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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)

2017 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 2017 together with the comparative figures for the corresponding year in 2016.

Highlights

- The Group’s revenue increased by 2% to HK\$3,186 million (2016: HK\$3,118 million)
- Profit attributable to shareholders increased by 19% to HK\$1,519 million (2016: HK\$1,277 million)
- Underlying profit attributable to shareholders* surged significantly by 32% to approximately HK\$764 million (2016: HK\$580 million)
- Earnings per share (basic) and underlying earnings per share (basic)* were HK\$2.52 (2016: HK\$2.21) and HK\$1.27 (2016: HK\$1.00) respectively
- Final dividends per share proposed are HK36 cents (2016: HK34 cents), which makes a total annual dividend of HK59 cents per share (2016: HK54 cents), and are payable in cash

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

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 and the financial performance of the Group for the year ended 31 December 2017 (the "Reporting Period").

CONSOLIDATED RESULTS

The Group's revenue for the Reporting Period amounted to HK\$3,186 million, representing an increase of 2% compared to last year (2016: HK\$3,118 million).

Profit attributable to shareholders for the reporting period increased by 19% to HK\$1,519 million (2016: HK\$1,277 million). This growth is mainly attributable to the satisfactory performance of both the Property rental segment and Hotels and serviced apartments segment, with additional contributions from the one-off net gain upon disposal of a property in Central, revaluation gain of investment properties and net gain on disposal of securities.

Excluding the increase of HK\$723 million in the fair value of our investment properties and the one-off net gain from the disposal of a property in Central of HK\$32 million, the basic underlying profit surged significantly by 32% to approximately HK\$764 million (2016: HK\$580 million). The basic underlying earnings per share increased by 27% to HK\$1.27 (2016: HK\$1.00).

FINAL DIVIDEND

The Board of Directors is pleased to recommend a final dividend of HK36 cents per share payable to shareholders whose names are on the Register of Members as at 25 June 2018. Including an interim dividend of HK23 cents per share paid on 17 October 2017, the total dividend payout for the whole year will be HK59 cents per share.

OVERVIEW

The economic performance of Hong Kong in 2017 continued its advance. Gross domestic products rose at an annual rate of 3.8%. Both the stock market and real estate market had strong showings. Unemployment rate stayed at the low level of around 3% while real wages and salaries continued to trend up steadily. Revived consumer confidence has led to satisfactory growth in the retail sector. The tourism sector continued on its path of recovery. According to the Hong Kong Tourism Board, overnight visitor arrivals to Hong Kong increased to 27.9 million in 2017 (2016: 26.6 million) by 5%. The increase in overnight visitor arrivals was mainly attributable to higher growth in short-haul markets such as China, Japan, Philippines, South Korea, etc.

The management has leveraged on these favorable economic conditions by actively enhancing the tenant mix of our shopping mall and office tower. Continuous efforts are also spent to boost service quality and enrich customer experience. At the same time, agile revenue strategies have been adopted with prudent cost control measures. These have resulted in solid performance in our hotels and services apartments as well as property rental segments. For the food and beverage operation segment, we have re-aligned our business strategy in response to the market changes impacting our location and brand considerations.

BUSINESS OUTLOOK

Looking forward, mainland China is expected to continue providing stable political and prosperous economic settings for Hong Kong. While the financial markets may see greater volatility under the regime of rising interest rates and clouded by possible international trade clashes, the balancing forces of low-lying inflation and still-robust consumer confidence should support stable and sustained global growth, thereby providing a strong buttress to Hong Kong's economy. I shall lead the Group management in our unreserved and incessant drive to advance our core businesses, by enhancing service quality and operational efficiency as well as grasping appropriate investment opportunities to broaden revenue sources with the aim of raising profits and shareholders' values.

ACKNOWLEDGEMENT

I would like to express my heartiest gratitude to my fellow directors for their brilliant leadership in steering the Group towards stable development, and to my management team and every staff on behalf of all the shareholders and Board of Directors for their unrelenting efforts and precious contributions throughout the year.

Lee Ka Shing
Chairman and CEO

Hong Kong, 19 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Hotels and Serviced Apartments Business

During the reporting period, Hotels and Serviced apartments of the Group benefited from visitor arrivals and overnight visitor arrivals returning to growth. Revenue has increased by 4% to HK\$662 million compared to last year. Moreover, the management has adopted proactive and aggressive promotion and pricing strategy which increased the attractiveness of hotel room and food and beverage. Earnings before interest, taxes, depreciation and amortisation (“EBITDA”) amounted to HK\$248 million, representing an increase of approximately 11%.

During the year, the occupancy rate and average room rate of both The Mira Hong Kong and Mira Moon rose satisfactorily. The increase in the occupancy rate of both hotels at around 7% is higher than those among hotels in the same district.

Property Rental Business

The Group’s Property Rental business grew steadily in 2017. Property Rental business recorded revenue of HK\$859 million and EBITDA of HK\$754 million. Both revenue and EBITDA rose by 4% compared to last year.

The Group has planned in years and finally completed the hardware and software optimisation and strategic integration for the four core properties, namely Miramar Shopping Centre, Mira Mall, Miramar Tower and The Mira Hong Kong, located at a golden shopping area in Tsim Sha Tsui. Since 2 June 2017, they have been rebranded as Mira Place with 1.2 million square feet of high quality landmark. Through integrating our hotel with our other businesses for better synergy, we hope to bring about a brand-new, all-encompassing experience that covers shopping, entertainment, dining and even upscale accommodations and life style for customers.

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

During the year, the Group continued to optimise the tenant mix of its office and successfully attracted more semi-retail tenants such as one-stop beauty centres and large-scale fitness centres. Merging shopping mall facilitation into the office floors, this scheme facilitated stable development of the Group’s rental business and enhanced the property’s value.

The retail sector has started to revive during the year. Mira Place meticulously selected brands in Hong Kong and around the world, introduced pop-up stores and brought in different types of flagship shops in Fashion, Fitness & Beauty, Jewellery & Accessories, Lifestyle, etc, to strengthen the retail mix of our shopping mall continuously. Shoppers’ experience continued to be refreshed, bringing in much increased footfall.

Asset Enhancement Program and Mall Integration

During the year, Mira Place continued to carry out their asset enhancement program to keep the malls fresh and attractive through interior renovation and decoration. Several promotional events aimed at drawing crowds were launched, including Gimme LiVe Music Festival, “Mira Discovery, Taste Together” global food fair, etc. which helped heat up the mall’s feverish atmosphere. An interactive Christmas event “DOO Something This Christmas” also brought a special ambiance to the shopping mall during the Christmas shopping season. Thanks to these promotional events, the Group’s retail spaces saw a rise of 6% in average yearly footfall, which boosted tenants’ sales revenue by 13%.

Net increase in fair value of investment properties

Mira Place is the Group’s major investment properties. 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 2017. Due to the increase in revenue from Mira Place under the on-going asset optimisation project, the Group’s investment property portfolio recorded a net increase in fair value of HK\$723 million, at the rate similar to last year, amounting to HK\$14.1 billion as at 31 December 2017.

Food and Beverage Business

The Food and Beverage business recorded revenue of HK\$394 million and EBITDA of HK\$23 million respectively, dropped 12% and 34% respectively due to the strategic revamp of certain brands (including its number and location of outlets).

Cuisine Cuisine and Tsui Hang Village have achieved good performance and contributed stable revenue to the Group. Since 2013, Tsui Hang Village in Tsim Sha Tsui has been recommended by the MICHELIN Guide Hong Kong & Macau for six consecutive years. Our restaurants have introduced various famous dishes and festive sets. Moreover, they also launched traditional delicacies. We are committed to promoting our reputation among customers to increase patronage and consumption.

Food and Beverage business still faces intense challenges such as high rental costs, high labour costs and shortage of labour. The Group is dedicated to improving operating efficiency; we would also continue to seize opportunities to properly implement its multi-brand strategy, improve food and services quality of our outlets and introduce new dishes and new themes at regular intervals to respond to market changes and customer needs.

Travel Business

Revenue from Travel segment increased by 6% to HK\$1,272 million compared to last year. The increase was mainly due to the rise in income from tours to Japan and Europe. EBITDA amounted to HK\$29 million.

Operating and other expenses

The Group has further enhanced its operating efficiency and mitigated the pressure from increasing costs. Overall operating costs remained stable. Due to the appreciation of Renminbi, exchange gain of HK\$27 million has been recorded. As a result, operating and other expenses decreased by 21% to HK\$200 million (2016: HK\$252 million).

CORPORATE FINANCE

The Group maintains its conservative and sound financial policy with a very high level of liquidity. Gearing, calculated by dividing consolidated total borrowings by the consolidated total shareholders' equity, was only 0.1% as at 31 December 2017 (31 December 2016: 5%).

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 and bond investments which are denominated in USD and EUR. The majority of the Group's banking facilities are denominated in Hong Kong dollars and interests on bank loans and borrowings are chargeable mainly based on certain premium over the Hong Kong Interbank Offered Rate, which are floating rate in nature.

As the Group is buttressed by a large cash pool to fund its development programme in the foreseeable future, we have terminated some credit arrangements as appropriate to reduce financial expenses during the year. At 31 December 2017, total available credit facilities amounted to approximately HK\$1.3 billion (31 December 2016: approximately HK\$2.7 billion), 0.2% (31 December 2016: 28%) of which have been utilised. At 31 December 2017, consolidated net cash were approximately HK\$3.4 billion (31 December 2016: HK\$2.1 billion), of which HK\$3 million comprised of secured borrowings (31 December 2016: HK\$14 million).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2017*

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Revenue	2	3,186,203	3,118,437
Cost of inventories		(173,387)	(197,932)
Staff costs		(516,397)	(532,626)
Utilities, repairs and maintenance and rent		(220,399)	(229,152)
Tour and ticketing costs		<u>(1,140,645)</u>	<u>(1,070,811)</u>
Gross profit		1,135,375	1,087,916
Other revenue		87,340	79,377
Operating and other expenses		(199,878)	(251,741)
Depreciation		<u>(113,614)</u>	<u>(145,850)</u>
		909,223	769,702
Finance costs	3(a)	(7,159)	(17,966)
Share of profits less losses of associates		<u>(1,065)</u>	<u>(23)</u>
		900,999	751,713
Other non-operating net gain/(loss)	3(b)	61,724	(10,248)
Net increase in fair value of investment properties	7	<u>723,487</u>	<u>722,632</u>
Profit before taxation	3	1,686,210	1,464,097
Taxation	4		
Current		(139,027)	(137,385)
Deferred		<u>(3,855)</u>	<u>(18,818)</u>
Profit for the year carried forward		<u>1,543,328</u>	<u>1,307,894</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31 December 2017*

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Profit for the year brought forward		<u>1,543,328</u>	<u>1,307,894</u>
Attributable to:			
Shareholders of the Company		1,519,245	1,276,719
Non-controlling interests		<u>24,083</u>	<u>31,175</u>
		<u>1,543,328</u>	<u>1,307,894</u>
Dividends attributable to the year:			
	5		
Interim Dividend		143,031	115,500
Final Dividend		<u>226,288</u>	<u>196,363</u>
		<u>369,319</u>	<u>311,863</u>
Earnings per share			
Basic	6(a)	<u>HK\$2.52</u>	<u>HK\$2.21</u>
Diluted	6(b)	<u>HK\$2.45</u>	<u>HK\$2.19</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	1,543,328	1,307,894
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	39,120	(22,450)
Available-for-sale securities:		
– changes in fair value	33,292	(5,612)
– transfer to profit or loss upon disposal	(29,597)	(2,364)
– transfer to profit or loss upon impairment	–	11,741
	42,815	(18,685)
Total comprehensive income for the year	1,586,143	1,289,209
Attributable to:		
Shareholders of the Company	1,553,048	1,265,620
Non-controlling interests	33,095	23,589
Total comprehensive income for the year	1,586,143	1,289,209

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Investment properties	7	14,102,734	13,401,850
Other property, plant and equipment		305,955	411,895
		14,408,689	13,813,745
Interests in associates		801	1,789
Available-for-sale securities		80,831	152,038
Deferred tax assets		5,994	4,843
		14,496,315	13,972,415
Current assets			
Inventories		126,254	119,403
Trade and other receivables	8	295,453	294,905
Available-for-sale securities		43,767	30,756
Trading securities		6,052	11,492
Cash and bank balances		3,438,569	2,865,966
Tax recoverable		197	91
		3,910,292	3,322,613
Current liabilities			
Trade and other payables	9	(534,436)	(553,545)
Bank loans and overdrafts		(3,954)	(387,900)
Sales and rental deposits received		(196,214)	(221,575)
Tax payable		(39,548)	(44,999)
		(774,152)	(1,208,019)
Net current assets		3,136,140	2,114,594
Total assets less current liabilities carried forward		17,632,455	16,087,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31 December 2017*

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Total assets less current liabilities brought forward		17,632,455	16,087,009
Non-current liabilities			
Bank loans		–	(352,300)
Deferred liabilities		(197,458)	(168,980)
Amounts due to holders of non-controlling interests of a subsidiary	<i>10</i>	–	(23,772)
Deferred tax liabilities		(275,427)	(263,323)
		(472,885)	(808,375)
NET ASSETS		17,159,570	15,278,634
CAPITAL AND RESERVES			
Share capital	<i>11</i>	1,384,869	695,826
Reserves		15,644,115	14,443,541
Total equity attributable to shareholders of the Company		17,028,984	15,139,367
Non-controlling interests		130,586	139,267
TOTAL EQUITY		17,159,570	15,278,634

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 in due course.

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

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

The principal accounting policies used in the preparation of the financial statements are consistent with those used in the 2016 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 executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Property rental	:	The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term
Hotels and serviced apartments	:	The operating of hotels and serviced apartments and provision of hotel management services
Food and beverage operation	:	The operation of restaurants
Travel operation	:	The operation of travel agency services
Others	:	Other businesses

The principal activities of the Group are property rental, hotels and serviced apartments, food and beverage operation and travel operation. Revenue represents income from property rental, hotels and serviced apartments, food and beverage, travel and other operations.

(a) Segment results

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

2. REVENUE AND SEGMENT REPORTING (Continued)

Information regarding the Group's reportable segments as provided to the Group's board and senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	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)	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
	2016					
	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)	828,653	638,418	448,261	1,198,360	4,745	3,118,437
Reportable segment results (adjusted EBITDA)	724,335	224,377	34,714	29,620	(15,826)	997,220
Unallocated corporate expenses						(227,518)
						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	-	-	-	-	722,632
Consolidated profit before taxation						1,464,097

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
The Hong Kong Special Administrative Region	3,125,666	3,054,827	13,689,224	13,150,663
The People's Republic of China	60,537	63,610	720,266	664,871
	<u>3,186,203</u>	<u>3,118,437</u>	<u>14,409,490</u>	<u>13,815,534</u>

3. PROFIT BEFORE TAXATION

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

	2017 HK\$'000	2016 HK\$'000
(a) Finance costs		
Interest on bank advances and other borrowings	2,854	11,449
Other borrowing costs	4,305	6,517
	<u>7,159</u>	<u>17,966</u>
(b) Other non-operating net (gain)/loss		
Net gain on disposal of a subsidiary	(31,918)	–
Impairment loss on available-for-sale securities	–	11,741
Net gain on disposal of available-for-sale securities	(29,597)	(2,364)
Net realised and unrealised (gains)/losses on trading securities	(209)	871
	<u>(61,724)</u>	<u>10,248</u>

4. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	135,957	131,331
(Over)/under – provision in respect of prior years	(4,890)	615
	<u>131,067</u>	<u>131,946</u>
Current tax – Overseas Taxation		
Provision for the year	<u>7,960</u>	<u>5,439</u>
Deferred tax		
Change in fair value of investment properties	–	17,012
Origination and reversal of temporary differences	<u>3,855</u>	<u>1,806</u>
	<u>3,855</u>	<u>18,818</u>
	<u>142,882</u>	<u>156,203</u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 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 2017 of HK\$12,000 (2016: HK\$7,000) is included in the share of profits less losses of associates.

5. DIVIDENDS

(a) Dividends attributable to the year

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend declared and paid of HK23 cents per share (2016: HK20 cents per share)	143,031	115,500
Final dividend proposed after the end of the reporting period of HK36 cents per share (2016: HK34 cents per share)	<u>226,288</u>	<u>196,363</u>
	<u>369,319</u>	<u>311,863</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK34 cents per share (2016: HK34 cents per share)	<u>209,443</u>	<u>196,344</u>

The final dividend of HK\$209,443,000 (calculated based on HK34 cents per share and the total number of issued shares as at the dividend pay-out date) for the year ended 31 December 2016 was approved and paid in the year ended 31 December 2017 (2016: HK\$196,344,000).

6. 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\$1,519,245,000 (2016: HK\$1,276,719,000) and the weighted average of 602,418,473 shares (2016: 577,403,504 shares) in issue during the year, calculated as follows:

Weighted average number of shares (basic)

	2017	2016
Issued ordinary shares at 1 January	577,537,634	577,233,524
Effect of exercised bonus warrants (<i>note 11(b)</i>)	<u>24,880,839</u>	<u>169,980</u>
Weighted average number of shares (basic) at 31 December	<u>602,418,473</u>	<u>577,403,504</u>

(b) Diluted earnings per share

For the year ended 31 December 2017, the calculation of diluted earnings per share is based on the profit attributable to shareholder of the Company of HK\$1,519,245,000 (2016: HK\$1,276,719,000) and the weighted average of 619,399,618 shares (2016: 581,869,779 shares), calculated as follows:

Weighted average number of shares (diluted)

	2017	2016
Weighted average number of shares (basic) at 31 December	602,418,473	577,403,504
Effect of exercise of bonus warrants (<i>note 11(b)</i>)	<u>16,981,145</u>	<u>4,466,275</u>
Weighted average number of shares (diluted) at 31 December	<u>619,399,618</u>	<u>581,869,779</u>

7. INVESTMENT PROPERTIES

Investment properties of the Group were revalued at 31 December 2017 and 2016. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield, who have among its staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the year, the net increase in fair value of investment properties was HK\$723,487,000 (2016: HK\$722,632,000).

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	69,782	72,462
1 month to 2 months	7,430	10,015
Over 2 months	19,455	35,067
	<hr/>	<hr/>
Trade receivables (net of allowance for doubtful debts)	96,667	117,544
Other receivables, deposits and prepayments	198,786	177,361
	<hr/>	<hr/>
	295,453	294,905
	<hr/>	<hr/>

At 31 December 2017 and 2016, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$13,715,000 (2016: HK\$24,474,000) 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due within 3 months or on demand	83,499	101,135
Due after 3 months but within 6 months	43,271	36,309
Trade payables	126,770	137,444
Other payables and accrued charges	311,822	339,284
Amounts due to holders of non-controlling interests of subsidiaries (see note 10)	91,524	72,484
Amounts due to associates (note)	4,320	4,333
	534,436	553,545

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

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

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\$18,840,000 (2016: HK\$23,772,000), which are unsecured, interest bearing at 6% per annum and repayable within one year (2016: repayable after one year), all of the amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

11. SHARE CAPITAL

(a) Issued share capital

	2017		2016	
	<i>No. of shares</i>	<i>Amount HK\$'000</i>	<i>No. of shares</i>	<i>Amount HK\$'000</i>
Ordinary shares, issued and fully paid:				
At 1 January	577,537,634	695,826	577,233,524	691,721
Shares issued on exercise of warrants	51,040,184	689,043	304,110	4,105
At 31 December	628,577,818	1,384,869	577,537,634	695,826

11. SHARE CAPITAL (Continued)

(b) Bonus warrants

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

During the year, 51,040,184 units (2016: 304,110 units) of warrants were exercised to subscribe for totally 51,040,184 shares (2016: 304,110 shares) in the Company. The new shares rank *pari passu* in all respects with the existing shares of the Company. At 31 December 2017, 64,099,684 units (2016: 115,139,868 units) of warrants remained outstanding.

12. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held at The Ballroom, 18/F, The Mira Hong Kong, 118-130 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 8 June 2018 at 12:00 noon. The Notice of 2018 Annual General Meeting will be published on the websites of both The Stock Exchange of Hong Kong Limited and the Company, and despatched to Shareholders of the Company on or around 26 April 2018.

CLOSURE OF REGISTER OF MEMBERS

- (1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2018 Annual General Meeting, the Register of Members will be closed from Tuesday, 5 June 2018 to Friday, 8 June 2018, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong ("Computershare"), no later than 4:30 p.m. on Monday, 4 June 2018; and
- (2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Thursday, 14 June 2018 to Monday, 25 June 2018, both days inclusive, during such period no transfer of shares will be registered. In order to establish entitlements to the proposed final dividend, Shareholders must lodge the Share Transfer Documents for registration with Computershare no later than 4:30 p.m. on Wednesday, 13 June 2018.

DESPATCH OF DIVIDEND WARRANTS

Subject to the approval to be obtained at the 2018 Annual General Meeting, the dividend warrants for the proposed final dividend will be despatched by mail to shareholders on or around 9 July 2018.

EMPLOYEES

As at 31 December 2017, the Group had a total of about 1,700 full-time employees, including 1,665 employed in Hong Kong and 35 employed in The People's Republic of China.

The Group is an "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 Road map 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 organisational culture conducive to manpower training and development as well as life-long learning.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2017, with the exception of one deviation that roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Code. Mr. Lee Ka Shing was re-designated as Chairman and Chief Executive Officer as from 12 June 2014. Mr. Lee has been the Chief Executive Officer since 1 August 2006 with in-depth experience and knowledge of the Group and its businesses. The Board is of the view that his appointment as Chairman and Chief Executive Officer is in the best interest of the Group ensuring continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the year ended 31 December 2017 and discussed with the Director of Internal Audit, Director of Risk Management & Corporate Services and independent external auditors regarding matters on auditing, internal control, risk management and financial report of the Group.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2017 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 2017, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2017.

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, 19 March 2018

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.