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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)

## 2020 FINAL RESULTS ANNOUNCEMENT

### ANNUAL RESULTS

The Board of Directors of Miramar Hotel and Investment Company, Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 together with the comparative figures for the corresponding year in 2019.

#### Highlights

- The Group’s revenue decreased by 57.1% to HK\$1,315 million (2019: HK\$3,062 million)
- Profit attributable to shareholders decreased by 76.6% to HK\$302 million (2019: HK\$1,288 million)
- Underlying profit attributable to shareholders\* dropped by 42.1% to HK\$454 million (2019: HK\$784 million)
- Earnings per share and underlying earnings per share\* were HK\$0.44 (2019: HK\$1.86) and HK\$0.66 (2019: HK\$1.13) respectively
- Final dividends per share proposed are HK28 cents (2019: HK34 cents), which makes a total annual dividend of HK50 cents per share (2019: HK58 cents), and are payable in cash

\* *Underlying profit attributable to shareholders and underlying earnings per share excluded the post-tax effects of the investment properties revaluation movements*

## CHAIRMAN AND CEO'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of Miramar Hotel and Investment Company, Ltd. (the "Company"), I would like to present the report on the financial and operational performances of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 (the "year").

### Consolidated Results

The Group's revenue for the year amounted to HK\$1,315 million (2019: HK\$3,062 million), a decrease of 57.1% against last year. Profit attributable to shareholders for the year was HK\$302 million (2019: HK\$1,288 million) with a year-on-year decrease of 76.6%. The decrease is mainly caused by the revaluation loss on fair value of our investment properties (there was revaluation gain in last year) and the weakened business performances of our hotel & serviced apartments business, food & beverage business and travel business which, in turn, was due to the impact from Coronavirus disease ("COVID-19") pandemic.

The underlying profit attributable to shareholders\* (excluding the net decrease in the fair value of investment properties by HK\$152 million (2019: net increase of HK\$504 million)) reduced by 42.1% to HK\$454 million (2019: HK\$784 million). The underlying earnings per share\* decreased by 41.6% to HK\$0.66 (2019: HK\$1.13), which is in line with the decrease in underlying profit attributable to shareholders.

### Final Dividend

The Board recommends a final dividend of HK28 cents per share to the shareholders listed on the Register of Members at the close of business on 17 June 2021 (Thursday). The proposed final dividend is expected to be distributed to shareholders on 8 July 2021 (Thursday). Including an interim dividend of HK22 cents per share paid on 13 October 2020, the total dividend payment for the whole year will be HK50 cents per share.

### Overview

In 2020, the relapsing COVID-19 pandemic has caused lasting damages to the global economy, cross countries trade activities and all walks of life. There is no doubt that Hong Kong as an international hub could not manage alone. The prolonged cross-border travel restrictions and stringent anti-epidemic measures have triggered to significant deterioration in domestic economic activities across diverse industries. The number of visitors to Hong Kong plummeted by 93.6% to 3.57 million (2019: 55.91 million) while overnight visitors fell by 94.3% to 1.36 million (2019: 23.75 million). The drop in GDP further worsened from a decrease of 1.2% in 2019 to a decline of 6.1% in 2020. The local unemployment rate has also risen from 3.3% in 2019 to 6.6% in 2020.

\* Underlying profit attributable to shareholders and underlying earnings per share excluded the post-tax effects of investment properties valuation movements.

Under the worldwide economic adversity, the Group's various businesses have faced implacable challenges. Hotel, food and beverage and travel businesses were severely affected by the plunge in the number of visitors to Hong Kong and the imposition of social distancing measures. In view of the economic downturn, the lease restructuring and rent concessions granted to tenants have also slightly affected the Group's property rental business performances and that in turn induced a downward valuation on the relevant investment properties. In responding to such a critical and unfavorable business surrounding, swift and flexible reactions to the market are crucial. On top of continuing to implement strict cost controls and postponed dispensable capital expenditures, the Group has strategically created new experiences and products that catered to the rehabilitated consumer behaviors, and at the same time adjusted operational tactics to respond to the intensive anti-epidemic regulations. The themed staycation packages targeting local market and the exquisite dining and festive takeaway offers have proven to be well accepted and commended.

## **Outlook**

There is no deny that Hong Kong as well as the global economic has continued to be seized with drawbacks caused by the aggravation of COVID-19 throughout the world. Coupled with the influence of geopolitics and Sino-US frictions, Hong Kong is further facing the gravest situation from deteriorated business environment to shortcoming local sentiments. Yet, the Group with its entrenched substances and affluent know-how would expeditiously gratify the new normal under the epidemic. Concomitantly, my team and I would strive to prepare and commit for the upcoming challenges and destabilizing factors with prudence, determination and optimism. I trust Hong Kong will recuperate gradually with the epidemic being under control and I will continue to lead the Group pragmatically to uplift service quality and operational efficiency in preparing to seize on any potential opportunities and mark a new beginning under the new normal.

## **Acknowledgement**

I would like to take this opportunity to thank the Board of Directors for their support and guidance to the Group. On behalf of all the shareholders and the Board of Directors, I would like to express my sincere gratitude to the management team and employees for their persevering contributions to the Group.

**Lee Ka Shing**

*Chairman and CEO*

Hong Kong, 18 March 2021

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

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

The global tourism and hospitality industries have been almost completely shutdown with no signs of full relaxation of worldwide travel control measures. With the sharp drop of number of visitors to Hong Kong, local tourism and hotel industries were among the hardest hit and related industries were facing tremendous pressures. In 2020, overall visitors and overnight visitors to Hong Kong fell by 93.6% and 94.3% to 3.57 million and 1.36 million respectively; amongst them, mainland tourists were 2.71 million and 0.88 million respectively. The hotel and serviced apartments business recorded revenue of HK\$202 million, down by 63.9% from last year. The earnings before interest, taxes, depreciation and amortization (“EBITDA”) was a loss of HK\$5.3 million.

To cope with stringent cross-border travel restrictions, the Group flexibly adjusted our business strategies and created unprecedented experiences with new services. Various popular themed staycation packages have been launched in response to the shifted local consumption patterns, including “Escape Room” and “The Mira-cle of Mermaid Dance Staycation”, along with innovative technological elements, such as virtual reality gaming experience, in order to enhance and diversify customer experiences, and thereby incurring occupancy rates and revenue. In addition, Mira Moon Hotel was arranged as a quarantine hotel to act in concert with the government’s anti-epidemic and quarantine measures, and respond to the different needs of travelers. The Group has also strengthened cost control and temporarily suspended recruitment to get well prepared for the journey ahead.

#### **Property Rental Business**

Hong Kong’s retail industry has suffered successive shocks by the epidemic, and the rents of shops and commercial buildings in core shopping districts have continued to drop with ascending vacancy rate, further to the exits of international brands in Hong Kong, the reduction of business scale and branches by local chain retailers, and the closure of small and medium enterprises. Overall leasing activities have slowed down as a result. Relief measures including lease restructuring and rent concessions were offered to individual tenants to withstand the vicissitude. The revenue of our property rental business thus contracted slightly to HK\$819 million with EBITDA at HK\$713 million, which were down 10.3% and 10.7% respectively compared with last year.

The Group proactively launched various marketing activities and promotions to drive footfall to the mall and boost tenants’ sales revenue, such as coupon rebates campaign “DINE & EARN — Reward Your Way!” and “MIRA Grab & Go” takeaway offers. Besides, the Group has continued to instill dynamism and a sense of freshness into the mall through optimizing tenant mix and introducing new brands including Gyu-Kaku Buffet, Donguri Republic, etc. We also made an all-out effort to improve various facilities including the repartitioning of retail space, refinement of arcade layout, and upgrade

of facilities including lavatories and concierge, which were completed in the third quarter. This served to release and maximize the mall's potential, and further enhances traffic flow, property asset quality and service level.

### **Change in Fair Value of Investment Properties**

The Group's investment properties (mainly Mira Place) are stated at fair value, being reassessed semi-annually. The fair value of investment properties was determined on the basis of opinions provided by an independent firm of professional surveyors (Cushman & Wakefield Limited). The enduring COVID-19, depressed consumer sentiments and the overall lackluster economic performance all converged to weigh upon the rental levels of both retail shops and office premises in Hong Kong. The fair value of the Group's portfolio of investment properties has thus decreased by HK\$152 million during the year (2019: an increase of HK\$504 million) with book value at HK\$15.3 billion as at 31 December 2020.

The investment properties of the Group are held for long-term to earn recurring income. The revaluation loss is non-cash in nature and has no substantive impact on the cash flow of the Group.

### **Food and Beverage Business**

Different levels of restrictions on social distancing imposed by the government in response to the epidemic condition have caused a sharp decline in patronage and revenue in the catering industry throughout the year, especially limits on the number of customers per table and the banning of dinner dine-in services. The Group's food and beverage business recorded revenue of HK\$120 million, while EBITDA was a loss of HK\$11.5 million for the year. In 2019, the revenue and EBITDA were HK\$244 million and HK\$24 million respectively.

Customers avoid dining out and unnecessary social activities with the imposition of social distancing measures. In view of the rapid demand growth for takeaway meals, the Group instantly adjusted our restaurant operations to accommodate the new normal of catering consumption by strengthening takeaway promotions and cost control. Apart from the partnership with food delivery platforms, the Group launched its first online platform MIRA eSHOP with exclusive takeaway and dine-in offers, and promoted takeaway packages for families and small group gatherings, to accommodate the customers' demands. At the same time, the Group facilitated customers' demand on flexible dining with dine-in discounts and afternoon tea sessions at our Chinese restaurants, in order to maximize revenues.

### **Travel Business**

The global tourism industry has entered into a quivering winter with no sign of recovery in the near term when airlines cancelling flights in large scale and countries imposing different cross-border travel and immigration control measures. The Hong Kong-Singapore Air Travel Bubble has put a halt lately due to the upsurge of local cases. All of the above have dealt a heavy blow to Hong Kong's tourism industry. The Group's travel business recorded revenue of HK\$174 million, a decrease of 87.1% from last year while EBITDA recorded a loss of HK\$23.1 million. The revenue and the EBITDA of last year

were HK\$1,345 million and HK\$94 million respectively. On top of strict cost control measures, the management will continue to closely monitor the market situation and anti-epidemic measures on international border restriction, in order to adjust operating mode in a timely manner.

### **Operating and Other Expenses**

During the economic downturn, the Group continued to strictly control costs and improve operating efficiency. During the year, general recurring operating costs were reduced by approximately HK\$83.3 million compared with last year. In addition, according to relevant accounting standards, the Group is required to conduct regular assessments of their leased right-of-use assets and other property, plant and equipment. Due to the epidemic, the operating income generated from these assets is expected to decline, an impairment loss of HK\$34.2 million in the leased right-of-use assets and other property, plant and equipment was recorded during the year. As a result, overall operating costs dropped by HK\$49.1 million to HK\$165.8 million compared to last year (2019: HK\$214.9 million).

### **Treasury Management and Financial Condition**

As to the exchange-rate, interest-rate, liquidity and financing risks generated in the course of our daily operations, the Group has managed them in accordance with pre-established policies and closely monitored our financial condition and financing needs to ensure solvency and fulfillment of commitments.

In terms of foreign-exchange risk, the majority of it came from assets and business operations in mainland China, and RMB and USD bank deposits, and equity denominated in USD and EUR as the Group mainly operates business in Hong Kong with related cash flow, assets and liabilities denominated in Hong Kong dollars. In terms of interest-rate risk, the Group's funding arrangements are mainly in EUR, and bank borrowing interests are mainly priced at a fixed interest rate.

The Group has a strong liquidity position and hence liquidity risk is minimal. As of 31 December 2020, the consolidated net cash was approximately HK\$5 billion (31 December 2019: HK\$5.2 billion), and bank loans were HK\$2.99 million (31 December 2019: HK\$2.73 million). As for financing risk, as of 31 December 2020, the total banking facilities granted to the Group was approximately HK\$1 billion (31 December 2019: HK\$1.3 billion), of which 0.30% (31 December 2019: 0.21%) has been used. Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) was only 0.02% (31 December 2019: 0.04%).

The Group pursues a conservative and steady financial policy with sufficient funds and credit lines, which are adequate for us to cope with the uncertain economic environment in the foreseeable future, and to carry out business development plans that offer good investment yield.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	3	<b>1,314,605</b>	3,061,704
Cost of inventories		(68,911)	(134,043)
Staff costs		(382,991)	(473,269)
Utilities, repairs and maintenance and rent		(91,742)	(133,716)
Tour and ticketing costs		<u>(145,170)</u>	<u>(1,156,752)</u>
<b>Gross profit</b>		<b>625,791</b>	1,163,924
Other revenue		192,235	161,928
Operating and other expenses		(165,836)	(214,927)
Depreciation		<u>(89,806)</u>	<u>(132,601)</u>
		<b>562,384</b>	978,324
Finance costs	4(a)	(3,320)	(3,944)
Share of profits less losses of associates		<u>202</u>	<u>129</u>
		<b>559,266</b>	974,509
Other non-operating net gain	4(b)	1,055	2,423
Net (decrease)/increase in fair value of investment properties	8(a)	<u>(152,016)</u>	<u>503,945</u>
<b>Profit before taxation</b>	4	<b>408,305</b>	1,480,877
<b>Taxation</b>	5		
Current		(91,983)	(138,097)
Deferred		<u>(7,383)</u>	<u>(5,948)</u>
<b>Profit for the year carried forward</b>		<b><u>308,939</u></b>	<b><u>1,336,832</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)***For the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Profit for the year brought forward</b>		<b><u>308,939</u></b>	<u>1,336,832</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>301,899</b>	1,288,227
Non-controlling interests		<b><u>7,040</u></b>	<u>48,605</u>
		<b><u>308,939</u></b>	<u>1,336,832</u>
<b>Dividends attributable to the year:</b>			
Interim Dividend	6(a)	<b>152,011</b>	165,830
Final Dividend		<b><u>193,469</u></b>	<u>234,926</u>
		<b><u>345,480</u></b>	<u>400,756</u>
<b>Earnings per share</b>			
Basic	7(a)	<b><u>HK\$0.44</u></b>	<u>HK\$1.86</u>
Diluted	7(a)	<b><u>HK\$0.44</u></b>	<u>HK\$1.86</u>

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

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
<b>Profit for the year</b>	<u>308,939</u>	<u>1,336,832</u>
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity securities designated at fair value through other comprehensive income (“FVOCI”):		
— changes in fair value	1,454	2,745
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<u>65,615</u>	<u>(17,756)</u>
	<u>67,069</u>	<u>(15,011)</u>
<b>Total comprehensive income for the year</b>	<u><u>376,008</u></u>	<u><u>1,321,821</u></u>
<b>Attributable to:</b>		
Shareholders of the Company	356,050	1,276,227
Non-controlling interests	<u>19,958</u>	<u>45,594</u>
<b>Total comprehensive income for the year</b>	<u><u>376,008</u></u>	<u><u>1,321,821</u></u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	8(a)	<b>15,293,694</b>	15,371,179
Other property, plant and equipment	8(b)	<b>244,827</b>	359,739
		<b>15,538,521</b>	15,730,918
Interests in associates		<b>783</b>	583
Equity securities designated at FVOCI		<b>78,961</b>	94,936
Financial assets measured at fair value through profit or loss (“FVPL”)		<b>1,406</b>	1,699
Deferred tax assets		<b>12,267</b>	8,779
		<b>15,631,938</b>	15,836,915
<b>Current assets</b>			
Inventories		<b>122,618</b>	116,674
Trade and other receivables	9	<b>175,584</b>	227,168
Financial assets measured at FVPL		<b>61,533</b>	55,532
Cash and bank balances		<b>5,050,300</b>	5,252,640
Tax recoverable		<b>3,665</b>	2,976
		<b>5,413,700</b>	5,654,990
<b>Current liabilities</b>			
Trade and other payables	10	<b>(297,909)</b>	(415,141)
Bank loan		<b>(2,993)</b>	(2,727)
Rental deposits received		<b>(76,729)</b>	(89,654)
Contract liabilities		<b>(75,276)</b>	(181,898)
Lease liabilities		<b>(42,788)</b>	(61,537)
Tax payable		<b>(19,437)</b>	(141,286)
		<b>(515,132)</b>	(892,243)
<b>Net current assets</b>		<b>4,898,568</b>	4,762,747
<b>Total assets less current liabilities carried forward</b>		<b>20,530,506</b>	20,599,662

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 31 December 2020*

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Total assets less current liabilities brought forward</b>		<u><b>20,530,506</b></u>	<u>20,599,662</u>
<b>Non-current liabilities</b>			
Deferred liabilities		(185,402)	(181,906)
Lease liabilities		(44,376)	(88,172)
Deferred tax liabilities		<u>(302,571)</u>	<u>(284,078)</u>
		<u>(532,349)</u>	<u>(554,156)</u>
<b>NET ASSETS</b>		<u><b>19,998,157</b></u>	<u>20,045,506</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		2,227,024	2,227,024
Reserves		<u>17,623,619</u>	<u>17,654,506</u>
<b>Total equity attributable to shareholders of the Company</b>		<b>19,850,643</b>	19,881,530
<b>Non-controlling interests</b>		<u>147,514</u>	<u>163,976</u>
<b>TOTAL EQUITY</b>		<u><b>19,998,157</b></u>	<u>20,045,506</u>

## NOTES:

### 1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 in due course.

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

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

### 2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to HKFRS 16, *Covid-19-Related Rent Concessions*, issued by the HKICPA to these financial statements for the current accounting period.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRS is discussed below:

#### **Amendment to HKFRS 16, *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the year in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

### 3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's board and senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

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

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

#### (a) Segment results

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

### 3. REVENUE AND SEGMENT REPORTING (continued)

Information regarding the Group's reportable segments as provided to the Group's board and senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	<b>2020</b>					
	<b>Property rental HK\$'000</b>	<b>Hotels and serviced apartments HK\$'000</b>	<b>Food and beverage operation HK\$'000</b>	<b>Travel operation HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
<b>Reportable segment revenue (revenue from external customers) (Note)</b>	<b><u>819,396</u></b>	<b><u>201,845</u></b>	<b><u>119,695</u></b>	<b><u>173,669</u></b>	<b><u>—</u></b>	<b><u>1,314,605</u></b>
<b>Reportable segment results (adjusted EBITDA)</b>	<b>712,989</b>	<b>(5,315)</b>	<b>(11,508)</b>	<b>(23,084)</b>	<b>(1,220)</b>	<b>671,862</b>
Unallocated corporate expenses						<b><u>(109,478)</u></b>
Finance costs						<b>562,384</b>
Share of profits less losses of associates						<b>(3,320)</b>
Other non-operating net gain						<b>202</b>
Net decrease in fair value of investment properties	<b>(152,016)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b><u>1,055</u></b>
<b>Consolidated profit before taxation</b>						<b><u>408,305</u></b>

### 3. REVENUE AND SEGMENT REPORTING (continued)

	2019					
	Property rental <i>HK\$'000</i>	Hotels and serviced apartments <i>HK\$'000</i>	Food and beverage operation <i>HK\$'000</i>	Travel operation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue (revenue from external customers) ( <i>Note</i> )	<u>913,318</u>	<u>559,748</u>	<u>243,573</u>	<u>1,345,065</u>	<u>—</u>	<u>3,061,704</u>
Reportable segment results (adjusted EBITDA)	798,221	173,680	23,756	94,257	170	1,090,084
Unallocated corporate expenses						<u>(111,760)</u>
						978,324
Finance costs						(3,944)
Share of profits less losses of associates						129
Other non-operating net gain						2,423
Net increase in fair value of investment properties	503,945	—	—	—	—	<u>503,945</u>
Consolidated profit before taxation						<u>1,480,877</u>

*Note:* Except for property rental income of HK\$819,396,000 (2019: HK\$913,318,000) which falls within the scope of HKFRS 16, *Leases*, all of the remaining revenue from contracts with customers falls within the scope of HKFRS 15, *Revenue from contracts with customers*.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that it does not disclose the (i) aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, and (ii) information about when the Group expects to recognise as revenue, as the Group's contracts with customers generally have an original expected duration of one year or less.

### 3. REVENUE AND SEGMENT REPORTING (continued)

#### (b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the asset, in case of interests in associates, the location of operations.

	Revenue from external customers		Non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
The Hong Kong Special Administrative Region	1,255,930	2,996,324	14,755,967	14,998,202
The PRC	58,675	65,380	726,286	679,412
The United Kingdom	—	—	57,051	53,887
	<u>1,314,605</u>	<u>3,061,704</u>	<u>15,539,304</u>	<u>15,731,501</u>

### 4. PROFIT BEFORE TAXATION

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

	2020 HK\$'000	2019 HK\$'000
(a) <b>Finance costs</b>		
Interest on bank loan	23	28
Interest on amounts due to holders of non-controlling interests of a subsidiary	322	733
Interest on lease liabilities	2,975	3,170
Other borrowing costs	—	13
	<u>3,320</u>	<u>3,944</u>
(b) <b>Other non-operating net gain</b>		
Net realised and unrealised gains on financial assets measured at FVPL	<u>(1,055)</u>	<u>(2,423)</u>
(c) <b>Other items</b>		
Dividend income from listed securities	(3,632)	(3,523)
Bank interest income	(76,192)	(119,125)
Reversal of provision for properties held for resale	(420)	(309)
Government subsidies ( <i>Note</i> )	(83,510)	—
Impairment loss on trade receivables	785	1,227
Impairment loss on other property, plant and equipment	<u>34,237</u>	<u>—</u>

*Note:* Being the subsidies received/receivable from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China which are included in "Other revenue" during the year.

## 5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	85,229	132,046
Under/(over) provision in respect of prior years	<u>182</u>	<u>(359)</u>
	<b>85,411</b>	131,687
<b>Current tax — Overseas Taxation</b>		
Provision for the year	<u>6,572</u>	<u>6,410</u>
	<b>91,983</b>	<b>138,097</b>
<b>Deferred tax</b>		
Change in fair value of investment properties	45	(55)
Origination and reversal of temporary differences	<u>7,338</u>	<u>6,003</u>
	<u>7,383</u>	<u>5,948</u>
	<b>99,366</b>	<b>144,045</b>

Provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision of Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

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 2020 of HK\$23,000 (2019: HK\$24,000) is included in the share of profits less losses of associates.

## 6. DIVIDENDS

### (a) Dividends attributable to the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend declared and paid of HK22 cents per share (2019: HK24 cents per share)	152,011	165,830
Final dividend proposed after the end of the reporting period of HK28 cents per share (2019: HK34 cents per share)	<u>193,469</u>	<u>234,926</u>
	<b>345,480</b>	<b>400,756</b>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## 6. DIVIDENDS (continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK34 cents per share (2019: HK37 cents per share)	<u>234,926</u>	<u>255,655</u>

## 7. EARNINGS PER SHARE

- (a) For the year ended 31 December 2020, the calculation of earnings per share of HK\$0.44 (2019: HK\$1.86) is based on the profit attributable to shareholders of the Company of HK\$301,899,000 (2019: HK\$1,288,227,000) and 690,959,695 shares (2019: 690,959,695 shares) in issue during the year.

There were no potential ordinary shares in existence during the current and prior years, hence diluted earnings per share is the same as the basic earnings per share.

### (b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, underlying earnings per share 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. A reconciliation of profit is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to shareholders of the Company	301,899	1,288,227
Changes in fair value of investment properties during the year	152,016	(503,945)
Effect of deferred tax on changes in fair value of investment properties	<u>45</u>	<u>(55)</u>
Underlying profit attributable to shareholders of the Company	<u>453,960</u>	<u>784,227</u>
Underlying earnings per share	<u>HK\$0.66</u>	<u>HK\$1.13</u>

## 8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

### (a) Investment properties

Investment properties of the Group were revalued at 31 December 2020 and 2019. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among its staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the year, the net decrease in fair value of investment properties was HK\$152,016,000 (2019: net increase in fair value of HK\$503,945,000).

### (b) Impairment loss on other property, plant and equipment

Indicators of impairment are identified in certain hotel, food and beverage outlets and travel branches for which each hotel/outlet/travel segment is identified as a single cash-generating unit (“CGU”).

During the year, in view of the loss suffered by certain hotel, food and beverage outlets and travel segment due to COVID-19, management considered indicators of impairment of other property, plant and equipment associated with these CGUs existed at 31 December 2020 and performed an impairment assessment thereon. Based on the impairment assessment conducted by management, impairment losses of HK\$34,237,000 were recognised in profit or loss during the year ended 31 December 2020.

The recoverable amount is determined based on the higher of value-in-use and the fair value less costs of disposal. The estimate of recoverable amounts was based on value-in-use calculations by adopting discounted cash flow forecast of each CGU.

## 9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis, based on the invoice date (or date of revenue recognition, if earlier), as at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	14,635	39,078
1 month to 2 months	4,503	11,538
Over 2 months	<u>27,103</u>	<u>17,697</u>
Trade receivables (net of loss allowance)	46,241	68,313
Other receivables, deposits and prepayments	<u>129,343</u>	<u>158,855</u>
	<u><u>175,584</u></u>	<u><u>227,168</u></u>

At 31 December 2020 and 2019, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$9,365,000 (2019: HK\$17,434,000) which is expected to be recovered after one year.

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

## 10. TRADE AND OTHER PAYABLES

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Due within 3 months or on demand	<b>2,356</b>	60,972
Due after 3 months but within 6 months	<b>30,918</b>	46,274
Trade payables	<b>33,274</b>	107,246
Other payables and accrued charges	<b>187,871</b>	225,052
Amounts due to holders of non-controlling interests of subsidiaries ( <i>see note ii</i> )	<b>72,475</b>	78,547
Amounts due to associates ( <i>see note iii</i> )	<b>4,289</b>	4,296
	<b>297,909</b>	415,141

### Notes:

- (i) All of the trade and other payables are expected to be settled within one year or are repayable on demand.
- (ii) All of the amounts due to the holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed term of repayment (2019: The amount of HK\$5,953,000 was interest bearing at 6% per annum and repayable within one year).
- (iii) Amounts due to associates are unsecured, interest-free and repayable on demand.

## **ANNUAL GENERAL MEETING**

The 2021 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 Monday, 7 June 2021 at 12:00 noon. The Notice of 2021 Annual General Meeting is expected to 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 Tuesday, 27 April 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

- (1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2021 Annual General Meeting, the Register of Members will be closed from Wednesday, 2 June 2021 to Monday, 7 June 2021, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong ("Computershare"), no later than 4:30 p.m. on Tuesday, 1 June 2021; and
- (2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 11 June 2021 to Thursday, 17 June 2021, 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 Thursday, 10 June 2021.

## **DIVIDEND DESPATCH DATE**

Subject to the approval to be obtained at the 2021 Annual General Meeting, the proposed final dividend is expected to be distributed to Shareholders on Thursday, 8 July 2021.

## **EMPLOYEES**

As at 31 December 2020, the Group had a total of about 1,241 full-time employees, including 1,218 employed in Hong Kong and 23 employed in The People's Republic of China. The Group is the "Equal Opportunity Employer"; we value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism for all of our employees that supports the achievement of the Group's Mission, Vision and Business Strategies. It is the policy of the Group to remunerate employees in a fair and equitable manner. The Group develops a performance-driven culture and adopts Total Rewards Management for talent attraction, employee recognition and retention. The Group reviews its Remuneration and Benefits Program on a regular basis to ensure the programme is in compliance with the latest laws, in line with market practice and keeps up with market conditions and levels of remuneration.

## **TRAINING AND DEVELOPMENT**

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

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

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

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2020, 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 2020 and discussed with the Assistant Director of Audit, Risk & Corporate Services and independent external auditors regarding matters on auditing, internal control, risk management and financial report of the Group.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not

constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

During the year ended 31 December 2020, 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 2020.

## **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, 18 March 2021

*As at the date of this announcement, (i) the executive directors of the Company are: Mr. Lee Ka Shing, Mr. Richard Tang Yat Sun, Dr. Colin Lam Ko Yin, Mr. Norman Ho Hau Chong and Mr. Eddie Lau Yum Chuen; (ii) the non-executive directors of the Company are: Dr. Patrick Fung Yuk Bun and Mr. Dominic Cheng Ka On; (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, Mr. Thomas Liang Cheung Biu and Mr. Alexander Au Siu Kee.*