

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# MIRAMAR GROUP

## MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

美麗華酒店企業有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 71)

(Warrant Code: 1437)

### 2016 FINAL RESULTS ANNOUNCEMENT

#### ANNUAL RESULTS

The Board of Directors of Miramar Hotel and Investment Company, Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016 together with the comparative figures for the corresponding year in 2015.

#### Highlights

- The Group’s revenue slightly decreased by 4% from HK\$3,251 million to HK\$3,118 million
- Profit for the year was HK\$1,308 million, a decrease of 6% from HK\$1,396 million in last year
- Profit attributable to shareholders increased by 4% to HK\$1,277 million (2015: HK\$1,232 million (excluding the one-off net gain from disposal of properties in 2015))
- Basic earnings per share were HK\$2.21 as compared to HK\$2.35 for the previous year
- Final dividends per share proposed are HK34 cents (2015: HK34 cents), making a total annual dividend of HK54 cents per share (2015: HK54 cents), payable in cash

## **CHAIRMAN AND CEO'S STATEMENT**

Dear Shareholders,

On behalf of the Board of the Miramar Group (the "Group"), I am pleased to present my report on the operations of the Group, together with the financial performance for the financial year ended 31 December 2016 (the "Reporting Period").

### **Revenue, Profit Attributable to Shareholders and Basic Underlying Earnings per Share**

The Group's revenue for the Reporting Period amounted to HK\$3,118 million, representing a slight decrease of 4% compared to the HK\$3,251 million for the financial year ended 31 December 2015.

Benefitting from a net increase in the fair value of our investment properties, the profit attributable to shareholders increased by 4% year-on-year to approximately HK\$1,277 million (2015: HK\$1,232 million (excluding the one-off gain in the sale of No.6 Knutsford Terrace)). Again, excluding the effects of one-off gain of the sale of No.6 Knutsford Terrace and the increase in the fair value of our investment properties, the underlying profit attributable to shareholders decreased by 4% to approximately HK\$580 million (2015: HK\$606 million). The basic underlying earnings per share dropped by 4% year-on-year to HK\$1.00 (2015: HK\$1.05).

### **Final Dividend**

The Directors are pleased to recommend a final dividend of 34 Hong Kong cents per share payable to shareholders whose names are on the Register of Members as at 13 June 2017. Including an interim dividend of 20 Hong Kong cents per share paid on 20 October 2016, the total dividend payout for the entire year will be 54 Hong Kong cents per share.

### **Overview**

2016 was a challenging year with economic and political instabilities at home and abroad. During the year, global economic growth continued to weaken due to market concerns over trade protectionism led by the United States presidential election and Brexit. Besides, the persistently sluggish economy in mainland China, together with the RMB depreciation, led to a further decline in visitor arrivals from mainland China. Impacted by these external factors, Hong Kong's economic growth slowed down during the year. In the face of this debilitated business environment, the Group's core businesses were inevitably affected to a certain extent.

To cope with the challenges brought by the external environment, the management adopted several measures. Besides making great efforts to improve internal operational efficiency and strengthen risk management, we vigorously strived to enhance the value of our operations, including optimizing our tenant mix, improving service quality and enriching customer experiences. At the same time we stepped up our marketing promotion and expanded our cooperation with overseas partners in order to broaden our customer source. These measures gradually yielded remarkable results in the second half of the year which brought the full year results to the comparable level as in 2015.

## **Business Outlook**

Looking ahead, the global economic outlook for 2017 is clouded by increased uncertainty, complicated by geopolitical risks, the concerns about trade protectionism and the hastened pace of U.S. interest rates hikes. Amid slowing economic growth in mainland China coupled with dearth of signs of recovery in Hong Kong's retail market and rising labour costs, it is expected that the Group will continue to face a challenging operating environment. However, the Group will keep a close watch on global economic conditions and investment opportunities, and lose no time in exploiting them. The Group will further improve cost and risk management and optimize the operation of various departments, thereby enhancing operational efficiency. The Group will also embrace the global e-commerce trend through leveraging the robustness of social media coverage to expand our marketing scope. In our drive for increased revenues and profits, we will actively utilize information embedded in our business databases to further facilitate cross-selling by enhancing and integrating our customer relations management functions of our retail, food and beverage, hotel, and travel businesses.

With 2017 marking the proud 60th anniversary of Miramar Group, we will with conviction, determination and aspiration continue to provide the best of services to all our customers and stakeholders. I am confident that with the continued support of my shareholders, Board of Directors, business partners and dedicated staff, the Group will grow from strength to strength into more success and prosperity capitalizing on the challenges and opportunities ahead of us.

## **Acknowledgement**

I would like to express my gratitude to my fellow directors for their brilliant leadership, in guiding the Company towards stable development; and on behalf of all the shareholders and directors to our management team and every staff for their unrelenting efforts and contributions throughout the year towards laying a solid foundation for the Group's future development.

**Lee Ka Shing**

*Chairman and CEO*

Hong Kong, 17 March 2017

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

#### **Hotels and Serviced Apartments Business**

During the year, total visitor arrivals decreased by 4.5% year-on-year, with mainland China arrivals falling to 6.7%. In addition, as the United States dollar continued to be strong, the non-dollar tourist destinations were thus more attractive than Hong Kong to visitors. The Group's hotels and serviced apartments recorded a revenue of HK\$638 million, and EBITDA (earnings before interest, tax, depreciation and amortisation) amounted to HK\$228 million, representing a decline of approximately 5%.

To further enhance market competitiveness, the Group's two hotels, The Mira Hong Kong and Mira Moon, participated in the Starwood Preferred Guest® (SPG®) program, a world-renowned hotel and resort program that allows its members to book SPG® hotels directly and enjoy a range of exclusive privileges. This has successfully expanded our global reach and enriched our customer base of overseas business and high-end customers. It has also increased the renown of our Group's hotels in the international market, which helped enhance our customer mix and elevated overall business performance.

#### **The Mira Hong Kong**

Situated in the heart of Tsim Sha Tsui, The Mira Hong Kong is a member of the Design Hotels™ network, providing 492 stylish guestrooms with all-round luxury services.

Challenged by both fewer visitor arrivals and the strong Hong Kong dollar, The Mira Hong Kong's average occupancy and room rates slightly dropped in 2016. The management proactively reviewed its operational processes to reduce overlapping procedures and streamline its manpower deployment, which successfully reduced its manpower costs by 3%.

#### **Mira Moon**

Mira Moon, located at the centre of the bustling Causeway Bay, is also a member of the Design Hotels™ network. It delivers unforgettable guest experience with 91 uniquely decorated guestrooms as well as an opulent penthouse suite and comprehensive personal service that has earned it numerous international awards.

Mira Moon has not only remained competitive but in fact grown steadily despite fierce price competition from nearby hotels and decreased visitor arrivals to Hong Kong. In 2016, the hotel's average occupancy and room rates remained stable compared to the previous year, while its food and beverage business achieved satisfactory growth.

## **Mira Moon (Continued)**

To attract more potential customers, both hotels will further strengthen the promotion of their online reservation business. Apart from the hotels' official websites, high-performing dedicated hotel reservation sites are being evaluated and advertising resources are more effectively utilised so as to boost online reservations. The two hotels are also planning to enhance promotions to local small/medium enterprises and private enterprises in mainland China, so as to actively develop its MICE (meetings, incentives, conferences, and exhibitions) segment.

## **Serviced Apartments**

Located in the bustling Gubei residential area of the booming Hongqiao district, Miramar Apartment sits adjacent to Shanghai's business hub and upscale residential area, enjoying exceptional living convenience and comfort. During the year, Miramar Apartment's operations remained satisfactory. Other than those units undergoing refurbishing and tenant changes, the apartments were continually fully occupied.

## **Property Rental Business**

The Group's property rental business remained solid in 2016 amidst Hong Kong's economic slowdown and lower retail sales, with a revenue of HK\$829 million and an EBITDA of HK\$724 million, which were largely flat compared to the previous year.

Miramar Tower and Miramar Shopping Centre are the Group's key rental properties with a total of 1,000,000 square feet of floor area. The Mira Hong Kong, the Group's flagship hotel, sits adjacent to these properties and provides excellent conference venues. This combination amasses excellent business opportunities.

## **Miramar Tower**

Miramar Tower is an 18-storey, Grade-A office building with total floor area of 700,000 square feet, and a floor area of approximately 38,000 square feet per floor. It is home to numerous internationally renowned enterprises, financial institutions, and medical organisations, and also provides several floors tailored to the needs of various types of enterprises.

During the year, the Group continued to optimize its tenant mix and successfully attracted more semi-retail tenants such as one-stop beauty centres and large-scale fitness clubs. These tenants now account for over 20% of the office space. Merging shopping mall facilitation into the office floors, this scheme enhanced the property's value and facilitated stable development of the Group's rental business.

## **Miramar Shopping Centre**

Miramar Shopping Centre combines the elements of retail, dining, leisure and commerce into a 500,000 square feet, integrated one-stop shopping hub. It is home to over 130 fashion brands, including Asian chic and famous international designer labels, providing customers with pleasure of leisurely shopping. Among its more than 40 eateries are Michelin starred and recommended restaurants, offering delicacies from around the world.

Amid the lacklustre turnover of the retail sector, Miramar Shopping Centre continually refined its retail sales mix and successfully boosted pedestrian flow through its floors. Both the per-square-foot rent and occupancy rates have remained at levels similar to last year.

## **Mira Mall**

Located at Nathan Road, the part of Tsim Sha Tsui where pedestrian flow is always at its highest density, Mira Mall features 4 storeys of retail spaces, and houses a host of international fashion and cosmetics brands, as well as stylish cafes and several flagship fashion stores. Merged with Miramar Shopping Centre where many other famous shops are, Mira Mall has become a new landmark of fashion brands. With retail sales mix under continual enhancement, it creates a distinctive experience for shoppers.

## **Asset Enhancement Program and Mall Integration**

During the year, Miramar Shopping Centre and Mira Mall continued to carry out their asset enhancement program to keep the malls fresh and attractive through interior renovation and decoration, as well as tenant portfolio optimisation. Several promotional events aimed at drawing crowds were launched, including the Kirin Ichiban Summer Feast and Hong Kong's first-ever shopping mall music festival, which incorporated live music performances and an original handcraft fair; these helped heat up the mall's feverish summer atmosphere. An interactive Christmas game also brought a special Scandinavian ambiance to the shopping mall during the Christmas shopping season. Thanks to these promotional events, the Group's retail spaces saw a rise of 8% in their average yearly pedestrian traffic, which boosted tenants' sales revenue.

In 2017, the Group will continue to integrate Miramar Shopping Centre and Mira Mall, affording customers a more comprehensive shopping and leisure experience. In the long term, through integrating our retail, hotel, and other businesses for better synergy, we hope to bringing about for customers brand-new, all-encompassing experience that covers shopping, entertainment, dining and even upscale accommodations.

## **Net increase in fair value of investment properties**

Miramar Tower and Mira Mall are the Group's major investment properties. Based on the Group's accounting policy, investment properties are calculated by their fair value at the end of the year. The independent professional surveying firm of DTZ Cushman & Wakefield was engaged to conduct an open market valuation for the Group's investment properties as at 31 December 2016. Benefited by the on-going asset optimisation project and the year-on-year improvement on the Miramar Tower's rental rates, the Group's investment property portfolio recorded a net increase in fair value of HK\$723 million to stand at HK\$13,402 million as at 31 December 2016, representing an increase of 6% as compared to that in 2015.

## **Food and Beverage Business**

The Group recorded a revenue of HK\$448 million from its food and beverage business, approximately the same as last year, with EBITDA declined to HK\$42 million.

Impacted by the slowing economic growth, consumers turned cautious and consumption propensity to dine out was affected. For the Group's restaurants, customer visits decreased slightly, while consumption per capita remained steady. Our Chinese restaurants like Cuisine Cuisine and Tsui Hang Village showed remarkable performance, providing a stable income for the Group. The Group also launched traditional delicacies in 2016, such as glutinous rice cakes and moon cakes, which were adored by customers. This year, the Group aims to expand this move by launching more specially-prepared foods to diversify business incomes.

In addition to continuing to look for opportunities to properly implement its multi-brand strategy, the Group will keep perfecting its dining outlets' customer experience and service, introducing new dishes and new themes from time to time to bring a continuous sense of freshness to customers.

The Group is targeting a steady growth for its food and beverage business this year, and is committed to improving its operational efficiency while keeping pace with the dining market and trends. Focusing on medium-to-high-end restaurants, the Group aims to offer diners more options of quality cuisines, in pursuit of better profit margins.

## **Travel Business**

Impeded by Hong Kong's slowing economy, the Group's travel business showed unsatisfactory performance in the first half of the year. However, the second half saw a turnaround thanks to enhanced promotions and beefed-up itineraries that successfully stimulated traveller spending. The revenue was HK\$1,198 million for the whole year. The EBITDA declined to HK\$30 million.

The Group completed the acquisition of HYFCO Travel Agency Limited in 2016, which brought in a revenue of HK\$23 million.

## **Operating Costs and Other Expenses**

In 2016, the Group's operating and other expenses decreased by 13% to HK\$274 million (2015: HK\$314 million). In response to the devaluation of the RMB, the Group has substantially lowered its balance of RMB deposits. Moreover, the Group has further enhanced its operating efficiency through a host of cost control strategies. Operating expenses and other expenses reduced by HK\$40 million in total.

## **Corporate Finance**

The Group maintains its conservative financial policy with high liquidity and low gearing. Gearing, calculated by dividing consolidated total borrowings by the consolidated total shareholders' equity, was only 5% as at 31 December 2016 (at 31 December 2015: 10%).

The Group has its business operations primarily in Hong Kong with related cash flows, assets and liabilities denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure results from its operations in mainland China as well as with certain bank deposits which are denominated in RMB and USD, plus equity and bond investments which are denominated in USD, EUR and JPY. The majority of the Group's banking facilities are denominated in Hong Kong dollars and interest on bank loans and borrowings are chargeable mainly based on a certain premium over the Hong Kong Interbank Offered Rate, therefore are floating rate in nature.

As the Group is buttressed upon a large cash pool with adequate credit facilities available to fund its development program for the foreseeable future, we terminated some credit arrangements as appropriate to reduce financial expenses during the year. At 31 December 2016, total available facilities amounted to approximately HK\$ 2.7 billion (31 December 2015: approximately HK\$3.4 billion), 28 % of which (31 December 2015: 42%) have been utilised. At 31 December 2016, consolidated net cash totalled approximately HK\$ 2.1 billion (31 December 2015: HK\$1.6 billion), of which HK\$10 million comprised secured borrowings (31 December 2015: HK\$30 million).

## **Investments**

With the upward trend in global interest rate and unsettling geopolitical situation, the Group adopted a more prudent investment strategy during the second half of the year with no further purchases of shares or bonds. Under favourable global investment climate at the end of the year, provisions for impairment of the Group's investment portfolio saw an improvement compared to the first half of 2016.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	2	<b>3,118,437</b>	3,250,775
Cost of inventories		(197,932)	(207,183)
Staff costs		(532,626)	(540,540)
Utilities, repairs and maintenance and rent		(207,049)	(203,208)
Tour and ticketing costs		<u>(1,070,811)</u>	<u>(1,105,200)</u>
<b>Gross profit</b>		<b>1,110,019</b>	1,194,644
Other revenue		79,377	100,390
Operating and other expenses		(273,844)	(313,527)
Depreciation		<u>(145,850)</u>	<u>(157,172)</u>
		<b>769,702</b>	824,335
Finance costs	3(a)	(17,966)	(33,823)
Share of profits less losses of associates		(23)	57
Share of loss of a joint venture		<u>–</u>	<u>(902)</u>
		<b>751,713</b>	789,667
Other non-operating net (loss)/income	3(b)	(10,248)	127,717
Net increase in fair value of investment properties		<u>722,632</u>	<u>626,090</u>
<b>Profit before taxation</b>	3	<b>1,464,097</b>	1,543,474
<b>Taxation</b>	4		
Current		(137,385)	(136,621)
Deferred		<u>(18,818)</u>	<u>(11,233)</u>
<b>Profit for the year carried forward</b>		<b><u>1,307,894</u></b>	<b><u>1,395,620</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)***For the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>Profit for the year brought forward</b>		<b><u>1,307,894</u></b>	<u>1,395,620</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>1,276,719</b>	1,355,385
Non-controlling interests		<b><u>31,175</u></b>	<u>40,235</u>
		<b><u>1,307,894</u></b>	<u>1,395,620</u>
<b>Dividends attributable to the year:</b>			
Interim Dividend	5	<b>115,500</b>	115,447
Final Dividend		<b><u>196,363</u></b>	<u>196,259</u>
		<b><u>311,863</u></b>	<u>311,706</u>
<b>Earnings per share</b>			
Basic	6	<b><u>HK\$2.21</u></b>	<u>HK\$2.35</u>
Diluted		<b><u>HK\$2.19</u></b>	<u>HK\$2.35</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Profit for the year</b>	<b><u>1,307,894</u></b>	<b><u>1,395,620</u></b>
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	(22,450)	(29,289)
Available-for-sale securities:		
– changes in fair value	(5,612)	(5,311)
– transfer to profit or loss upon disposal	(2,364)	(11,816)
– transfer to profit or loss upon impairment	<b><u>11,741</u></b>	<b><u>11,719</u></b>
	<b><u>(18,685)</u></b>	<b><u>(34,697)</u></b>
<b>Total comprehensive income for the year</b>	<b><u>1,289,209</u></b>	<b><u>1,360,923</u></b>
<b>Attributable to:</b>		
Shareholders of the Company	1,265,620	1,328,161
Non-controlling interests	<b><u>23,589</u></b>	<b><u>32,762</u></b>
<b>Total comprehensive income for the year</b>	<b><u>1,289,209</u></b>	<b><u>1,360,923</u></b>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Investment properties	7	<b>13,401,850</b>	12,658,338
Other property, plant and equipment		<b>411,895</b>	545,620
		<b>13,813,745</b>	13,203,958
Interests in associates		<b>1,789</b>	1,729
Available-for-sale securities		<b>152,038</b>	252,142
Deferred tax assets		<b>4,843</b>	3,846
		<b>13,972,415</b>	13,461,675
<b>Current assets</b>			
Inventories		<b>119,403</b>	124,052
Trade and other receivables	8	<b>294,905</b>	250,685
Available-for-sale securities		<b>30,756</b>	33,421
Trading securities		<b>11,492</b>	14,042
Cash and bank balances		<b>2,865,966</b>	3,077,497
Tax recoverable		<b>91</b>	1,023
		<b>3,322,613</b>	3,500,720
<b>Current liabilities</b>			
Trade and other payables	9	<b>(553,545)</b>	(573,241)
Bank loans and overdrafts		<b>(387,900)</b>	(455,187)
Sales and rental deposits received		<b>(221,575)</b>	(203,403)
Tax payable		<b>(44,999)</b>	(46,699)
		<b>(1,208,019)</b>	(1,278,530)
<b>Net current assets</b>		<b>2,114,594</b>	2,222,190
<b>Total assets less current liabilities carried forward</b>		<b>16,087,009</b>	15,683,865

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>Total assets less current liabilities brought forward</b>		<b><u>16,087,009</u></b>	<u>15,683,865</u>
<b>Non-current liabilities</b>			
Bank loans		<b>(352,300)</b>	(967,797)
Deferred liabilities		<b>(168,980)</b>	(137,078)
Amounts due to holders of non-controlling interests of a subsidiary	<i>10</i>	<b>(23,772)</b>	–
Deferred tax liabilities		<b><u>(263,323)</u></b>	<u>(249,126)</u>
		<b><u>(808,375)</u></b>	<u>(1,354,001)</u>
<b>NET ASSETS</b>		<b><u>15,278,634</u></b>	<u>14,329,864</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>11</i>	<b>695,826</b>	691,721
Reserves		<b><u>14,443,541</u></b>	<u>13,491,318</u>
<b>Total equity attributable to shareholders of the Company</b>		<b>15,139,367</b>	14,183,039
<b>Non-controlling interests</b>		<b><u>139,267</u></b>	<u>146,825</u>
<b>TOTAL EQUITY</b>		<b><u>15,278,634</u></b>	<u>14,329,864</u>

## **NOTES:**

### **1. BASIS OF PREPARATION**

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

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

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.

The principal accounting policies used in the preparation of the financial statements are consistent with those used in the 2015 annual financial statements.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented and the Group has not applied any new standard or interpretation that is not yet effective for current accounting period.

## 2. 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 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 rental income, income from hotels and serviced apartments, food and beverage, travel and other operations.

### (a) Segment results

Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is "adjusted EBITDA", i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, other non-operating items and other corporate expenses.

## 2. REVENUE AND SEGMENT REPORTING (Continued)

Information regarding the Group's reportable segments as provided to the Group's board and senior management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	2016					Total HK\$'000
	Property rental HK\$'000	Hotels and serviced apartments HK\$'000	Food and beverage operation (note) HK\$'000	Travel operation HK\$'000	Others (note) HK\$'000	
Revenue from external customers	828,653	638,418	448,261	1,198,360	4,745	3,118,437
Inter-segment revenue	-	3,226	6,907	-	-	10,133
<b>Reportable segment revenue</b>	<b>828,653</b>	<b>641,644</b>	<b>455,168</b>	<b>1,198,360</b>	<b>4,745</b>	<b>3,128,570</b>
Elimination of inter-segment revenue						<u>(10,133)</u>
<b>Consolidated revenue</b>						<b><u>3,118,437</u></b>
<b>Reportable segment results (adjusted EBITDA)</b>	<b>724,335</b>	<b>227,603</b>	<b>41,621</b>	<b>29,620</b>	<b>(15,826)</b>	<b>1,007,353</b>
Unallocated corporate expenses						<u>(237,651)</u>
						769,702
Finance costs						(17,966)
Share of profits less losses of associates						(23)
Other non-operating net loss						(10,248)
Net increase in fair value of investment properties	722,632	-	-	-	-	<u>722,632</u>
<b>Consolidated profit before taxation</b>						<b><u>1,464,097</u></b>

## 2. REVENUE AND SEGMENT REPORTING (Continued)

	2015					
	Property rental	Hotels and serviced apartments	Food and beverage operation <i>(note)</i>	Travel operation	Others <i>(note)</i>	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	833,589	675,262	450,206	1,275,343	16,375	3,250,775
Inter-segment revenue	–	2,142	6,174	–	–	8,316
<b>Reportable segment revenue</b>	833,589	677,404	456,380	1,275,343	16,375	3,259,091
Elimination of inter-segment revenue						(8,316)
<b>Consolidated revenue</b>						<u>3,250,775</u>
<b>Reportable segment results (adjusted EBITDA)</b>	723,843	238,913	62,897	73,914	(20,188)	1,079,379
Unallocated corporate expenses						(255,044)
Finance costs						824,335
Share of profits less losses of associates						(33,823)
Share of loss of a joint venture						57
Other non-operating net income						(902)
Net increase in fair value of investment properties	626,090	–	–	–	–	127,717
<b>Consolidated profit before taxation</b>						<u>1,543,474</u>

*Note:* During the year, the financial results of business in the process of cessation are grouped and reported to the Group's board and senior management under "Others" segment. These were previously grouped and reported under "Food and beverage operation". Comparative figures have been restated in conformity with current year's presentation.

## 2. 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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
The Hong Kong Special Administrative Region	3,054,827	3,174,515	13,150,663	12,574,828
The People's Republic of China	63,610	76,260	664,871	630,859
	<u>3,118,437</u>	<u>3,250,775</u>	<u>13,815,534</u>	<u>13,205,687</u>

## 3. PROFIT BEFORE TAXATION

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

	2016 HK\$'000	2015 HK\$'000
<b>(a) Finance costs</b>		
Interest on bank advances and other borrowings	11,449	27,949
Other borrowing costs	6,517	5,874
	<u>17,966</u>	<u>33,823</u>
<b>(b) Other non-operating net loss/(income)</b>		
Net gain on disposal of properties	–	(123,451)
Impairment loss on available-for-sale securities	11,741	11,719
Net gain on disposal of available-for-sale securities	(2,364)	(11,816)
Net realised and unrealised losses/(gains) on trading securities	871	(4,169)
	<u>10,248</u>	<u>(127,717)</u>

#### 4. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	<b>131,331</b>	133,176
Under/(Over) - provision in respect of prior years	<b>615</b>	(1,094)
	<b>131,946</b>	132,082
<b>Current tax – Overseas Taxation</b>		
Provision for the year	<b>5,439</b>	4,539
<b>Deferred tax</b>		
Change in fair value of investment properties	<b>17,012</b>	1,862
Origination and reversal of temporary differences	<b>1,806</b>	9,371
	<b>18,818</b>	11,233
	<b>156,203</b>	147,854

Provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

Share of associates' taxation for the year ended 31 December 2016 of HK\$7,000 (2015: HK\$8,000) is included in the share of profits less losses of associates.

#### 5. DIVIDENDS

##### (a) Dividends attributable to the year

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend declared and paid of HK20 cents per share (2015: HK20 cents per share)	<b>115,500</b>	115,447
Final dividend proposed after the end of the reporting period of HK34 cents per share (2015: HK34 cents per share)	<b>196,363</b>	196,259
	<b>311,863</b>	311,706

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.

## 5. DIVIDENDS (Continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK34 cents per share (2015: HK32 cents per share)	<u>196,344</u>	<u>184,714</u>

The final dividend of HK\$196,344,000 (calculated based on 34 Hong Kong cents per share and the total number of issued shares as at the dividend pay-out date) for the year ended 31 December 2015 was approved and paid in the year ended 31 December 2016 (2015: HK\$184,714,000).

## 6. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,276,719,000 (2015: HK\$1,355,385,000) and the weighted average of 577,403,504 ordinary shares (2015: 577,232,115 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	2016	2015
Issued ordinary shares at 1 January	577,233,524	577,231,252
Effect of exercised bonus warrants ( <i>note 11(b)</i> )	<u>169,980</u>	<u>863</u>
Weighted average number of ordinary shares at 31 December	<u>577,403,504</u>	<u>577,232,115</u>

### (b) Diluted earnings per share

For the year ended 31 December 2016, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the company of HK\$1,276,719,000 and the weighted average of 581,869,779 ordinary shares, calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	2016
Weighted average number of ordinary shares at 31 December	577,403,504
Effect of exercise of bonus warrants ( <i>note 11(b)</i> )	<u>4,466,275</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>581,869,779</u>

The Company's bonus warrants as at 31 December 2015 did not give rise to any dilutive effect to the earnings per share and there were no other potential dilutive ordinary shares in existence during the year ended 31 December 2015, and hence diluted earnings per share was the same as the basic earnings per share for the year ended 31 December 2015.

## 7. INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 31 December 2016 and 31 December 2015. The valuations were carried out by an independent firm of surveyors, DTZ Cushman & Wakefield, who have among its staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the year, the net increase in fair value of investment properties was HK\$722,632,000 (2015: HK\$626,090,000).

## 8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) 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:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 1 month	<b>72,462</b>	56,183
1 month to 2 months	<b>10,015</b>	5,548
Over 2 months	<b>35,067</b>	19,205
Trade receivables (net of allowance for doubtful debts)	<b>117,544</b>	80,936
Other receivables, deposits and prepayments	<b>177,361</b>	169,749
	<b>294,905</b>	250,685

At 31 December 2016 and 2015, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$24,474,000 (2015: HK\$21,382,000) which is expected to be recovered after one year.

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

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis, based on the invoice date, as at the end of the reporting period:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Due within 3 months or on demand	<b>101,135</b>	67,127
Due after 3 months but within 6 months	<b>36,309</b>	33,080
Trade payables	<b>137,444</b>	100,207
Other payables and accrued charges	<b>339,284</b>	365,252
Amounts due to holders of non-controlling interests of subsidiaries (see note 10)	<b>72,484</b>	103,435
Amounts due to associates (note)	<b>4,333</b>	4,347
	<b>553,545</b>	573,241

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

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

## 10. 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\$23,772,000 (2015: HK\$30,965,000), which are interest bearing at 6% per annum and repayable after one year (2015: 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.

## 11. SHARE CAPITAL

### (a) Issued share capital

	<b>2016</b>		2015	
	<i>No. of shares</i>	<i>Amount</i> <i>HK\$'000</i>	<i>No. of shares</i>	<i>Amount</i> <i>HK\$'000</i>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>577,233,524</b>	<b>691,721</b>	577,231,252	691,690
Shares issued on exercise of warrants	<b>304,110</b>	<b>4,105</b>	2,272	31
At 31 December	<b>577,537,634</b>	<b>695,826</b>	577,233,524	691,721

**(b) Bonus warrants**

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

During the year, 304,110 units (2015: 2,272 units) of warrants were exercised to subscribe for totally 304,110 ordinary shares (2015: 2,272 ordinary shares) in the Company. The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company. At 31 December 2016, 115,139,868 units (2015: 115,443,978 units) of warrants remained outstanding.

## **ANNUAL GENERAL MEETING**

The 2017 Annual General Meeting of the Company will be held at The Ballroom, 18/F, The Mira Hong Kong, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 1 June 2017 at 12:00 noon. The Notice of 2017 Annual General Meeting will be published on the websites of both The Stock Exchange of Hong Kong Limited and the Company, and despatched to Shareholders and Warrantholders of the Company on or about 26 April 2017.

## **CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS**

- (1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2017 Annual General Meeting, the Register of Members and the Register of Warrantholders will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017, both days inclusive, during such period no transfer of shares or warrants (including the allotment of shares upon exercise of the subscription rights attached to the warrants of the Company) will be registered. In order to be eligible to attend and vote at the 2017 Annual General Meeting,
  - (i) Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong ("Computershare"), not later than 4:30 p.m. on Thursday, 25 May 2017; and
  - (ii) Warrantholders must lodge all subscription forms accompanied by the relevant warrant certificates and subscription moneys (together the "Warrant Exercise Documents") for registration with Computershare, which also acts as the registrar maintaining the Register of Warrantholders, not later than 4:30 p.m. on Thursday, 25 May 2017.

(2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members and the Register of Warrantholders will be closed from Wednesday, 7 June 2017 to Tuesday, 13 June 2017, both days inclusive, during such period no transfer of shares or warrants (including the allotment of shares upon exercise of the subscription rights attached to the warrants of the Company) will be registered. In order to establish entitlements to the proposed final dividend,

- (i) Shareholders must lodge the Share Transfer Documents for registration with Computershare not later than 4:30 p.m. on Tuesday, 6 June 2017; and
- (ii) Warrantholders must lodge the Warrant Exercise Documents for registration with Computershare not later than 4:30 p.m. on Tuesday, 6 June 2017.

## **DESPATCH OF DIVIDEND WARRANTS**

Subject to the approval to be obtained at the 2017 Annual General Meeting, the dividend warrants for the proposed final dividend will be despatched by mail to shareholders on or about 27 June 2017.

## **EMPLOYEES**

As at 31 December 2016, the Group had a total of about 1,829 full-time employees, including 1,776 employed in Hong Kong and 53 employed in The People's Republic of China.

The Group is the "Equal Opportunity Employer"; we value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism for all of our employees that supports the achievement of the Group's Mission, Vision and Business Strategies.

It is the policy of the Group to remunerate employees in a fair and equitable manner. The Group develops a performance-driven culture and adopts Total Rewards Management for talents attraction, employee recognition and retention.

The Group reviews its Remuneration and Benefits Program on a regular basis to ensure the program 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 Roadmap including the provision of in-house and external training programs 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 2015, the Group has also awarded “Merit Award for Employers” from the Employees Retraining Board, in recognition of the Group’s outstanding achievements in fostering an organizational culture conducive to manpower training and development as well as life-long learning.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in the Corporate Governance Code 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 2016, 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.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2016 and discussed with Director of Internal Audit, Director of Risk Management & Corporate Services and independent auditors matters on auditing, internal control, risk management and financial report of the Group.

## **SCOPE OF WORK OF KPMG**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2016 have been compared by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditors on this announcement.

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

During the year ended 31 December 2016, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

## **FORWARD-LOOKING STATEMENTS**

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

By Order of the Board

**LEE KA SHING**

*Chairman and CEO*

Hong Kong, 17 March 2017

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