companies.

Permitted Indemnity Provision

The Company's Articles of Association provides that every director shall be indemnified out of the fund of the Company against all liabilities incurred by him as such Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under the Ordinance in which relief from liability is granted to him by the Court. The Company and its subsidiaries have taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at 31 December 2018 amounted to HK$1,835,331,000 (2017: HK$731,370,000).

Charitable Donations

Donations made by the Group during the year ended 31 December 2018 amounted to HK$211,600 (2017: HK$96,803).

Investment Properties, Other Property, Plant and Equipment

Details of movements in investment properties, other property, plant and equipment are set out in note 10 to the financial statements.

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.

Bonus Warrants Issue

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 subscription rights attached to these warrants which have not been exercised were lapsed (2017: 64,099,684 units of warrants remained outstanding).

Shares Issued and Share Capital

During the year ended 31 December 2018, the Company issued and allotted 62,381,877 shares on the exercise of warrants and the Group realised cash proceeds of HK$842,155,000 (net of expenses).

Details of the share capital during the year ended 31 December 2018 are set out in note 22(b) to the financial statements.

Equity-linked Agreements

For the year ended 31 December 2018, the Company has not entered into any equity-linked agreement, which will or may result in the Company issuing shares.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2018 are set out in note 18 to the financial statements.

Particulars of Debt Securities, Convertible Securities or Options Issued by the Company and its Subsidiaries

The Company and its subsidiaries have not issued, during the year ended 31 December 2018, any debt securities, convertible securities or options.

Borrowing Cost Capitalisation

No borrowing cost was capitalised by the Company and its subsidiaries during the year ended 31 December 2018 (2017: HK$Nil).

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

Group's Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 180.

Group Properties

Particulars of the major properties and property interests of the Group are shown on pages 181 to 182.

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 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.

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.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company until the conclusion of the next Annual General Meeting is to be proposed at the forthcoming 2019 Annual General Meeting.

Forward-Looking Statements

This annual report 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

Independent auditor's report to the members of Miramar Hotel and Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Miramar Hotel and Investment Company, Limited (the "Company") and its subsidiaries (the "Group") set out on pages 99 to 179, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Valuation of investment properties

Refer to the accounting policy at note 1(h) and note 10 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The fair value of the Group's investment properties as at 31 December 2018 totalled HK$14,867 million which represented 73% of the Group's total assets as at that date. The fair value of the Group's investment properties as at 31 December 2018 was assessed by the board of directors based on independent valuations prepared by an independent firm of surveyors. The changes in fair value of investment properties recorded in the consolidated statement of profit or loss represented 43% of the Group's profit before taxation for the year ended 31 December 2018. The Group's investment properties, which are located in Hong Kong and first tier cities in Mainland China, comprise shopping malls, office premises, retail shops and car parking bays. We identified assessing the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of the changes in fair value of investment properties to the Group's profit before taxation and because the valuation of investment properties can be inherently subjective and requires the exercise of significant judgement and estimation, in particular in determining the appropriate valuation methodology, capitalisation rates and market rents, which increases the risk of error or management bias.	Our audit procedures to assess the valuation of investment properties included the following: • obtaining and inspecting the valuation reports prepared by the independent firm of surveyors engaged by the Group on which the directors' assessment of valuation of investment properties was based; • assessing the qualifications of the external surveyors and their experience in the properties being valued and considering their objectivity and independence of management; • discussing with the external surveyors their valuation methodology in a separate private session and challenging the key estimates and assumptions adopted in the valuations, including the capitalisation rates and market rents, by comparing assumptions made in prior years with the current year's assumptions and current publicly available data, with the assistance of our internal property valuation specialists; and • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external surveyors with underlying contracts and related documentation, on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang Lee.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
18 March 2019

Consolidated Statement of Profit or Loss

for the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	9	**3,199,078**	3,186,203
Cost of inventories		**(160,729)**	(173,387)
Staff costs	3(a)	**(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	10(a)	**(99,142)**	(113,614)
		1,018,088	909,223
Finance costs	3(b)	**(1,108)**	(7,159)
Share of profits less losses of associates	12	**4,197**	(1,065)
		1,021,177	900,999
Other non-operating net gain	3(c)	**13,481**	61,724
Net increase in fair value of investment properties	10(a)	**783,475**	723,487
Profit before taxation	3	**1,818,133**	1,686,210
Taxation			
Current	4(a)	**(150,919)**	(139,027)
Deferred	4(a)	**(7,703)**	(3,855)
Profit for the year		**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
Earnings per share			
Basic	8(a)	**HK$2.36**	HK$2.52
Diluted	8(b)	**HK$2.36**	HK$2.45

The notes on pages 108 to 179 form part of these financial statements. Details of dividends payable to shareholders of the Company attributable to the profit for the year are set out in note 7(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Note	**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	*27*	**(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.

The notes on pages 108 to 179 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	*10(a)*	**14,867,081**	14,102,734
Other property, plant and equipment	*10(a)*	**266,792**	305,955
		15,133,873	14,408,689
Interests in associates	*12*	**4,200**	801
Equity securities designated at FVOCI	*13*	**92,191**	–
Financial assets measured at FVPL	*13*	**1,547**	–
Available-for-sale securities	*13*	**–**	80,831
Deferred tax assets	*21(b)(ii)*	**6,540**	5,994
		15,238,351	14,496,315
Current assets			
Inventories	*14*	**119,060**	126,254
Trade and other receivables	*15*	**282,363**	295,453
Financial assets measured at FVPL	*13*	**70,128**	–
Available-for-sale securities	*13*	**–**	43,767
Trading securities	*13*	**–**	6,052
Cash and bank balances	*16(a)*	**4,713,351**	3,438,569
Tax recoverable	*21(a)*	**5,535**	197
		5,190,437	3,910,292
Current liabilities			
Trade and other payables	*17*	**(477,025)**	(534,436)
Bank loans and overdrafts	*18*	**(2,848)**	(3,954)
Sales and rental deposits received	*17*	**(97,459)**	(196,214)
Contract liabilities	*17*	**(164,469)**	–
Tax payable	*21(a)*	**(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	*19*	**(176,907)**	(197,458)
Amounts due to holders of non-controlling interests of a subsidiary	*20*	**(12,100)**	–
Deferred tax liabilities	*21(b)(ii)*	**(278,188)**	(275,427)
		(467,195)	(472,885)
NET ASSETS		**19,171,311**	17,159,570
CAPITAL AND RESERVES			
Share capital	*22(b)(i)*	**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

Approved and authorised for issue by the board of directors on 18 March 2019.

LEE KA SHING
Chairman and CEO

COLIN LAM KO YIN
Director

The notes on pages 108 to 179 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Note	Attributable to shareholders of the Company								
		Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017		695,826	(92,639)	105,580	304,827	7,184	14,118,589	15,139,367	139,267	15,278,634
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	1,519,245	1,519,245	24,083	1,543,328
Other comprehensive income		–	–	30,108	–	3,695	–	33,803	9,012	42,815
Total comprehensive income		–	–	30,108	–	3,695	1,519,245	1,553,048	33,095	1,586,143
Final dividends approved in respect of the previous year	*7(b)*	–	–	–	–	–	(209,443)	(209,443)	–	(209,443)
Interim dividends declared in respect of the current year	*7(a)*	–	–	–	–	–	(143,031)	(143,031)	–	(143,031)
Shares issued on exercise of warrants	*22(b)(i)*	689,043	–	–	–	–	–	689,043	–	689,043
Share redemption of a subsidiary		–	–	–	–	–	–	–	(27,196)	(27,196)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	(14,580)	(14,580)
Balance at 31 December 2017		1,384,869	(92,639)	135,688	304,827	10,879	15,285,360	17,028,984	130,586	17,159,570

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2018

	Note	Attributable to shareholders of the Company								Non-controlling interests HK$'000	Total equity HK$'000
		Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	General reserve HK$'000	Investment revaluation reserve (recycling) HK$'000	Investment revaluation reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000		
Balance at 31 December 2017		**1,384,869**	**(92,639)**	**135,688**	**304,827**	**10,879**	**–**	**15,285,360**	**17,028,984**	**130,586**	**17,159,570**
Impact on initial application of HKFRS 9	*1(c)*	–	–	–	–	(10,879)	10,217	662	–	–	–
Adjusted balance at 1 January 2018		**1,384,869**	**(92,639)**	**135,688**	**304,827**	**–**	**10,217**	**15,286,022**	**17,028,984**	**130,586**	**17,159,570**
Changes in equity for 2018:											
Profit for the year		–	–	–	–	–	–	1,624,151	1,624,151	35,360	1,659,511
Other comprehensive income		–	–	(38,832)	–	–	(15,095)	–	(53,927)	(7,083)	(61,010)
Total comprehensive income		–	–	(38,832)	–	–	(15,095)	1,624,151	1,570,224	28,277	1,598,501
Transfer upon disposal of equity securities designated at FVOCI	*13*	–	–	–	–	–	(207)	207	–	–	–
Final dividends approved in respect of the previous year	*7(b)*	–	–	–	–	–	–	(248,745)	(248,745)	–	(248,745)
Interim dividends declared in respect of the current year	*7(a)*	–	–	–	–	–	–	(165,830)	(165,830)	–	(165,830)
Shares issued on exercise of warrants	*22(b)(i)*	842,155	–	–	–	–	–	–	842,155	–	842,155
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(14,340)	(14,340)
Balance at 31 December 2018		**2,227,024**	**(92,639)**	**96,856**	**304,827**	**–**	**(5,085)**	**16,495,805**	**19,026,788**	**144,523**	**19,171,311**

The notes on pages 108 to 179 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Operating activities			
Profit before taxation		**1,818,133**	1,686,210
Adjustments for:			
Interest income from available-for-sale securities	3(d)	**–**	(1,585)
Interest income from financial assets carried at amortised cost	3(d)	**(46)**	–
Dividend income from listed securities	3(d)	**(3,351)**	(3,213)
Bank interest income	3(d)	**(94,913)**	(38,605)
Net loss on disposal of other property, plant and equipment	3(d)	**4,512**	126
Net gain on disposal of a subsidiary	3(c)	**–**	(31,918)
Net gain on liquidation of a subsidiary	3(c)	**(16,589)**	–
Impairment loss on trade receivables	3(d)	**5,382**	4
Reversal of provision for properties held for resale	3(d)	**(85)**	(194)
Depreciation	10(a)	**99,142**	113,614
Finance costs	3(b)	**1,108**	7,159
Share of profits less losses of associates	12	**(4,197)**	1,065
Net realised and unrealised losses on financial assets measured at FVPL	3(c)	**3,108**	–
Net realised and unrealised gains on trading securities	3(c)	**–**	(209)
Net gain on disposal of available-for-sale securities	3(c)	**–**	(29,597)
Net increase in fair value of investment properties	10(a)	**(783,475)**	(723,487)
Exchange differences		**11,290**	(25,425)
Operating profit before changes in working capital		**1,040,019**	953,945
Decrease in inventories		**1,760**	1,268
Decrease/(increase) in trade and other receivables		**12,867**	(9,972)
Decrease/(increase) in amounts due from associates		**798**	(77)
Decrease in amounts due to associates		**(13)**	(13)
Decrease in trade and other payables		**(5,970)**	(1,280)
Increase/(decrease) in sales and rental deposits received		**36,112**	(23,421)
Increase in contract liabilities		**16,836**	–
(Decrease)/increase in deferred liabilities		**(20,551)**	28,478
Net payment for purchase and disposal of other financial assets held for trading purposes		**(14,021)**	–
Net proceeds from purchase and disposal of trading securities		**–**	5,649
Cash generated from operations carried forward		**1,067,837**	954,577

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash generated from operations brought forward		**1,067,837**	954,577
Interest received		**89,776**	49,862
Interest and other borrowing costs paid		**(1,083)**	(3,401)
Dividends paid		**(414,575)**	(352,474)
Dividends paid to non-controlling interests		**(14,340)**	(14,580)
Tax paid			
– Hong Kong Profits Tax		**(140,698)**	(136,485)
– Overseas tax		**(6,626)**	(8,099)
Net cash generated from operating activities		**580,291**	489,400
Investing activities			
Payment for purchase of investment properties		**(18,811)**	(11,156)
Payment for purchase of other property, plant and equipment		**(83,638)**	(77,579)
Net payment for purchase and disposal of other financial assets not held for trading purposes		**(38,419)**	–
Net proceeds from purchase and disposal of available-for-sale securities		**–**	98,186
Proceeds from disposal of other property, plant and equipment		**179**	368
Proceeds from disposal of a subsidiary	*27*	**–**	146,059
Dividend income received from listed securities		**3,351**	3,213
Decrease/(increase) in time deposits with maturity more than three months		**379,737**	(388,787)
Net cash generated from/(used in) investing activities		**242,399**	(229,696)
Financing activities			
Proceeds from new bank loans	*16(b)*	**47,331**	133,687
Repayment of bank loans	*16(b)*	**(47,429)**	(874,834)
Repayment of advances from holders of non-controlling interests of subsidiaries	*16(b)*	**(6,708)**	(5,967)
Proceeds from issue of new shares		**842,155**	689,043
Share redemption of a subsidiary		**–**	(27,196)
Net cash generated from/(used in) financing activities		**835,349**	(85,267)

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Net increase in cash and cash equivalents		**1,658,039**	174,437
Cash and cash equivalents at 1 January		**1,641,488**	1,458,085
Effect of foreign exchange rate changes		**(2,575)**	8,966
Cash and cash equivalents at 31 December		**3,296,952**	1,641,488
Analysis of the balances of cash and cash equivalents at 31 December			
Cash and bank balances	*16(a)*	**4,713,351**	3,438,569
Bank overdrafts	*18*	**–**	(945)
Less: Time deposits with maturity more than three months		**(1,416,399)**	(1,796,136)
		3,296,952	1,641,488

The notes on pages 108 to 179 form part of these financial statements.

Notes to the Financial Statements

1 Significant accounting policies

(a) Statement of compliance

These 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. These 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise Miramar Hotel and Investment Company, Limited (the "Company") and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment property (see note 1(h)); and

– financial assets measured at FVPL or designated as FVOCI (see note 1(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (Continued)

(c) 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.

(i) 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.

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

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (continued)

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

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

a. 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.

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)	–

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (continued)

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

a. 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).

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes 1(g), (k)(i), (m) and (q).

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

b. 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.

For further details on the Group's accounting policy for accounting for credit losses, see note 1(k)(i).

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.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (continued)

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

c. 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.

– 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.

(ii) 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:

a. Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(u)) 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 (see note 17).

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15*, Revenue from contracts with customers* (continued)

b. 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 (see note 1(u)(ii)). This change in accounting policy had no impact on opening balances as at 1 January 2018.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

1 Significant accounting policies (Continued)

(e) Associates (continued)

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 23(f). These investments are subsequently accounted for as follows, depending on their classification.

1 Significant accounting policies (Continued)

(g) Other investments in debt and equity securities (continued)

(i) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(v)).

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(u)(iv).

(ii) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

1 Significant accounting policies (Continued)

(g) Other investments in debt and equity securities (continued)

(ii) Policy applicable prior to 1 January 2018 (continued)

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(k)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 1(u)(iv) and 1(u)(v), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 1(k)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)):

- buildings held for own use which are situated on leasehold land and classified as held under operating leases (see note 1(j));
- hotel property; and
- machinery, furniture, fixtures and equipment.

1 Significant accounting policies (Continued)

(i) Other property, plant and equipment (continued)

Freehold land is stated at cost less impairment losses (see note 1(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– leasehold land is depreciated over the remaining term of the lease;

– freehold land is not depreciated;

– buildings including hotel property situated on leasehold land are depreciated over the unexpired term of the lease; and

– machinery, furniture, fixtures and equipment 4–10 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 Significant accounting policies (Continued)

(j) Leased assets (continued)

(ii) Assets held for use in operating leases

When the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies as set out in note 1(u).

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)) or is held for development for sale (see note 1(l)(ii)).

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, amounts due from associates and loans to associates) and lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and unlisted investment fund, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- lease receivables: discount rate used in the measurement of the lease receivable.

1 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(A) Policy applicable from 1 January 2018 (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(A) Policy applicable from 1 January 2018 (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(u)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(A) Policy applicable from 1 January 2018 (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

1 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (continued)

(i) *Credit losses from financial instruments and lease receivables* (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

- For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

1 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments and lease receivables (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– goodwill; and

– investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (continued)

(ii) *Impairment of other non-current assets* (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (k)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 Significant accounting policies (Continued)

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(i) Consumable stores

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties held for resale

In the case of properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of properties held for resale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(k)(i)).

1 Significant accounting policies (Continued)

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the group's accounting policy for borrowing costs (see note 1(w)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

Policy prior to 1 January 2018

In the comparative period, amounts received before the related services were performed were included in "sales and rental deposits received" and "trade and other payables". These balances have been reclassified on 1 January 2018 to "contract liabilities" as shown in note 17 (see note 1(c)(ii)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are within three months of maturity at acquisition and are readily convertible into known amounts of cash with insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(k)(i).

(r) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 Significant accounting policies (Continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 Significant accounting policies (Continued)

(s) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

1 Significant accounting policies (Continued)

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Building management fee and air-conditioning charges are recognised when relevant services are provided.

(ii) Revenue arising from the sale of properties held for resale is recognised when 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. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(p)).

In the comparative period, revenue from the sale of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables and no interest expense was accrued on payments received in advance.

(iii) Income from hotel, food and beverage, travel operations and management services is recognised when the relevant services are provided.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(k)(i)).

1 Significant accounting policies (Continued)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 Significant accounting policies (Continued)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made the following judgements:

(a) Valuation of investment properties

Investment properties are included in the statement of financial position at their market value, which are assessed annually by external qualified valuers, after taking into consideration the net rental income allowing for reversionary income potential.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

(b) Assessment of the useful economic lives for depreciation of other property, plant and equipment

The Group depreciates other property, plant and equipment in accordance with depreciation policy as set out in note 1(i). The estimated useful lives reflect the directors' estimate of the periods during which the Group intends to derive future economic benefits from the use of these assets.

(c) Assessment of provision for properties held for resale

Management determines the net realisable value of properties held for resale by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of net realisable value of properties held for resale requires judgement as to the anticipated sale prices with reference to the recent sale transactions in nearby locations and the related costs to be incurred in selling the property. The Group's estimates may not be accurate and might need to be adjusted in later periods.

3 Profit before taxation

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

	2018 HK$'000	2017 HK$'000
(a) Staff costs		
Contributions to defined contribution retirement plan	**21,937**	21,948
Salaries, wages and other benefits	**489,761**	494,449
	511,698	516,397

The Group participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Employees of subsidiaries in the PRC are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. Those subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

	2018 HK$'000	2017 HK$'000
(b) 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
(c) Other non-operating net gain		
Net gain on disposal of a subsidiary *(note 27)*	**–**	(31,918)
Net gain on liquidation of a subsidiary *(note 27)*	**(16,589)**	–
Net gain on disposal of available-for-sale securities	**–**	(29,597)
Net realised and unrealised losses on financial assets measured at FVPL	**3,108**	–
Net realised and unrealised gains on trading securities	**–**	(209)
	(13,481)	(61,724)

3 Profit before taxation (Continued)

	2018 HK$'000	2017 HK$'000
(d) Others		
Auditors' remuneration	**3,455**	3,358
Net foreign exchange loss/(gain)	**12,602**	(27,483)
Net loss on disposal of other property, plant and equipment	**4,512**	126
Operating lease charges: minimum lease payments – property rentals	**94,514**	104,805
Rentals receivable from investment properties less direct outgoings of HK$39,058,000 (2017: HK$42,527,000)	**(759,657)**	(701,812)
Other rental income less direct outgoings of HK$6,922,000 (2017: HK$7,191,000)	**(108,828)**	(106,985)
Dividend income from listed securities	**(3,351)**	(3,213)
Bank interest income	**(94,913)**	(38,605)
Interest income from financial assets carried at amortised cost	**(46)**	–
Interest income from available-for-sale securities	**–**	(1,585)
Impairment loss on trade receivables *(note 23(a))*	**5,382**	4
Reversal of provision for properties held for resale	**(85)**	(194)

4 Taxation in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2018 HK$'000	2017 HK$'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

4 Taxation in the consolidated statement of profit or loss (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (continued)

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.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2018	2017
	HK$'000	HK$'000
Profit before taxation	**1,818,133**	1,686,210
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**310,954**	291,292
Tax effect of non-deductible expenses	**24,377**	19,223
Tax effect of non-taxable income	**(184,137)**	(170,301)
Tax effect of unused tax losses not recognised in the year	**18,963**	11,547
Tax effect of tax losses not recognised in prior years utilised this year	**(11,226)**	(3,989)
Over-provision in prior years	**(309)**	(4,890)
Actual tax expense	**158,622**	142,882

5 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2018				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr Lee Ka Shing	100	–	–	–	100
Mr Richard Tang Yat Sun	100	–	–	–	100
Dr Colin Lam Ko Yin	50	–	–	–	50
Mr Eddie Lau Yum Chuen	50	–	–	–	50
Mr Norman Ho Hau Chong	50	–	–	–	50
Non-executive directors					
Dr Lee Shau Kee	50	–	–	–	50
Dr Patrick Fung Yuk Bun	300	–	–	–	300
Mr Dominic Cheng Ka On	300	–	–	–	300
Mr Alexander Au Siu Kee	50	–	–	–	50
Independent non-executive directors					
Dr David Sin Wai Kin	350	–	–	–	350
Mr Wu King Cheong	350	–	–	–	350
Dr Timpson Chung Shui Ming	350	–	–	–	350
Mr Howard Yeung Ping Leung	50	–	–	–	50
Mr Thomas Liang Cheung Biu	50	–	–	–	50
	2,200	–	–	–	2,200

5 Directors' emoluments (Continued)

	2017				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr Lee Ka Shing	100	–	–	–	100
Mr Richard Tang Yat Sun	100	–	–	–	100
Dr Colin Lam Ko Yin	50	–	–	–	50
Mr Eddie Lau Yum Chuen	50	–	–	–	50
Mr Norman Ho Hau Chong	50	–	–	–	50
Non-executive directors					
Dr Lee Shau Kee	50	–	–	–	50
Dr Patrick Fung Yuk Bun	300	–	–	–	300
Mr Dominic Cheng Ka On	300	–	–	–	300
Mr Alexander Au Siu Kee	50	–	–	–	50
Independent non-executive directors					
Dr David Sin Wai Kin	350	–	–	–	350
Mr Wu King Cheong	350	–	–	–	350
Dr Timpson Chung Shui Ming	350	–	–	–	350
Mr Howard Yeung Ping Leung	50	–	–	–	50
Mr Thomas Liang Cheung Biu	50	–	–	–	50
	2,200	–	–	–	2,200

6 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

No directors of the Company were included in the five individuals with the highest emoluments (2017: Nil). Details of directors' emoluments are disclosed in note 5. The aggregate of the emoluments in respect of the five (2017: five) individuals are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**13,663**	12,664
Discretionary bonuses	**3,384**	2,650
Retirement scheme contributions	**592**	572
	17,639	15,886

The emoluments of the five (2017: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2018	2017
Emolument band*		
HK$0 – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**2**	2
HK$3,000,001 – HK$3,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	**–**	2
HK$4,000,001 – HK$4,500,000	**2**	–
	5	5

6 Emoluments of five highest paid individuals and senior management (Continued)

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 5 and 6(a), the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the annual report (of which these financial statements form a part) fell within the following bands:

	Number of individuals	
	2018	2017
Emolument band*		
HK$0 – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**2**	1
	6	6

* Including salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions.

7 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.

(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.

8 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 22(b)(ii))*	**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 22(b)(ii))*	**275,652**	16,981,145
Weighted average number of shares (diluted) at 31 December	**688,086,841**	619,399,618

8 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 HK$'000	2017 HK$'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

9 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.

9 Revenue and segment reporting (Continued)

(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.

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**

9 Revenue and segment reporting (Continued)

(a) Segment results (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.

9 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

10 Investment properties, other property, plant and equipment

(a) Reconciliation of carrying amount

		Other property, plant and equipment				
	Investment properties HK$'000	Hotel HK$'000	Land and buildings^ HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2018	14,102,734	140,221	6,817	1,515,954	1,662,992	15,765,726
Additions	6,566	–	54,172	21,857	76,029	82,595
Disposals	–	–	–	(26,868)	(26,868)	(26,868)
Exchange adjustments	(35,027)	–	(1,795)	(3,452)	(5,247)	(40,274)
Surplus on revaluation	783,475	–	–	–	–	783,475
Reclassification	9,333	–	–	(9,333)	(9,333)	–
At 31 December 2018	14,867,081	140,221	59,194	1,498,158	1,697,573	16,564,654
Representing:						
Cost	–	140,221	59,194	1,498,158	1,697,573	1,697,573
Valuation – 2018	14,867,081	–	–	–	–	14,867,081
	14,867,081	140,221	59,194	1,498,158	1,697,573	16,564,654
Accumulated depreciation:						
At 1 January 2018	–	99,397	5,256	1,252,384	1,357,037	1,357,037
Charge for the year	–	1,918	66	97,158	99,142	99,142
Written back on disposals	–	–	–	(22,177)	(22,177)	(22,177)
Exchange adjustments	–	–	–	(3,221)	(3,221)	(3,221)
At 31 December 2018	–	101,315	5,322	1,324,144	1,430,781	1,430,781
Carrying amount:						
At 31 December 2018	14,867,081	38,906	53,872	174,014	266,792	15,133,873

* Others mainly comprise machinery, furniture, fixtures and equipment.

^ Land and buildings comprise leasehold land, freehold land and buildings held for own use.

10 Investment properties, other property, plant and equipment (Continued)

(a) Reconciliation of carrying amount (continued)

		Other property, plant and equipment				
	Investment properties HK$'000	Hotel HK$'000	Leasehold land and buildings held for own use HK$'000	Others* HK$'000	Sub-total HK$'000	Total HK$'000
Cost or valuation:						
At 1 January 2017	13,401,850	140,221	6,817	1,531,767	1,678,805	15,080,655
Additions	10,288	–	–	41,895	41,895	52,183
Disposals	–	–	–	(25,223)	(25,223)	(25,223)
Disposal of a subsidiary *(note 27)*	(117,000)	–	–	–	–	(117,000)
Exchange adjustments	50,057	–	–	1,567	1,567	51,624
Surplus on revaluation	723,487	–	–	–	–	723,487
Reclassification	34,052	–	–	(34,052)	(34,052)	–
At 31 December 2017	14,102,734	140,221	6,817	1,515,954	1,662,992	15,765,726
Representing:						
Cost	–	140,221	6,817	1,515,954	1,662,992	1,662,992
Valuation – 2017	14,102,734	–	–	–	–	14,102,734
	14,102,734	140,221	6,817	1,515,954	1,662,992	15,765,726
Accumulated depreciation:						
At 1 January 2017	–	97,479	5,178	1,164,253	1,266,910	1,266,910
Charge for the year	–	1,918	78	111,618	113,614	113,614
Written back on disposals	–	–	–	(24,729)	(24,729)	(24,729)
Exchange adjustments	–	–	–	1,242	1,242	1,242
At 31 December 2017	–	99,397	5,256	1,252,384	1,357,037	1,357,037
Carrying amount:						
At 31 December 2017	14,102,734	40,824	1,561	263,570	305,955	14,408,689

* Others mainly comprise machinery, furniture, fixtures and equipment.

10 Investment properties, other property, plant and equipment (Continued)

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The fair value of the Group's investment properties were measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair values of the Group's investment properties were measured using Level 3 inputs.

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018 and 2017. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	**Unobservable inputs Range of capitalisation rates**
Investment properties	Income capitalisation approach	
In Hong Kong		
– Retail		3.0% to 6.0% (2017: 3.0% to 6.0%)
– Office		4.1% (2017: 4.3%)
In the PRC		
– Retail		8.5% (2017: 8.5%)
– Serviced apartment		8.5% (2017: 7.0%)

10 Investment properties, other property, plant and equipment (Continued)

(b) Fair value measurement of investment properties (continued)

(ii) Information about Level 3 fair value measurements (continued)

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 the current lease. The fair value measurement is negatively correlated to the capitalisation rate.

The movements during the year in the balance of Level 3 fair value measurements are set out in note 10(a) to these financial statements.

Fair value adjustment of investment properties is recognised in the line item "net increase in fair value of investment properties" on the face of the consolidated statement of profit or loss.

Exchange adjustments of investment properties are recognised in other comprehensive income in "exchange reserve".

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(c) The analysis of cost or valuation of properties is as follows:

	2018 **HK$'000**	2017 HK$'000
Land and buildings in Hong Kong:		
– long leases	**145**	145
– medium term leases	**14,320,813**	13,527,322
Land and buildings outside Hong Kong:		
– medium term leases	**693,161**	722,305
– freehold	**52,377**	–
	15,066,496	14,249,772

(d) The Group leases out properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenant's sales receipts. Future minimum lease income under non-cancellable operating leases are disclosed in note 25(a).

The total contingent rents recognised in the consolidated statement of profit or loss for the year are HK$15,662,000 (2017: HK$14,976,000).

(e) The gross carrying amounts of investment properties held for use in operating leases are HK$14,867,081,000 (2017: HK$14,102,734,000).

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

11 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

All of these are subsidiaries as defined under note 1(d) and have been consolidated into the Group's financial statements.

				Proportion of ownership interest			
Name of company	**Place of incorporation**	**Place of operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
All Best Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Chitat Construction Limited	Hong Kong	The PRC	HK$10,000	100%	99%	1%	Property rental
Contender Limited	Hong Kong	Hong Kong	HK$200,000	100%	100%	–	Hotel operation and property rental
East Dragon Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Glory Light Holdings Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Restaurant operation
Grand City Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
How Light Investments Limited*	Hong Kong	The PRC	HK$100,000	100%	–	100%	Property sale
YMT Travel Limited	Hong Kong	Hong Kong	HK$3,500,000	53.8%	–	100%	Travel agency
Merry King Resources Limited	Hong Kong	Hong Kong	HK$1,000	100%	–	100%	Restaurant operation
Mira Moon Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Hotel operation
Miramar East Company Limited	Hong Kong	Hong Kong	HK$10,000	100%	–	100%	Property rental
Miramar Finance Limited	Hong Kong	Hong Kong	HK$100,000	100%	100%	–	Finance
Miramar Group (Corporate Funding) Co. Limited	Hong Kong	Hong Kong	HK$1,000	100%	99%	1%	Finance
Miramar Hotel and Property Management Company Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Property management
Miramar Hotel & Investment (Express) Limited	Hong Kong	Hong Kong	HK$10,000,000	100%	100%	–	Travel agency

11 Investments in subsidiaries (Continued)

Name of company	Place of incorporation	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Miramar Hotel Management Company Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Hotel management
Miramar Travel Limited	Hong Kong	Hong Kong	HK$13,000,000	53.8%	53.8%	–	Travel agency
The Pinesprop Limited	Hong Kong	Hong Kong	HK$1,000	100%	100%	–	Property rental
Randall Resources Limited	Hong Kong	The PRC	HK$100	100%	–	100%	Property rental
Shahdan Limited	Hong Kong	Hong Kong	HK$200,000	100%	100%	–	Property rental
Smart Faith Investments Limited	Hong Kong	Hong Kong	HK$1	100%	100%	–	Restaurant operation
Strong Profit Resources Limited	Hong Kong	The PRC	HK$10,000	70%	–	100%	Property rental and sale
Tsui Hang Village Restaurant Limited	Hong Kong	Hong Kong	HK$500,000	100%	100%	–	Restaurant operation
Warsaw Investments Limited	Hong Kong	Hong Kong	HK$10,000	100%	100%	–	Property rental
World Eagle Resources Limited	Hong Kong	Hong Kong	HK$2	100%	–	100%	Restaurant operation
美利物業管理(上海)有限公司 ~ *	The PRC	The PRC	US$5,000,000	100%	–	100%	Property rental and management
上海恒美酒店管理有限公司 ^ *	The PRC	The PRC	US$200,000	100%	–	100%	Hotel management
上海上美置業有限公司^ *	The PRC	The PRC	US$13,000,000	51.4%	–	68.6%	Property rental

* Companies not audited by KPMG. The total net assets and total revenue of these subsidiaries constituting approximately 3% (2017: 3%) and 1% (2017: 1%) respectively of the related consolidated totals.

~ Wholly foreign-owned enterprise

^ Sino-foreign equity joint venture enterprise

12 Interests in associates

	2018	2017
	HK$'000	HK$'000
Share of net assets	**24,273**	20,076
Amounts due from associates	**656**	1,454
Loans to associates	**25,940**	25,940
	50,869	47,470
Less: Impairment loss	**(46,669)**	(46,669)
	4,200	801

Amounts due from associates and loans to associates are unsecured, interest-free and have no fixed terms of repayment.

All of the Group's associates are unlisted corporate entities whose quoted market price is not available and not material (in aggregate and/or individually) to the Group.

Details of the Group's principal associate are as follows:

			Proportion of ownership interest			
Name of associate	**Place of incorporation**	**Place of operation**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Kamliease International Limited*	Hong Kong	The PRC	49%	–	49%	Property sale

* Not audited by KPMG.

Aggregate information of associates that are not individually material:

	2018	2017
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**4,200**	801
Aggregate amounts of the Group's share of those associates'		
– Profit/(loss) from continuing operations	**4,197**	(1,065)
– Total comprehensive income	**4,197**	(1,065)

13 Other financial assets

	2018 **HK$'000**	2017 HK$'000
Non-current		
Equity securities designated at FVOCI (Note)		
Listed equity securities in Hong Kong	**79,350**	–
Listed equity securities outside Hong Kong	**12,841**	–
	92,191	–
Financial assets measured at FVPL		
Listed securities outside Hong Kong	**1,547**	–
Available-for-sale securities		
Listed equity securities in Hong Kong	**–**	34,548
Listed equity securities outside Hong Kong	**–**	18,083
Unlisted debt securities outside Hong Kong	**–**	28,200
	–	80,831
Sub-total	**93,738**	80,831
Current		
Financial assets measured at FVPL		
Listed equity securities in Hong Kong	**17,464**	–
Unlisted investment fund	**52,664**	–
	70,128	–
Available-for-sale securities		
Unlisted investment fund	**–**	43,767
Trading securities		
Listed equity securities in Hong Kong	**–**	6,052
Sub-total	**70,128**	49,819
Total	**163,866**	130,650
Market value of listed securities	**111,202**	58,683

13 Other financial assets (Continued)

Note: The Group designated the following equity securities at FVOCI at 1 January 2018 or acquisition date as they are held for strategic purposes and the fair value of each investment at 31 December 2018 is as follows:

	HK$'000
Equity securities classified as financial assets designated at FVOCI	
China Construction Bank Corporation	19,380
China Resources Power Holdings Company Limited	15,060
HKT Trust And HKT Limited	13,536
China Everbright International Limited	12,987
Others	31,228
At 31 December 2018	92,191

Dividends received from these investments during the year of HK$3,070,000 were recognised in profit or loss.

During the year, the Group disposed of its equity investments in Sinopharm Holding Company Limited at a consideration of HK$5,225,000 and accumulated gain previously recognised in other comprehensive income of HK$207,000 was transferred to retained profits. No dividends were received on this investment during the year.

14 Inventories

	2018	2017
	HK$'000	HK$'000
Consumable stores	**10,772**	12,447
Properties held for resale	**108,288**	113,807
	119,060	126,254

Properties held for resale are stated at cost and net of a provision of HK$94,017,000 (2017: HK$94,893,000).

15 Trade and other receivables

	2018 HK$'000	2017 HK$'000
Trade receivables	**95,935**	100,883
Less: loss allowance	**(9,598)**	(4,216)
	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.

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 HK$'000	2017 HK$'000
Within 1 month	**58,139**	69,782
1 month to 2 months	**13,005**	7,430
Over 2 months	**15,193**	19,455
	86,337	96,667

The Group's credit policy and credit risk arising from trade receivables are set out in note 23(a).

16 Cash and bank balances and other cash flow information

(a) Cash and bank balances

	2018 HK$'000	2017 HK$'000
Deposits with banks and other financial institutions	**4,355,485**	3,143,165
Cash at bank and in hand	**357,866**	295,404
	4,713,351	3,438,569

Cash and bank balances at 31 December 2018 include HK$54,634,000 equivalent (2017: HK$63,457,000 equivalent) placed with banks in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

16 Cash and bank balances and other cash flow information (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans HK$'000 *(note 18)*	Amounts due to holders of non-controlling interests of subsidiaries HK$'000 *(note 20)*	Total HK$'000
At 1 January 2017	739,668	96,256	835,924
Changes from financing cash flows:			
Proceeds from new bank loans	133,687	–	133,687
Repayment of bank loans	(874,834)	–	(874,834)
Repayment of advances from holders of non-controlling interests of subsidiaries	–	(5,967)	(5,967)
Total changes from financing cash flows	(741,147)	(5,967)	(747,114)
Exchange adjustments	517	1,235	1,752
Other borrowing costs	3,971	–	3,971
At 31 December 2017	3,009	91,524	94,533
At 1 January 2018	**3,009**	**91,524**	**94,533**
Changes from financing cash flows:			
Proceeds from new bank loans	**47,331**	**–**	**47,331**
Repayment of bank loans	**(47,429)**	**–**	**(47,429)**
Repayment of advances from holders of non-controlling interests of subsidiaries	**–**	**(6,708)**	**(6,708)**
Total changes from financing cash flows	**(98)**	**(6,708)**	**(6,806)**
Exchange adjustments	**(63)**	**–**	**(63)**
Other borrowing costs	**–**	**–**	**–**
At 31 December 2018	**2,848**	**84,816**	**87,664**

17 Trade and other payables, sales and rental deposits received and contract liabilities

	2018 HK$'000	2017 HK$'000
Trade and other payables		
Trade payables	**123,160**	126,770
Other payables and accrued charges *(note (ii))*	**276,842**	311,822
Amounts due to holders of non-controlling interests of subsidiaries *(see note 20)*	**72,716**	91,524
Amounts due to associates *(note (i))*	**4,307**	4,320
	477,025	534,436
Sales and rental deposits received		
Rental deposits received	**97,459**	61,347
Sales deposits received *(note (ii))*	**–**	134,867
	97,459	196,214
Contract liabilities *(note (ii))*	**164,469**	–

Notes:

(i) Amounts due to associates are unsecured, interest-free and repayable on demand.

(ii) Upon the adoption of HKFRS 15, amounts previously included as receipts in advance under "other payables and accrued charges" and sales deposits received under "sales and rental deposits received" were reclassified to contract liabilities (see note 1(c)(ii)). The revenue recognised during the year that was included in the contract liabilities balance at the beginning of the period amounted to HK$147,633,000.

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

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 HK$'000	2017 HK$'000
Due within 3 months or on demand	**79,642**	83,499
Due after 3 months but within 6 months	**43,518**	43,271
	123,160	126,770

18 Bank loans and overdrafts

At 31 December 2018, the bank loans and overdrafts were secured as follows:

	2018	2017
	HK$'000	HK$'000
Unsecured bank overdrafts	**–**	945
Secured bank loans	**2,848**	3,009
	2,848	3,954

Bank loans and overdrafts are repayable within one year or on demand. Interest on bank loans and overdrafts is charged at prevailing market rates.

At 31 December 2018, banking facilities of HK$391,575,000 (2017: HK$390,815,000) were secured by the Group's investment in listed securities and unlisted debt securities with an aggregate carrying value of HK$93,738,000 (2017: HK$80,831,000). The facilities were utilised to the extent of HK$2,848,000 (2017: HK$3,009,000).

19 Deferred liabilities

Deferred liabilities represent refundable rental deposits received on properties held under operating leases with unexpired lease terms exceeding one year as at the end of the reporting period.

20 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.

21 Taxation in the consolidated statement of financial position

(a) Tax (recoverable)/payable in the consolidated statement of financial position represents:

	2018 HK$'000	2017 HK$'000
Provision for Hong Kong Profits Tax for the year	**143,710**	135,957
Provisional Hong Kong Profits Tax paid	**(103,672)**	(98,669)
	40,038	37,288
Balance of Hong Kong Profits Tax provision relating to prior years	**(47)**	–
Overseas tax payable	**2,955**	2,063
	42,946	39,351
Representing:		
Tax recoverable	**(5,535)**	(197)
Tax payable	**48,481**	39,548
	42,946	39,351

21 Taxation in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Future benefit of tax loss HK$'000	Total HK$'000
Deferred tax arising from:				
At 1 January 2017	188,053	72,465	(2,038)	258,480
Charged to profit or loss	3,049	–	806	3,855
Disposal of a subsidiary *(note 27)*	(918)	–	–	(918)
Exchange adjustments	1,794	6,222	–	8,016
At 31 December 2017	191,978	78,687	(1,232)	269,433
Deferred tax arising from:				
At 1 January 2018	**191,978**	**78,687**	**(1,232)**	**269,433**
Charged to profit or loss	**5,722**	**1,594**	**387**	**7,703**
Exchange adjustments	**(1,259)**	**(4,229)**	**–**	**(5,488)**
At 31 December 2018	**196,441**	**76,052**	**(845)**	**271,648**

(ii) Reconciliation to the consolidated statement of financial position

	2018 HK$'000	2017 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(6,540)**	(5,994)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**278,188**	275,427
	271,648	269,433

(c) Deferred tax assets and liabilities not recognised

The Group has not recognised deferred tax assets of HK$102,317,000 (2017: HK$128,644,000) in respect of accumulated tax losses of HK$556,206,000 (2017: HK$647,985,000) as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2018.

The tax losses can be carried forward to offset against the taxable profits of subsequent years for up to five years from the year in which they were incurred or there is no restriction on their expiry, depending on the tax jurisdiction concerned.

21 Taxation in the consolidated statement of financial position (Continued)

(c) Deferred tax assets and liabilities not recognised (Continued)

At 31 December 2018, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to HK$53,922,000 (2017: HK$50,043,000). Deferred tax liabilities of HK$2,696,000 (2017: HK$2,502,000) have not been recognised in respect of tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and the directors are of the opinion that the profits will not be distributed in the foreseeable future.

22 Total equity

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Capital reserve HK$'000	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2017	695,826	1,019,874	300,000	177,997	2,193,697
Changes in equity for 2017:					
Profit and total comprehensive income for the year	–	–	–	605,847	605,847
Final dividends approved in respect of the previous year *(note 7(b))*	–	–	–	(209,443)	(209,443)
Interim dividends declared in respect of the current year *(note 7(a))*	–	–	–	(143,031)	(143,031)
Shares issued on exercise of warrants *(note 22(b)(i))*	689,043	–	–	–	689,043
Balance at 31 December 2017	1,384,869	1,019,874	300,000	431,370	3,136,113

22 Total equity (Continued)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital HK$'000	Capital reserve HK$'000	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2018	**1,384,869**	**1,019,874**	**300,000**	**431,370**	**3,136,113**
Changes in equity for 2018:					
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,518,536**	**1,518,536**
Final dividends approved in respect of the previous year *(note 7(b))*	**–**	**–**	**–**	**(248,745)**	**(248,745)**
Interim dividends declared in respect of the current year *(note 7(a))*	**–**	**–**	**–**	**(165,830)**	**(165,830)**
Shares issued on exercise of warrants *(note 22(b)(i))*	**842,155**	**–**	**–**	**–**	**842,155**
Balance at 31 December 2018	**2,227,024**	**1,019,874**	**300,000**	**1,535,331**	**5,082,229**

(b) Share capital

(i) 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

22 Total equity (Continued)

(b) Share capital (continued)

(ii) 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 subscription rights attached to these warrants which have not been exercised were lapsed (2017: 64,099,684 units of warrants remained outstanding).

(c) Nature and purpose of reserves

The capital reserve represents positive goodwill arose from acquisition of subsidiaries and associates prior to 1 January 2001 which was taken directly to equity on acquisition.

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(v).

The application of the general reserve is in accordance with Article 117 of the Company's Articles of Association.

The investment revaluation reserve (recycling) included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the previous reporting period in accordance with HKAS 39. This amount has been reclassified to investment revaluation reserve (non-recycling) upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

The investment revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(g)).

22 Total equity (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its net debt-to-equity ratios and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total interest-bearing borrowings, including interest-bearing amounts due to holders of non-controlling interests of subsidiaries, less cash and bank balances. Total equity attributable to shareholders of the Company comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises total equity attributable to shareholders of the Company and non-controlling interests.

The net debt-to-equity ratios at the end of the reporting period are as follows:

	Note	**2018**	2017
		HK$'000	HK$'000
Bank loans and overdrafts	*18*	**2,848**	3,954
Interest-bearing amounts due to holders of non-controlling interests of a subsidiary	*20*	**12,100**	18,840
Less: Cash and bank balances	*16(a)*	**(4,713,351)**	(3,438,569)
Net cash		**(4,698,403)**	(3,415,775)
Total equity attributable to shareholders of the Company		**19,026,788**	17,028,984
Net debt-to-shareholders' equity ratio		**N/A**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

23 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk arising from cash and bank balances is limited because the counterparties are banks and financial institutions with sound credit ratings.

There is no significant concentration of credit risk within the Group.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 60 days from the date of billing. Debtors with balances that are more than 60 days past due are generally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the Group's historical credit loss experience and patterns, adjusted for factors that are specific to the debtors and assessment of both the current and forecast general economic conditions at the reporting date. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Gross carrying amount HK$'000	**Loss allowance** HK$'000
Neither past due nor impaired	58,139	–
Less than 1 month past due	13,005	–
1 to 2 months past due	5,824	–
Over 2 months past due	18,967	9,598
	95,935	9,598

23 Financial risk management and fair values (Continued)

(a) Credit risk (continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(k)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of HK$4,216,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	69,782
Less than 1 month past due	7,430
1 to 2 months past due	1,513
Over 2 months past due	17,942
	26,885
	96,667

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Balance at 1 January under HKFRS 9/HKAS 39	**4,216**	4,212
Impairment losses recognised during the year *(note 3(d))*	**5,382**	4
Balance at 31 December	**9,598**	4,216

23 Financial risk management and fair values (Continued)

(b) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are substantially centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flow				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total HK$'000**	**Carrying amount HK$'000**
At 31 December 2018					
Trade and other payables	**400,002**	**–**	**–**	**400,002**	**400,002**
Amounts due to associates	**4,307**	**–**	**–**	**4,307**	**4,307**
Amounts due to holders of non-controlling interests of subsidiaries	**73,709**	**13,093**	**–**	**86,802**	**84,816**
Bank loans	**2,853**	**–**	**–**	**2,853**	**2,848**
Rental deposits received	**97,459**	**–**	**–**	**97,459**	**97,459**
Contract liabilities	**164,469**	**–**	**–**	**164,469**	**164,469**
Deferred liabilities	**–**	**92,452**	**84,455**	**176,907**	**176,907**
	742,799	**105,545**	**84,455**	**932,799**	**930,808**

	Contractual undiscounted cash flow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 December 2017					
Trade and other payables	438,592	–	–	438,592	438,592
Amounts due to associates	4,320	–	–	4,320	4,320
Amounts due to holders of non-controlling interests of subsidiaries	92,942	–	–	92,942	91,524
Bank loans and overdrafts	3,981	–	–	3,981	3,954
Sales and rental deposits received	196,214	–	–	196,214	196,214
Deferred liabilities	–	86,739	110,719	197,458	197,458
	736,049	86,739	110,719	933,507	932,062

23 Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's bank loans and amounts due to holders of non-controlling interests of a subsidiary. The Group is most vulnerable to changes in Hong Kong dollar interest rates. Interest rate risk is managed by the Group's senior management in accordance with defined policies through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to its current business portfolio.

(i) The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2018		2017	
	Effective interest rate	**Amount HK$'000**	Effective interest rate	Amount HK$'000
Fixed rate borrowings				
Bank loans	**0.9%**	**2,848**	0.9%	3,009
Amounts due to holders of non-controlling interests of a subsidiary	**6.0%**	**12,100**	6.0%	18,840
Total borrowings		**14,948**		21,849

(ii) *Sensitivity analysis*

At 31 December 2018, it is estimated that a general increase/decrease of 25 basis points (2017: 25 basis points) in interest rates, with all other variables held constant, would not have any significant impact to the Group's profit after tax and total equity (2017: no significant impact to the Group's profit after tax and total equity).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure the amount of interest-bearing borrowings held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2017.

23 Financial risk management and fair values (Continued)

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 13).

The Group's listed investments are listed in Hong Kong and overseas. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indications, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance against expectations. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

At 31 December 2018, it is estimated that an increase/decrease of 5% (2017: 5%) in the market value of the Group's listed securities, with all other variables held constant, the Group's profit after tax would have increased/decreased by HK$806,000 (2017: HK$253,000). The Group's total equity would have increased/decreased by HK$5,416,000 (2017: HK$2,885,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in market value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's listed investments would change in accordance with the market values, and that all other variables remain constant. The analysis is performed on the same basis for 2017.

(e) Foreign currency risk

The Group owns assets and conducts its business primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars.

The Group's primary foreign currency exposures arise from its investment in subsidiaries and associates operating in the PRC and the United States of America. Where appropriate and cost-efficient, the Group seeks to finance these investments by Renminbi ("RMB") or United States Dollars ("USD") borrowings with reference to the future RMB or USD funding requirements from the investment and related returns.

The Group is also exposed to foreign currency risk through cash and bank balances and equity, debt and other listed investments that are denominated in a foreign currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB, USD, Euro ("EUR"), Japanese Yen ("JPY") and British Pound ("GBP").

23 Financial risk management and fair values (Continued)

(e) Foreign currency risk (continued)

The following tables details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies 2018				
	RMB HK$'000	**USD HK$'000**	**EUR HK$'000**	**JPY HK$'000**	**GBP HK$'000**
Cash and bank balances	**53,620**	**620,969**	**1,026**	**127**	**9,540**
Listed securities outside Hong Kong	**–**	**12,841**	**1,547**	**–**	**–**
Unlisted investment fund	**52,664**	**–**	**–**	**–**	**–**
Total	**106,284**	**633,810**	**2,573**	**127**	**9,540**

	Exposure to foreign currencies 2017				
	RMB HK$'000	USD HK$'000	EUR HK$'000	JPY HK$'000	GBP HK$'000
Cash and bank balances	61,612	578,022	838	419	368
Unlisted debt securities outside Hong Kong	–	28,200	–	–	–
Listed equity securities outside Hong Kong	–	15,664	2,419	–	–
Unlisted investment fund	43,767	–	–	–	–
Total	105,379	621,886	3,257	419	368

23 Financial risk management and fair values (Continued)

(e) Foreign currency risk (continued)

The following table indicates the instantaneous change in the Group's profits after tax and total equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and USD would not be materially affected by any changes in movement in value of USD against other currencies.

	2018			2017		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax HK$'000**	**Effect on total equity HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax HK$'000	Effect on total equity HK$'000
RMB	**5%**	**5,314**	**5,314**	5%	3,081	5,269
	(5%)	**(5,314)**	**(5,314)**	(5%)	(3,081)	(5,269)
USD	**5%**	**135**	**135**	5%	135	135
	(5%)	**(135)**	**(135)**	(5%)	(135)	(135)
EUR	**5%**	**129**	**129**	5%	42	163
	(5%)	**(129)**	**(129)**	(5%)	(42)	(163)
JPY	**5%**	**6**	**6**	5%	21	21
	(5%)	**(6)**	**(6)**	(5%)	(21)	(21)
GBP	**5%**	**477**	**477**	5%	18	18
	(5%)	**(477)**	**(477)**	(5%)	(18)	(18)

Results of the analysis represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2017.

23 Financial risk management and fair values (Continued)

(f) Fair value measurement

(i) Financial assets measured at fair value

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December	Fair value measurements at 31 December 2018		
	2018	Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Equity securities designated at FVOCI:				
– Listed equity securities in Hong Kong	**79,350**	**79,350**	**–**	**–**
– Listed equity securities outside Hong Kong	**12,841**	**12,841**	**–**	**–**
Financial assets measured at FVPL:				
– Unlisted investment fund	**52,664**	**–**	**52,664**	**–**
– Listed equity securities in Hong Kong	**17,464**	**17,464**	**–**	**–**
– Listed securities outside Hong Kong	**1,547**	**1,547**	**–**	**–**

23 Financial risk management and fair values (Continued)

(f) Fair value measurement (continued)

(i) *Financial assets measured at fair value* (continued)

	Fair value at 31 December 2017 HK$'000	Fair value measurements at 31 December 2017 Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Assets:				
Available-for-sale securities:				
– Listed equity securities in Hong Kong	34,548	34,548	–	–
– Listed equity securities outside Hong Kong	18,083	18,083	–	–
– Unlisted debt securities outside Hong Kong	28,200	–	28,200	–
– Unlisted investment fund	43,767	–	43,767	–
Trading securities:				
– Listed equity securities in Hong Kong	6,052	6,052	–	–

During the years ended 31 December 2018 and 2017, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted debt securities outside Hong Kong in Level 2 was determined by a present value technique that took into account the future cash flows that a market participant would expect to receive from holding the liability or debt instrument as an asset.

The fair value of unlisted investment fund is represented by the reported fair value of their net assets.

(ii) *Fair values of financial assets and liabilities carried at other than fair value*

The fair values of receivables, bank balances and other current assets, payables and accruals and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2018 and 2017. Amounts due from/(to) subsidiaries, associates and holders of non-controlling interests of subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

24 Capital commitments

Capital commitments outstanding at 31 December 2018 not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	HK$'000
Future expenditure relating to properties:		
Contracted for	**2,051**	7,673
Authorised but not contracted for	**44,029**	–
	46,080	7,673

25 Operating lease commitments

(a) At 31 December 2018, the total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**653,603**	695,662
After 1 year but within 5 years	**659,094**	671,851
After 5 years	**238**	583
	1,312,935	1,368,096

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	HK$'000
Within 1 year	**61,022**	64,713
After 1 year but within 5 years	**102,909**	85,157
After 5 years	**6,132**	21,972
	170,063	171,842

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 11 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals.

26 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions under the ordinary course of business and were carried out on normal commercial terms:

	2018	2017
	HK$'000	HK$'000
Property agency fee payable to a subsidiary of the Group's major shareholder *(note (a))*	**3,000**	3,000
Travel and ticketing income from subsidiaries and associates of the Group's major shareholder *(note (a))*	**(15,313)**	(13,887)
Management fee income from a subsidiary of the Group's major shareholder *(note (b))*	**(752)**	(699)
Hotel and catering service income from subsidiaries and associates of the Group's major shareholder *(note (c))*	**(3,402)**	(2,267)
Rental and building management fee income from:		
– a subsidiary of the Group's major shareholder for the leasing of Shop 2004, Miramar Shopping Centre *(note (d))*	**–**	(1,019)
– an entity controlled by a director for leasing of Office Units 1706–1707 and Whole of 18th Floor, Mira Place Tower A *(note (d))*	**(29,106)**	(28,942)
– a subsidiary of the Group's major shareholder for leasing of Shops 501–03, 505–06 and Pillar Signage, Mira Place 1 *(note (d))*	**(32,109)**	(29,681)
Rental and building management fee payable to:		
– an associate of the Group's major shareholder for the leasing of Shop Nos. 3101–3107 and certain floor space of ifc mall (including contingent rental of HK$Nil for the year ended 31 December 2018 (2017: HK$165,000)) *(note (d))*	**17,070**	16,998
– a subsidiary of the Group's major shareholder for the leasing of a building located at No. 388 Jaffe Road, Wanchai, Hong Kong (including contingent rental of HK$1,668,000 for the year ended 31 December 2018 (2017: HK$1,914,000)) *(note (e))*	**16,754**	17,000

All of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in paragraphs headed "Continuing Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2018.

26 Material related party transactions (Continued)

Notes:

(a) The property agency fee payable to a subsidiary of the Group's major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong, was calculated at a certain percentage of the gross rental income from the Group's investment properties during the year.

The Group's travel division provides agency services to certain subsidiaries and associates of the Group's major shareholder in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.

The net amounts due to these companies as at 31 December 2018 amounted to HK$20,721,000 (2017: HK$18,806,000) are unsecured, interest-free and have no fixed terms of repayment.

(b) The management fee income from a subsidiary of the Group's major shareholder for the provision of management services to a serviced apartment, was calculated at a certain percentage of revenue generated from that serviced apartment for the year the service provided. The amount due from this company as at 31 December 2018 amounted to HK$128,000 (2017: HK$49,000) is unsecured, interest-free and has no fixed terms of repayment.

(c) The Group's hotel division provides hotel and catering services to certain subsidiaries and associates of the Group's major shareholder in respect of hotel and outside catering services and food and beverage services under similar terms it provides to other customers. The amounts due from these companies as at 31 December 2018 amounted to HK$1,721,000 (2017: HK$1,290,000) are unsecured, interest-free and have no fixed terms of repayment.

(d) No amount due from/to these companies as at 31 December 2018 (2017: HK$Nil).

(e) The amount due to this company as at 31 December 2018 amounted to HK$178,000 (2017: HK$180,000) is unsecured, interest-free and has no fixed terms of repayment.

(f) Remuneration for key management personnel are disclosed in notes 5 and 6.

27 Disposal/liquidation of a subsidiary

On 13 March 2018, a wholly-owned overseas subsidiary was liquidated. Upon liquidation, an exchange difference of HK$16,589,000 previously recorded in exchange reserve was reclassified to profit or loss.

On 17 February 2017, the Group entered into an agreement with a third party to dispose of the entire issued share capital of a wholly-owned subsidiary at a net consideration of HK$146,059,000. The transaction was completed on 7 March 2017. The disposal of the subsidiary had the following effect on the Group's financial statements:

	HK$'000
Investment properties *(note 10(a))*	(117,000)
Trade and other receivables	(89)
Trade and other payables	89
Rental deposits received	1,940
Tax payable	1
Deferred tax liabilities *(note 21(b)(i))*	918
Net assets disposed	(114,141)
Net consideration received and net cash inflow	146,059
Net gain on disposal of a subsidiary *(note 3(c))*	31,918

28 Company-level statement of financial position

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**4,912**	7,231
Interests in subsidiaries		**2,824,077**	3,128,879
		2,828,989	3,136,110
Current assets			
Inventories		**501**	508
Trade and other receivables		**18,826**	14,954
Cash and bank balances		**4,502,621**	2,179,966
		4,521,948	2,195,428
Current liabilities			
Trade and other payables		**(50,196)**	(52,541)
Deposits received		**(360)**	(356)
		(50,556)	(52,897)
Net current assets		**4,471,392**	2,142,531
Total assets less current liabilities		**7,300,381**	5,278,641
Non-current liability			
Amounts due to subsidiaries		**(2,218,152)**	(2,142,528)
NET ASSETS		**5,082,229**	3,136,113
CAPITAL AND RESERVES	*22(a)*		
Share capital		**2,227,024**	1,384,869
Reserves		**2,855,205**	1,751,244
TOTAL EQUITY		**5,082,229**	3,136,113

Approved and authorised for issue by the board of directors on 18 March 2019.

LEE KA SHING
Chairman and CEO

COLIN LAM KO YIN
Director

29 Non-adjusting events after the reporting period

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 7.

30 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 1(c).

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these new amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (Continued)

HKFRS 16, *Leases*

Once HKFRS 16 is adopted, subject to practical expedients, the Group acting as a lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 25(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$170,063,000 for properties, some of which are payable either between 1 and 5 years after the reporting date or after more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted after taking into account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

Group's Five-year Financial Summary

	2018 HK$'million	2017 HK$'million	2016 HK$'million	2015 HK$'million	2014 HK$'million
Results (for the years ended 31 December)					
Revenue	**3,199**	3,186	3,118	3,251	3,127
Profit attributable to shareholders of the Company	**1,624**	1,519	1,277	1,355	1,301
Assets and liabilities (as at 31 December)					
Investment properties, other property, plant and equipment	**15,134**	14,409	13,814	13,204	12,608
Interests in associates	**4**	1	2	2	2
Interest in a joint venture	**–**	–	–	–	6
Available-for-sale securities – non-current	**–**	80	152	252	277
Equity securities designated at FVOCI	**92**	–	–	–	–
Financial assets measured at FVPL	**2**	–	–	–	–
Deferred tax assets	**6**	6	5	4	3
Net current assets	**4,400**	3,136	2,114	2,222	2,013
Total assets less current liabilities	**19,638**	17,632	16,087	15,684	14,909
Bank loans — non-current	**–**	–	(352)	(968)	(1,161)
Deferred liabilities	**(177)**	(197)	(169)	(137)	(175)
Amounts due to holders of non-controlling interests of a subsidiary	**(12)**	–	(24)	–	(39)
Deferred tax liabilities	**(278)**	(275)	(263)	(249)	(242)
Net assets	**19,171**	17,160	15,279	14,330	13,292
Capital and reserves					
Share capital	**2,227**	1,385	696	692	692
Reserves	**16,800**	15,644	14,444	13,491	12,463
Total equity attributable to shareholders of the Company	**19,027**	17,029	15,140	14,183	13,155
Non-controlling interests	**144**	131	139	147	137
Total equity	**19,171**	17,160	15,279	14,330	13,292
	HK$	HK$	HK$	HK$	HK$
Per share data					
Earnings — basic	**2.36**	2.52	2.21	2.35	2.25
Dividends attributable to the year	**0.61**	0.59	0.54	0.54	0.49
Net assets value attributable to shareholders of the Company	**27.54**	27.09	26.21	24.57	22.79

Group Properties

at 31 December 2018

Major properties held for investment and/or own use

Location	Lot number	Use	Lease	Group's interest (%)
In Hong Kong				
The Mira Hong Kong 118-130 Nathan Road Tsimshatsui, Kowloon	Sections A and C of KIL6022	Hotel and Commercial	Medium	100
Mira Place Tower A and Mira Place 1 1 Kimberley Road Tsimshatsui, Kowloon	Portion of KIL6454	Commercial	Medium	100
1/F., Champagne Court 16 Kimberley Road Tsimshatsui, Kowloon	Portion of KIL6022B	Commercial	Medium	100
A3, 13/F., United Mansion Nos. 37E-37H and 37J-37K Jordan Road and Nos. 95-103 Shanghai Street, Kowloon	Portion of KIL6727	Residential	Medium	100
3/F., 47 and 49 Sa Po Road Kowloon City, Kowloon	Portion of NKIL498 B&C	Residential	Medium	100
14 Car Parking Spaces on G/F Chi Lan Yuen 173 Argyle Street, Kowloon	Portion of KIL4194	Car parking	Long	100
No. 88 Stanley Main Street, Hong Kong	Stanley Inland Lot No.105 and Stanley Lot No.1130	Commercial	Medium	100

Group Properties (Continued)

at 31 December 2018

Location	Lot number	Use	Lease	Group's interest (%)
Outside Hong Kong				
Flat A, 1/F., Block 2 Crystal Garden Shekou Special Industrial Zone Shenzhen The People's Republic of China	Portion of 102 in Shekou Special Industrial Zone	Residential	Medium	100
Level 4 of Miramar Shopping Arcade in Guang Fat Gardens 496 Huan Shi Dong Lu Guangzhou Guangdong Province The People's Republic of China	–	Commercial	Medium	100
Flat Nos. 403 and 503, Block 1, Jinghua Apartment 24 Jian Quo Men Wai Avenue Chao Yang District, Beijing The People's Republic of China	–	Residential	Medium	100
80 Flats and 31 Car Parking Spaces in Shang-Mira Garden Hongqiao Road Shanghai The People's Republic of China	–	Residential and Car parking	Medium	100
Level 1, portion of Level 2, portion of Level 3 and Basement Level of the Commercial Podium of Shang-Mira Garden Hongqiao Road Shanghai The People's Republic of China	–	Commercial	Medium	51.4

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the "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 to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 31 December 2018.

2. To declare a Final Dividend.

3. To re-elect Directors.

4. To re-appoint Auditors and authorise the Directors to fix their remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

(A) "**THAT**:

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (b) of this Resolution) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the total number of shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent of the total number of shares of the Company in issue as at the date of this Resolution (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly;

(b) for the purposes of this Resolution:

"Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiry of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the approval set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

"Rights Issue" means an offer of shares in the capital of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

(B) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the total number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the total number of shares of the Company in issue as at the date of this Resolution (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution 5(A) as set out in the notice convening this Meeting."

(C) "**THAT**:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution 5(A) as set out in the notice convening this Meeting be and is hereby extended by the addition to the total number of shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate such number of shares of the Company bought back by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares under the authority granted pursuant to Ordinary Resolution 5(B) as set out in the notice convening this Meeting provided that such number of additional shares shall not exceed 10 per cent of the total number of shares of the Company in issue as at the date of this Resolution (subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares during the Relevant Period)."

By Order of the Board
CHU KWOK SUN
Corporate Secretary

Hong Kong, 24 April 2019

Registered Office:
15/F, Mira Place Tower A
132 Nathan Road
Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

(1) A Shareholder of the Company (the "Shareholder(s)") entitled to attend and vote is entitled to appoint (i) another person (whether a Shareholder or not) as a proxy to exercise all or any of the Shareholder's rights to attend and to speak and vote at the Meeting and (ii) separate proxies to represent respectively the number of the shares held by the Shareholder that is specified in their instruments of appointment of proxies. If a Shareholder appoints more than one proxy, the proxies so appointed are not entitled to vote on the resolution on a show of hands. Form of proxy must be lodged at Computershare Hong Kong Investor Services Limited (the "Company's Share Registrar") at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (accordingly, no later than 12:00 noon on 1 June 2019). In calculating the periods mentioned for depositing the instrument appointing a proxy, no account is to be taken of any part of a day that is a public holiday.

(2) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 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 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 at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday, 29 May 2019.

(3) 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 the Company's Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Monday, 10 June 2019.

(4) Concerning item no. 3 above, Dr Lee Shau Kee, Dr David Sin Wai Kin, Dr Patrick Fung Yuk Bun, Mr Eddie Lau Yum Chuen and Mr Howard Yeung Ping Leung (collectively the "Retiring Directors") will retire from office and, being eligible, have offered themselves for re-election at the Meeting.

(5) A circular containing details relating to re-election of the Retiring Directors and an explanatory statement containing the information necessary to enable the Shareholders to make an informed decision as to whether to vote for or against Ordinary Resolutions 5(A) to 5(C) as set out in this notice will be sent to Shareholders together with the Company's 2018 Annual Report.

(6) Please indicate in advance, not less than 1 week before the time appointed for holding the Meeting, if shareholder(s), because of disabilities, need special arrangements to participate at the Meeting. Any such request should be in writing and sent to the Company's Share Registrar by post at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by phone at 2862 8555. The Company will endeavor to make the necessary arrangements unless there is unjustifiable hardship in arranging for them.

(7) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at any time between 10:00 a.m. and 12:00 noon on the date of the Meeting, the Meeting will be adjourned. The Company will post an announcement on the Company website (www.miramar-group.com) and the HKEX news website (www.hkexnews.hk) to notify Shareholders of the date, time and place of the adjourned meeting.

The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the Meeting under bad weather conditions bearing in mind their own situations.

Corporate Information

Board of Directors

Executive Directors

Mr LEE Ka Shing *(Chairman and CEO)*
Mr Richard TANG Yat Sun
Dr Colin LAM Ko Yin
Mr Eddie LAU Yum Chuen
Mr Norman HO Hau Chong

Non-Executive Directors

Dr LEE Shau Kee
Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On
Mr Alexander AU Siu Kee

Independent Non-Executive Directors

Dr David SIN Wai Kin *(Vice Chairman)*
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming
Mr Howard YEUNG Ping Leung
Mr Thomas LIANG Cheung Biu

Audit Committee

Dr Timpson CHUNG Shui Ming *(Committee Chairman)*
Dr David SIN Wai Kin
Mr WU King Cheong
Dr Patrick FUNG Yuk Bun
Mr Dominic CHENG Ka On

Remuneration Committee

Dr Timpson CHUNG Shui Ming *(Committee Chairman)*
Mr LEE Ka Shing
Dr David SIN Wai Kin
Mr Richard TANG Yat Sun
Mr WU King Cheong

Nomination Committee

Mr LEE Ka Shing *(Committee Chairman)*
Dr David SIN Wai Kin
Mr WU King Cheong
Dr Timpson CHUNG Shui Ming

Chairman and CEO

Mr LEE Ka Shing

Joint Company Secretaries

Mr Dickson LAI Ho Man
Mr Charles CHU Kwok Sun

Auditors

KPMG

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.
Mizuho Bank, Ltd.
China Construction Bank (Asia) Corporation Limited
Sumitomo Mitsui Banking Corporation
Bank of Communications Co., Ltd.
Hang Seng Bank Limited

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Registered Office

15/F, Mira Place Tower A, 132 Nathan Road,
Tsim Sha Tsui, Kowloon, Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited
(Stock Code: 71)

Website

http://www.miramar-group.com

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED
15/F Mira Place Tower A 132 Nathan Road Tsimshatsui Kowloon Hong Kong

www.miramar-group.com