

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)

2021 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 2021 together with the comparative figures for the corresponding year in 2020.

Highlights

- The Group’s revenue decreased by 5.1% to HK\$1,247 million (2020: HK\$1,315 million)
- Profit attributable to shareholders increased by 9.3% to HK\$330 million (2020: HK\$302 million)
- Underlying profit attributable to shareholders* dropped by 6.8% to HK\$423 million (2020: HK\$454 million)
- Earnings per share and underlying earnings per share* were HK\$0.48 (2020: HK\$0.44) and HK\$0.61 (2020: HK\$0.66) respectively
- Final dividends per share proposed are HK26 cents (2020: HK28 cents), which makes a total annual dividend of HK46 cents per share (2020: HK50 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 and other non-recurring items such as net gain on disposal of properties*

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 2021 (the "year").

Consolidated Results

The Group's revenue for the year amounted to HK\$1,247 million (2020: HK\$1,315 million), a decrease of 5.1% against last year. Profit attributable to shareholders for the year was HK\$330 million (2020: HK\$302 million) with a year-on-year increase of 9.3%. The aforesaid outcome is mainly caused by the decrease in revaluation loss on fair value of investment properties compared with last year, and the increase in income attributable to the Group's hotel & serviced apartments business and food & beverage business compared with last year.

The underlying profit attributable to shareholders (excluding the net decrease in the fair value of investment properties by HK\$112 million (2020: net decrease of HK\$152 million) and the net gain on disposal of non-core properties of HK\$19 million (2020: Nil)) dropped by 6.8% to HK\$423 million, year-on-year (2020: HK\$454 million). The underlying earnings per share is HK\$0.61 (2020: HK\$0.66).

Final Dividend

The Board recommends a final dividend of HK26 cents per share to the shareholders listed on the Register of Members at the close of business on 17 June 2022 (Friday). The proposed final dividend is expected to be distributed to shareholders on 8 July 2022 (Friday). Adding up with an interim dividend of HK20 cents per share paid on 13 October 2021, the total dividend payment for the whole year will be HK46 cents per share.

Overview

More than two years have passed since the initial outbreak of covid-19 pandemic. Intermittent surges of the pandemic and emergences of variant strains have destabilized the global economy. Governments around the world have kept anti-pandemic measures up in response. Hong Kong's local economy rebounded slightly as the pandemic in its fourth wave then was put under control during the middle of last year, which successfully drove up overall consumption sentiments, bringing about a respectable business revival to the Group's hotel & serviced apartments and food & beverage operations. However, early in 2022, the outbreak of the fifth wave dealt a heavy blow to local economic and social functioning once again with the local government following up with the strictest ever social-distancing rules, afflicting the Group's businesses.

Overall, all of the Group's businesses continued to be constrained to varying degrees by the influences of such factors as covid-19 pandemic situation, social-distancing rules and the economic atmosphere. The Group has incessantly kept a close watch on the pandemic and swiftly adjusted its strategies and operations accordingly. Every endeavor has been made to initiate new sales models and product categories, including the launch of the Group's first consumption voucher reward across multiple businesses and pre-sale promotions at eShop. Following a series of marketing initiatives and activities, the hotel & serviced apartments business turned from loss to a profit and the food & beverage business recorded an increase in revenue. The property rental segment saw a slight drop in overall performance attributed to our continued reliefs to certain tenants seriously affected by the pandemic through rent concession or lease restructuring. Revaluation of the relevant properties continued to dip slightly.

Outlook

Currently, Hong Kong comes under the impact of a rapid spread of variant strains, reversing the hard-to-come-by economic recovery and the slightly-improved business environment last year into a ditch of uncertainties, dragging down the pace of economic recovery. Faced with the recursive nature of the pandemic situation, the Group will, nonetheless, maintain a prudent and positive outlook, and firmly entrench our businesses in addressing to the various challenges. Meanwhile, the Group earnestly seeks various potential investment opportunities, and getting the team ready for business development. Personally, I have unwavering faith in Hong Kong as a resilient and versatile city. With the government support on citywide vaccination and swift implementation of relief measures, I believe that, with a solid foundation, ample resources and a professional team, the Group will swiftly grip the opportunity and stride together with Hong Kong on a recovery path as soon as the pandemic has come under control.

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 extend my sincere gratitude to the management team and employees for their ongoing contributions to the Group.

Lee Ka Shing

Chairman and CEO

Hong Kong, 18 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hotel and Serviced Apartments Business

During the year, the hotel and serviced apartments business recorded a revenue of HK\$286 million, up by 41.8% from last year. The earnings before interest, taxes, depreciation and amortization (“EBITDA”) was HK\$4.6 million, a reversal from last year’s loss of HK\$5.3 million.

As the pandemic situation continued for more than two years, the hotel sector across the globe was hit to an extent never seen before. With the strictest quarantine measures and cross-border restrictions in place in Hong Kong, the number of visits to Hong Kong slumped by 97.4% to 0.09 million (2020 : 3.57 million) , while overnight visits fell by 93.4% to 0.09 million (2020: 1.36 million) . Despite all sorts of limitations, the Group continued to actively explore the local market demand and launched themed staycation packages one after another, including an Australian-themed experience “Wanderful Australia” in collaboration with the Australian government, and the partnered Christmas campaign “The Aurora Of Festive MIRAcles” with the Finnish Tourist Board and Finnair. The aforesaid promotional efforts successfully improved the occupancy rate of The Mira Hong Kong Hotel. Meanwhile, against the background of immense demand for quarantine hotels, the Group’s Mira Moon Hotel continued to be commissioned as a designated quarantine hotel by the government, with an average occupancy rate of more than 70%.

The Group made agile adjustments to its strategies, which led to a rapid revenue growth of more than 40% in the hotel and serviced apartments business, and its EBITDA reversed from loss to profit. Faced with the onslaught of the pandemic’s fifth wave, the Group continued to strengthen cost control in adequate and enduring preparation for an uncertain future.

Property Rental Business

The revenue of our property rental business decreased to HK\$814 million, with EBITDA at HK\$697 million, down by 0.6% and 2.2% respectively, compared with last year.

In the first half of 2021, with the pandemic retreating pandemic and the government releasing a consumption voucher scheme, Hong Kong’s retail market improved moderately. Yet, the overall retail sector was still under pressure, either from operational difficulties, or from shrinking business, which went on to bring pressure to the local leasing business on rental adjustment and lease renewal. Hence, there was an absence of significant improvement in rental income and vacancy rate of commercial shops and buildings in core districts. During the period, the Group continued to provide targeted relief to certain tenants impacted by the pandemic in order to lessen pressures on their operations. At the same time, the Group launched various promotional activities to encourage customer consumption, increase footfall and boost sales, including consumption rebates, themed weekend pop-up markets and various festive events.

Along with increasing public awareness of environmental protection, our shopping malls also infused various green elements into its operational and strategic partnerships, including a rebranded loyalty programme with sustainable living concept; green pop-up markets; and the Gimme LiVe music festival embedded with music and environmental-friendly features. While various efforts were made to promote environmental protection, the Group also encourages shoppers to give back to society by collaborating with charities such as UNICEF and Food Angel. To further enhance the customers' experience, the mall invited a number of specialty brands and restaurants to join in, including Umegaoka Sushi No Midori Souhonten, Nuttea, and the first image concept store for men RICKYKAZAF.

Change in Fair Value of Investment Properties

The Group's investment properties (mainly the Mira Place) are stated at fair value, and reviewed on a semi-annual basis. The fair value of investment properties is determined based on the opinions obtained by the Group from an independent professional surveyor firm (Cushman & Wakefield Limited). The prolonged impact of covid-19 adversely affected the overall economy and consumption propensity, and carried pressures onto the local rental market for shops and offices. During the year, the fair value of the Group's total investment properties decreased by HK\$112 million (2020: decreased by HK\$152 million). As at 31 December 2021, the book value of the overall investment properties was HK\$15.2 billion. The investment properties of the Group are held as long-term investment, to gain recurring income. The revaluation impairment is non-cash in nature, and has no substantive impact on the cash flow of the Group.

Food and Beverage Business

The Group's food and beverage business recorded revenue of HK\$133 million, up by 11.0%, compared with last year; EBITDA recorded loss of HK\$10.8 million for the year, which loss was reduced as compared with last year.

Early last year, the government relaxed social distancing measures when the pandemic situation was under control. Consumption sentiment among citizens began to improve steadily, and dine-in business and reservation rate started to recover. With the launch of the "vaccine bubble" programme in April last year, the Group's restaurants quickly adjusted its operational model to type C or D, and raised the upper limits on the maximum diners per table and the total capacity of the restaurants, as well as extending the operating hours, in order to capture the rising demands for dine-in services and festive celebrations. Meanwhile, the Group continued to stimulate sales through special offers for dine-in and takeaway and advance sales through Mira eShop. The Group also actively sought collaborative business opportunities, including joining hands with liquor wholesalers in launching festive hampers and wine tasting menus. In view of the potential of the local catering market, the Group closed two restaurants during the year, and actively preparing to introduce brand-new dining concepts to extend new markets and demographics. Thanks to the various agile sales strategies, the year's revenue improved in comparison to last year.

Travel Business

Due to the resurgence in covid-19 cases, cross-border reopening was delayed indefinitely and there was yet no sign of the international tourism market recovering. Just like any other peers in the industry, the Group's travel business stayed in a standstill. Though the government had once announced the resumption of open-sea cruise travel in the middle of last year, it was once again called to a halt by early 2022, in view of the mutated virus widely spreading, overlaying the local tourism market with heavy dark clouds. The Group's travel business recorded revenue of HK\$13.5 million, down by 92.2% compared with HK\$173.7 million last year, and EBITDA recorded a loss of HK\$23.3 million, similar to that of last year. The management will continue to closely monitor the market situation, the latest border control measures and mandatory quarantine policies, and to strictly control costs and adjust operating strategy in a timely manner.

Operating and Other Expenses

Despite the discouraging outlook around the globe, the Group continued to strictly control costs and improve its operating efficiency. On the other hand, in accordance with the Hong Kong Accounting Standards, the Group is required to conduct regular assessments of its leased right-to-use assets, other properties, plant and equipment. Due to the enduring pandemic, the operating income derived from these assets is expected to decline, hence an impairment provision of HK\$31.6 million on the aforesaid assets was made during the year. Overall operating costs dropped to HK\$163.3 million (2020 : HK\$165.8 million) .

Treasury Management and Financial Condition

As for the exchange-rate, interest-rate, liquidity and financing risks generated in the course of the daily operations, the Group exercised and managed in accordance with pre-established policies, and closely monitored the Group's financial condition and capital requirements to ensure solvency and accountability. In terms of foreign-exchange risk, as the Group is mainly based in Hong Kong running its businesses, the related cash flow, assets and liabilities are denominated in Hong Kong dollars. In terms of foreign-exchange risk, the majority of the risk was from assets and business operations in mainland China, and RMB and USD bank deposits. In terms of interest rate risk, as the Group's capital is mainly denominated in Hong Kong dollars and there is no borrowing, the main interest rate risk of the Group is the interest rate risk of Hong Kong dollar deposits; there is no interest rate risk associated with financing and borrowing.

The Group maintained a good liquidity position, with very mild liquidity risk. As of 31 December 2021, the Group's consolidated net cash was approximately HK\$5.2 billion (31 December 2020: HK\$5.0 billion), and no bank loan (31 December 2020: HK\$2.99 million). In terms of financing risk, as of 31 December 2021, the total banking facilities granted were approximately HK\$1.0 billion (31 December 2020: HK\$1.0 billion), of which nil was drawn (31 December 2020: 0.30%). Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) was nil (31 December 2020: 0.02%). The Group is committed to a stable and healthy financial policy, with more than sufficient funds and credit lines secured, that would enable the Group to cope with any uncertain economic situation forthcoming, and to undertake business development plans of promising prospect.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	3	1,247,025	1,314,605
Cost of food and beverage		(86,260)	(68,911)
Staff costs	4(a)	(360,558)	(382,991)
Utilities, repairs and maintenance and rent		(103,092)	(91,742)
Tour and ticketing costs		<u>(7,857)</u>	<u>(145,170)</u>
Gross profit		689,258	625,791
Other revenue		55,375	192,235
Operating and other expenses		(163,274)	(165,836)
Depreciation		<u>(66,511)</u>	<u>(89,806)</u>
		514,848	562,384
Finance costs	4(b)	(2,235)	(3,320)
Share of profits less losses of associates		<u>180</u>	<u>202</u>
		512,793	559,266
Net gain on disposal of properties		18,696	—
Other non-operating net gain	4(c)	3,413	1,055
Net decrease in fair value of investment properties	8(a)	<u>(112,143)</u>	<u>(152,016)</u>
Profit before taxation	4	422,759	408,305
Taxation	5		
Current		(90,317)	(91,983)
Deferred		<u>3,211</u>	<u>(7,383)</u>
Profit for the year carried forward		<u>335,653</u>	<u>308,939</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the year ended 31 December 2021*

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit for the year brought forward		<u>335,653</u>	<u>308,939</u>
Attributable to:			
Shareholders of the Company		329,958	301,899
Non-controlling interests		<u>5,695</u>	<u>7,040</u>
		<u>335,653</u>	<u>308,939</u>
Dividends attributable to the year:			
Interim Dividend	6(a)	138,192	152,011
Final Dividend		<u>179,649</u>	<u>193,469</u>
		<u>317,841</u>	<u>345,480</u>
Earnings per share			
Basic	7(a)	<u>HK\$0.48</u>	<u>HK\$0.44</u>
Diluted	7(a)	<u>HK\$0.48</u>	<u>HK\$0.44</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	<u>335,653</u>	<u>308,939</u>
Other comprehensive income for the year (after tax and reclassification adjustments):		
<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	19,427	1,454
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of overseas subsidiaries	<u>20,610</u>	<u>65,615</u>
	<u>40,037</u>	<u>67,069</u>
Total comprehensive income for the year	<u><u>375,690</u></u>	<u><u>376,008</u></u>
Attributable to:		
Shareholders of the Company	362,708	356,050
Non-controlling interests	<u>12,982</u>	<u>19,958</u>
Total comprehensive income for the year	<u><u>375,690</u></u>	<u><u>376,008</u></u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties	8(a)	15,219,649	15,293,694
Other property, plant and equipment	8(b)	201,443	244,827
		15,421,092	15,538,521
Interests in associates		894	783
Equity securities designated at FVOCI		39,840	78,961
Financial assets measured at fair value through profit or loss (“FVPL”)		—	1,406
Deferred tax assets		16,149	12,267
		15,477,975	15,631,938
Current assets			
Inventories		127,654	122,618
Trade and other receivables	9	165,261	175,584
Financial assets measured at FVPL		62,399	61,533
Cash and bank balances		5,247,852	5,050,300
Tax recoverable		896	3,665
		5,604,062	5,413,700
Current liabilities			
Trade and other payables	10	(303,489)	(297,909)
Bank loan		—	(2,993)
Rental deposits received		(99,306)	(76,729)
Contract liabilities		(58,146)	(75,276)
Lease liabilities		(39,109)	(42,788)
Tax payable		(26,840)	(19,437)
		(526,890)	(515,132)
Net current assets		5,077,172	4,898,568
Total assets less current liabilities carried forward		20,555,147	20,530,506

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2021*

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total assets less current liabilities brought forward		<u>20,555,147</u>	<u>20,530,506</u>
Non-current liabilities			
Deferred liabilities		(160,008)	(185,402)
Lease liabilities		(47,305)	(44,376)
Deferred tax liabilities		<u>(305,648)</u>	<u>(302,571)</u>
		<u>(512,961)</u>	<u>(532,349)</u>
NET ASSETS		<u>20,042,186</u>	<u>19,998,157</u>
CAPITAL AND RESERVES			
Share capital		2,227,024	2,227,024
Reserves		<u>17,654,666</u>	<u>17,623,619</u>
Total equity attributable to shareholders of the Company		19,881,690	19,850,643
Non-controlling interests		<u>160,496</u>	<u>147,514</u>
TOTAL EQUITY		<u>20,042,186</u>	<u>19,998,157</u>

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2021 and 31 December 2020 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 2020 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 2021 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 HKFRS16, *Covid-19 related rent concessions beyond 30 June 2021*, 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 beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

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 2021 and 2020 is set out below.

	2021					
	Property rental HK\$'000	Hotels and serviced apartments HK\$'000	Food and beverage operation HK\$'000	Travel operation HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment revenue (revenue from external customers) (Note)	<u>814,497</u>	<u>286,243</u>	<u>132,813</u>	<u>13,472</u>	<u>—</u>	<u>1,247,025</u>
Reportable segment results (adjusted EBITDA)	697,003	4,635	(10,759)	(23,288)	(344)	667,247
Unallocated net corporate expenses						<u>(152,399)</u>
						514,848
Finance costs						(2,235)
Net gain on disposal of properties						18,696
Share of profits less losses of associates						180
Other non-operating net gain						3,413
Net decrease in fair value of investment properties	(112,143)	—	—	—	—	<u>(112,143)</u>
Consolidated profit before taxation						<u>422,759</u>

3. REVENUE AND SEGMENT REPORTING (continued)

	2020					
	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>819,396</u>	<u>201,845</u>	<u>119,695</u>	<u>173,669</u>	<u>—</u>	<u>1,314,605</u>
Reportable segment results (adjusted EBITDA)	712,989	(5,315)	(11,508)	(23,084)	(1,220)	671,862
Unallocated net corporate expenses						<u>(109,478)</u>
						562,384
Finance costs						(3,320)
Share of profits less losses of associates						202
Other non-operating net gain						1,055
Net decrease in fair value of investment properties	(152,016)	—	—	—	—	<u>(152,016)</u>
Consolidated profit before taxation						<u>408,305</u>

Note: Except for property rental income of HK\$814,497,000 (2020: HK\$819,396,000) 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
The Hong Kong Special Administrative Region	1,178,953	1,255,930	14,639,795	14,755,967
The PRC	68,072	58,675	745,643	726,286
The United Kingdom	—	—	36,548	57,051
	<u>1,247,025</u>	<u>1,314,605</u>	<u>15,421,986</u>	<u>15,539,304</u>

4. PROFIT BEFORE TAXATION

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

	2021 HK\$'000	2020 HK\$'000
(a) Staff costs		
Contributions to defined contribution retirement plan	15,026	17,574
Salaries, wages and other benefits	<u>345,532</u>	<u>365,417</u>
	<u>360,558</u>	<u>382,991</u>
(b) Finance costs		
Interest on bank loan	11	23
Interest on amounts due to holders of non-controlling interests of a subsidiary	—	322
Interest on lease liabilities	<u>2,224</u>	<u>2,975</u>
	<u>2,235</u>	<u>3,320</u>
(c) Other non-operating net gain		
Net realised and unrealised gains on financial assets measured at FVPL	<u>(3,413)</u>	<u>(1,055)</u>
(d) Other items		
Dividend income from listed securities	(3,794)	(3,632)
Bank interest income	(20,278)	(76,192)
Reversal of provision for properties held for resale	(86)	(420)
Government subsidies (<i>Note</i>)	(8,010)	(83,510)
Impairment loss on trade receivables	34	785
Impairment loss on other property, plant and equipment	<u>31,603</u>	<u>34,237</u>

Note: Being the subsidies received 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 current and prior years.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	84,616	85,229
(Over)/under provision in respect of prior years	<u>(813)</u>	<u>182</u>
	83,803	85,411
Current tax — Taxation outside Hong Kong		
Provision for the year	<u>6,514</u>	<u>6,572</u>
	90,317	91,983
Deferred tax		
Change in fair value of investment properties	(171)	45
Origination and reversal of temporary differences	<u>(3,040)</u>	<u>7,338</u>
	<u>(3,211)</u>	<u>7,383</u>
	87,106	99,366

Provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 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 2020.

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 2021 of HK\$27,000 (2020: HK\$23,000) is included in the share of profits less losses of associates.

6. DIVIDENDS

(a) Dividends attributable to the year

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend declared and paid of HK20 cents per share (2020: HK22 cents per share)	138,192	152,011
Final dividend proposed after the end of the reporting period of HK26 cents per share (2020: HK28 cents per share)	<u>179,649</u>	<u>193,469</u>
	317,841	345,480

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK28 cents per share (2020: HK34 cents per share)	<u>193,469</u>	<u>234,926</u>

7. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

For the year ended 31 December 2021, the calculation of earnings per share of HK\$0.48 (2020: HK\$0.44) is based on the profit attributable to shareholders of the Company of HK\$329,958,000 (2020: HK\$301,899,000) and 690,959,695 shares (2020: 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 and other non-recurring items. A reconciliation of profit is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to shareholders of the Company	329,958	301,899
Changes in fair value of investment properties during the year	112,143	152,016
Effect of deferred tax on changes in fair value of investment properties	(171)	45
Net gain on disposal of properties	<u>(18,696)</u>	<u>—</u>
Underlying profit attributable to shareholders of the Company	<u>423,234</u>	<u>453,960</u>
Underlying earnings per share	<u>HK\$0.61</u>	<u>HK\$0.66</u>

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

Investment properties of the Group were revalued at 31 December 2021 and 2020. 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\$112,143,000 (2020: net decrease in fair value of HK\$152,016,000).

(b) Right-of-use assets (included in “other property, plant and equipment”)

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

During the year ended 31 December 2021, the Group recognised the additions to right-of-use assets of HK\$47,643,000 (2020: HK\$2,130,000). Depreciation charges and impairment losses related to the right-of-use assets of HK\$36,044,000 and HK\$11,084,000 (2020: HK\$50,257,000 and HK\$30,984,000) respectively are recognised during the year. The net book value of the Group’s right-of-use assets at the end of the reporting period is HK\$64,449,000 (at 31 December 2020: HK\$63,934,000).

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets (included in “other property, plant and equipment”) (continued)

The Group leased a number of operating outlets which contain variable lease payment terms that are based on sales generated from the operating outlets and minimum annual lease payment terms that are fixed. These payment terms are common in operating outlets in Hong Kong where the Group operates. During the year, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amounts of fixed and variable lease payments and COVID-19 rent concessions for the year are summarised below:

	Year ended 31 December 2021		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operating outlets	<u>927</u>	<u>505</u>	<u>(10,384)</u>
	Year ended 31 December 2020		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operating outlets	<u>4,001</u>	<u>132</u>	<u>(14,274)</u>

The Group has adopted the Amendment to HKFRS 16 and has applied the practical expedient to all eligible rent concessions received by the Group.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	18,740	14,635
1 month to 2 months	3,851	4,503
Over 2 months	<u>24,033</u>	<u>27,103</u>
Trade receivables (net of loss allowance)	46,624	46,241
Other receivables, deposits and prepayments	<u>118,637</u>	<u>129,343</u>
	<u>165,261</u>	<u>175,584</u>

9. TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2021 and 2020, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$8,686,000 (2020: HK\$9,365,000) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due within 3 months or on demand	15,374	2,356
Due after 3 months but within 6 months	<u>9,571</u>	<u>30,918</u>
Trade payables	24,945	33,274
Other payables and accrued charges	201,644	187,871
Amounts due to holders of non-controlling interests of subsidiaries (<i>see note (i)</i>)	72,622	72,475
Amounts due to associates (<i>see note (ii)</i>)	<u>4,278</u>	<u>4,289</u>
	<u><u>303,489</u></u>	<u><u>297,909</u></u>

Notes:

- (i) Amounts due to the holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed term of repayment.
- (ii) 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.

11. EMPLOYEE RETIREMENT SCHEME

The Group's Hong Kong employees participate in a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO Scheme") or in another defined contribution scheme registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) ("MPFO") (the "MPF Scheme").

Contributions to the ORSO Scheme are made by the participating employers ranging from 5%-11% of, and by the employees at 5%-11% of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

No employees of the Group were eligible to join the ORSO Scheme on or after 1 December 2000.

11. EMPLOYEE RETIREMENT SCHEME (continued)

The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Scheme. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised for the year ended 31 December 2021 was HK\$768,000 (2020: HK\$292,000) and the balance available to be utilised as at 31 December 2021 was HK\$0 (as at 31 December 2020: HK\$534,000).

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

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting of the Company will be held on Tuesday, 7 June 2022 at 12:00 noon. The Notice of 2022 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 Wednesday, 27 April 2022.

CLOSURE OF REGISTER OF MEMBERS

- (1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2022 Annual General Meeting, the Register of Members will be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 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, 31 May 2022; and
- (2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Monday, 13 June 2022 to Friday, 17 June 2022, 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 Friday, 10 June 2022.

DIVIDEND DESPATCH DATE

Subject to the approval to be obtained at the 2022 Annual General Meeting, the proposed final dividend is expected to be distributed to Shareholders on Friday, 8 July 2022.

EMPLOYEES

As at 31 December 2021, the Group had a total of 1,138 full-time employees, including 1,105 employed in Hong Kong, 22 employed in The People's Republic of China and 11 employed in Overseas. 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 applicable code provisions set out in the Corporate Governance Code (the “CG 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 2021, with the exception that roles of the chairman and the chief executive officer of the Company have not been segregated. Dr. Lee Ka Shing was re-designated as Chairman and Chief Executive Officer as from 12 June 2014. Dr. 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 2021 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 2021 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 2021, 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 2021.

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 2022

As at the date of this announcement, (i) the executive directors of the Company are: Dr. 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.