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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)

2022 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 2022 together with the comparative figures for the corresponding year in 2021.

Highlights

- The Group’s revenue increased by 10.8% to HK\$1,382 million (2021: HK\$1,247 million)
- Profit attributable to shareholders increased by 45.5% to HK\$480 million (2021: HK\$330 million)
- Underlying profit attributable to shareholders* rose by 23.6% to HK\$523 million (2021: HK\$423 million)
- Earnings per share and underlying earnings per share* were HK\$0.69 (2021: HK\$0.48) and HK\$0.76 (2021: HK\$0.61) respectively
- Final dividends per share proposed are HK29 cents (2021: HK26 cents), which makes a total annual dividend of HK50 cents per share (2021: HK46 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 2022 (the "year").

Consolidated Results

The Group's revenue for the year 2022 amounted to HK\$1,382 million (2021: HK\$1,247 million), an increase of 10.8% against last year. Profit attributable to shareholders for the year was HK\$480 million (2021: HK\$330 million) with a year-on-year increase of 45.5%. 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 revenue from the Group's three business segments (including hotel and serviced apartments, food and beverage and travel business) compared with last year. The underlying profit attributable to shareholders (excluding the net decrease in the fair value of investment properties by HK\$23 million (2021: net decrease of HK\$112 million) and no other extraordinary gain (2021: the net gain on disposal of non-core properties of HK\$19 million)) increased by 23.6% to HK\$523 million, year-on-year (2021: HK\$423 million). The underlying earnings per share is HK\$0.76 (2021: HK\$0.61).

Final Dividend

The Board recommends a final dividend of HK29 cents per share to the shareholders listed on the Register of Members at the close of business on 19 June 2023 (Monday). The proposed final dividend is expected to be distributed to shareholders on 11 July 2023 (Tuesday). Adding up with an interim dividend of HK21 cents per share paid on 12 October 2022, the total dividend payment for the whole year will be HK50 cents per share.

Overview

The 2019 coronavirus disease ("COVID-19") pandemic has struck a heavy blow to the global economy and local business environment over the past three years. With the outbreak of the fifth wave of the pandemic in early 2022, the government re-tightened social distancing measures and restrictions, coupled with stringent travel restrictions, heading to a downward spiral again of the overall business environment. In the second quarter, the pandemic was gradually brought under control, and by the end of the third quarter, the pandemic prevention measures were gradually lifted, including the scrap of hotel quarantine policy for Hong Kong arrivals, the easing of pandemic prevention measures and border control. During the year, the government handed out consumption vouchers in phases and consumption sentiment gradually recovered, which brought a positive impact on the Group's business.

Overall, the Group's core businesses were facing severe challenges last year. However, the Group kept a close watch on the changes in the pandemic and government measures, and quickly adjusted its strategies and operation models to enhance its competitiveness in terms of product mix, branding, cross-business promotions, as well as thematic promotions and flash sales. When the pandemic

situation was serious at the beginning of last year, the Group immediately re-allocated resources and launched the “MIRA CARE” initiatives — distributing rapid antigen testing kits to the employees, shopping malls, tenants, customers and communities, and adopting various anti-pandemic strategies to stabilize customers’ confidence. In line with the government’s economic revitalization policy, the Group’s hotels, restaurants and shopping malls launched timely cross-business promotions, catching business opportunities such as the government’s consumption vouchers to launch various events and consumer rewards, and enhanced e-commerce effort. For the Group’s hotel business, in addition to continuing local promotions and staycation businesses, the Group also seized the opportunity to promote a number of thematic activities in light of the lifting of the quarantine measure at the end of the third quarter, resulting in an occupancy rate of over 85% of our hotels in the fourth quarter of last year. In terms of food and beverage business, the Group opened two new restaurants in the first quarter of last year, successfully grasping opportunities on the rebound from the fifth wave of the pandemic and developed new markets. As for the property rental business, after more than two years of the pandemic, rental level and vacancy rates of all types of local rental businesses turned stable. During the year, the Group continued to provide rent concessions and lease restructuring to tenants to tide over the difficult times. The Group’s travel business has gradually recovered since the fourth quarter of last year thanks to the easing of border control measures, and recorded a growth in revenue as compared to last year.

Outlook

After years of pandemic in Hong Kong, the pandemic prevention and social distancing measures were gradually relaxed at the end of last year, resulting in clear-away of unstable factors, pressure and uncertain economic atmosphere and bringing a stable and suitable business environment for operators and enterprises. In addition, the gradual removal of border control measures between Hong Kong and Mainland China has brought hope for a new scenario for all industries in Hong Kong and the business environment is gradually becoming clearer. As always, the Group remains prudent, positive and resilient in sustaining its business and meeting challenges. The Group will continue to identify investment opportunities, seize the opportunity to expand its business, and adjust its strategies in response to changes in the environment such that a stable and sustainable performance can be attained.

Acknowledgement

I would like to take this opportunity to appreciate the Board of Directors for their support 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, 16 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Hotels and Serviced Apartments Business

Total revenue of the hotels and serviced apartment business for the year increased to HK\$318 million compared to the same period last year, with EBITDA amounting to HK\$18 million.

The hotel and tourism industries have been hit hard by the ongoing years of COVID-19 outbreak. The number of visitor arrivals to Hong Kong fell from 3.57 million in 2020 to 90,000 in 2021. From the fourth quarter of 2022, the Hong Kong government gradually canceled the border control restrictions. The number of visitor arrivals rebounded to 600,000 in 2022. In the first quarter of 2023, all the border control restrictions between Hong Kong and Mainland China are removed, which will greatly improve the business environment for Hong Kong's tourism and hotel industries. The Group continued last year's flexible and multi-pronged business strategies to strengthen the long-stay and staycation businesses by launching a number of long-stay programs, themed suitecation, as well as a number of staycation experiences and catering activities in collaboration with different national tourism bureaus and brands to attract local visitors, resulting in a 28% increase in occupancy rate of The Mira Hong Kong during the year. During the year, hotel room revenue in hotels and serviced apartments segment amounted to HK\$160 million, representing a significant increase of 35% over last year.

In addition, the Group's Mira Moon Hotel was well received following an asset enhancement project, with occupancy rates often exceeding 90%.

Property Rental Business

The years-long pandemic has hit various industries around the world and in Hong Kong, especially the restaurant, retail and tourism industries, which are still experiencing operational difficulties and business contraction. As a result, the local rental market has also remained weak over the past few years, with pressure on rent adjustments and lease renewals in rental business. Fortunately, the pandemic eased in the second half of last year and rental level and vacancy rate in the local rental sector (including office, retail, stores, etc.) are turning stabilized. In 2022, local GDP dropped by 3.5%.

During the year, the Group provided concessions such as appropriate rentals and rent adjustments to relieve tenants' pressure. In the past year, the Group continued to enhance customer shopping experience and shopping mall facilities, and launched a number of activities, including large-scale festival themed decorations and promotions, inviting various brands to set up pop-up stores in the malls and organizing special weekend markets, in order to broaden the target customer base of the shopping malls, and in turn improve service standards and enhance competitiveness. During the year, the Group's revenue from rental business amounted to HK\$800 million and EBITDA of HK\$677 million, representing a decrease of 1.8% and 2.9% respectively over last year.

Change in Fair Value of Investment Properties

The Group's investment properties 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 from the external professional surveyor firm (Cushman & Wakefield Limited) under the Group. During the year, the fair value of the Group's total investment properties decreased by HK\$23 million (2021: decreased by HK\$112 million). As at 31 December 2022, 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 loss is non-cash in nature, and has no substantive impact on the cash flow of the Group.

Food and Beverage Business

In early 2022, in response to the severity of the fifth wave of the pandemic, the government adopted stringent social distancing measures, including a ban on dine-in for more than 100 days and a limit on the number of diners per table. The Group changed its strategies and enhanced dine-in offers and takeaway accordingly and actively developed its e-shop and its marketing promotions. In addition, in the first half of 2022, the Group launched two new brands of restaurant concepts, the "Chinesology" (唐述) offering modernized Chinese cuisine and the "JAJA" offering new vegetarian propositions, to further expand the Group's restaurant market. Thanks to sound business, sales and marketing strategies, the Group was able to seize the opportunities after the fifth wave of the pandemic and stepped up promotions in the second half of the year, successfully capturing the rebounding consumer power. Revenue from the Group's food and beverage business rebounded significantly in the second half of the year, increased by 66% compared to the first half of the year, while revenue in the third and fourth quarters increased by 8% and 42% respectively compared to the previous quarter. During the year, the Group recorded revenue from food and beverage business of HK\$173 million and an EBITDA loss of HK\$1.9 million, compared to revenue of HK\$133 million and EBITDA loss of HK\$10.8 million in the same period last year.

Travel Business

The years-long rampage and recurrence of COVID-19 outbreaks have driven many countries around the world and Hong Kong to adopt stringent pandemic prevention and border control measures. With the easing of the pandemic of COVID-19, Hong Kong has gradually relaxed its pandemic prevention policies, and in early 2023, Hong Kong and Mainland China have been further opened up, with all border control measures eased and most related quarantine measures removed. By adopting an agile business strategy in response to the prevailing circumstances, the Group's travel business has its strategy and approach well prepared before the gradual opening of the borders. Our products were designed to suit the market and we successfully captured the business opportunities after the opening. As a result, the Group's travel business recorded revenue of HK\$91 million and an EBITDA loss of HK\$13 million respectively for the year, representing an increase of 572.2% and a decrease of 42.7% respectively over the same period last year, in which revenue and EBITDA were HK\$13.5 million and loss of HK\$23.3 million respectively.

Operating and Other Expenses

The Group continued to strictly control costs and improve its operating efficiency. Overall operating costs increased slightly by 4.1% to HK\$170 million (2021: HK\$163.3 million) over the same period last year. The extent of increase in operating cost is less than the extent of increase in revenue due to strict cost control.

Treasury Management and Financial Condition

The Group manages the exposure to exchange rate, interest rate, liquidity and financing risks arising from the course of its daily operations in accordance with its established policies, and closely monitors its own financial position and requirements, to ensure solvency and commitment. In terms of exchange rate risk, as the Group mainly operates in Hong Kong with its related cash flows, assets and liabilities denominated in HKD. The primary exposure arises from assets and business operations in Mainland China, UK, and bank deposits in RMB, GBP and USD. In terms of interest rate and liquidity risks, as the Group's capital is mainly denominated in HKD with no borrowings, the main interest rate risk of the Group is the interest rate risk of HKD deposit. There is no interest rate risk associated with financing and borrowing. As at 31 December 2022, the Group had a consolidated cash position of HK\$5.4 billion (31 December 2021: HK\$5.2 billion) and no loans (31 December 2021: nil). In terms of financing risk, as at 31 December 2022, the total amount of credit facilities available to the Group was HK\$1 billion (31 December 2021: HK\$1 billion), none of them have been utilized (31 December 2021: nil). Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) of the Group was nil (31 December 2021: nil). The Group adopts a stable and healthy financial policy with more than sufficient funds and credit lines secured, that would enable the Group to cope with economic uncertainties in the foreseeable future, to invest in any securities and bonds and execute investment-effective business development plans when appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	3	1,382,231	1,247,025
Cost of food and beverage		(102,689)	(86,260)
Staff costs	4(a)	(411,606)	(360,558)
Utilities, repairs and maintenance and rent		(111,319)	(103,092)
Tour and ticketing costs		<u>(77,419)</u>	<u>(7,857)</u>
Gross profit		679,198	689,258
Other revenue		152,946	55,375
Operating and other expenses		(170,037)	(163,274)
Depreciation		<u>(57,783)</u>	<u>(66,511)</u>
		604,324	514,848
Finance costs	4(b)	(2,140)	(2,235)
Share of profits less losses of associates		<u>178</u>	<u>180</u>
		602,362	512,793
Net gain on disposal of properties		—	18,696
Other non-operating net gain	4(c)	988	3,413
Net decrease in fair value of investment properties	8(a)	<u>(23,159)</u>	<u>(112,143)</u>
Profit before taxation	4	580,191	422,759
Taxation	5		
Current		(72,885)	(90,317)
Deferred		<u>(18,766)</u>	<u>3,211</u>
Profit for the year carried forward		<u>488,540</u>	<u>335,653</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the year ended 31 December 2022*

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Profit for the year brought forward		<u>488,540</u>	<u>335,653</u>
Attributable to:			
Shareholders of the Company		480,104	329,958
Non-controlling interests		<u>8,436</u>	<u>5,695</u>
		<u>488,540</u>	<u>335,653</u>
Dividends attributable to the year:			
Interim Dividend	6(a)	145,102	138,192
Final Dividend		<u>200,378</u>	<u>179,649</u>
		<u>345,480</u>	<u>317,841</u>
Earnings per share			
Basic	7(a)	<u>HK\$0.69</u>	<u>HK\$0.48</u>
Diluted	7(a)	<u>HK\$0.69</u>	<u>HK\$0.48</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	<u>488,540</u>	<u>335,653</u>
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Item 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	(6,898)	19,427
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	<u>(77,985)</u>	<u>20,610</u>
	<u>(84,883)</u>	40,037
Total comprehensive income for the year	<u><u>403,657</u></u>	<u><u>375,690</u></u>
Attributable to:		
Shareholders of the Company	409,225	362,708
Non-controlling interests	<u>(5,568)</u>	<u>12,982</u>
Total comprehensive income for the year	<u><u>403,657</u></u>	<u><u>375,690</u></u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties	8(a)	15,159,392	15,219,649
Other property, plant and equipment	8(b)	243,053	201,443
		15,402,445	15,421,092
Interests in associates		1,074	894
Equity securities designated at FVOCI		28,140	39,840
Deferred tax assets		33,122	16,149
		15,464,781	15,477,975
Current assets			
Inventories		119,655	127,654
Trade and other receivables	9	214,747	165,261
Financial assets measured at fair value through profit or loss (“FVPL”)		58,443	62,399
Cash and bank balances		5,385,923	5,247,852
Tax recoverable		1,461	896
		5,780,229	5,604,062
Current liabilities			
Trade and other payables	10	(363,974)	(303,489)
Rental deposits received		(129,223)	(99,306)
Contract liabilities		(80,567)	(58,146)
Lease liabilities		(42,005)	(39,109)
Tax payable		(9,643)	(26,840)
		(625,412)	(526,890)
Net current assets		5,154,817	5,077,172
Total assets less current liabilities carried forward		20,619,598	20,555,147

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2022*

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total assets less current liabilities brought forward		<u>20,619,598</u>	<u>20,555,147</u>
Non-current liabilities			
Deferred liabilities		(111,818)	(160,008)
Lease liabilities		(57,055)	(47,305)
Deferred tax liabilities		<u>(329,633)</u>	<u>(305,648)</u>
		<u>(498,506)</u>	<u>(512,961)</u>
NET ASSETS		<u>20,121,092</u>	<u>20,042,186</u>
CAPITAL AND RESERVES			
Share capital		2,227,024	2,227,024
Reserves		<u>17,739,140</u>	<u>17,654,666</u>
Total equity attributable to shareholders of the Company		19,966,164	19,881,690
Non-controlling interests		<u>154,928</u>	<u>160,496</u>
TOTAL EQUITY		<u>20,121,092</u>	<u>20,042,186</u>

NOTES:

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 31 December 2021 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 2021 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 2022 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 following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

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 2022 and 2021 is set out below.

	2022					
	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>800,033</u>	<u>318,356</u>	<u>173,280</u>	<u>90,562</u>	<u>—</u>	<u>1,382,231</u>
Reportable segment results (adjusted EBITDA)	676,604	17,778	(1,936)	(13,343)	(387)	678,716
Unallocated net corporate expenses						<u>(74,392)</u>
						604,324
Finance costs						(2,140)
Share of profits less losses of associates						178
Other non-operating net gain						988
Net decrease in fair value of investment properties	(23,159)	—	—	—	—	<u>(23,159)</u>
Consolidated profit before taxation						<u>580,191</u>

3. REVENUE AND SEGMENT REPORTING (continued)

	2021					
	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>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>

Note: Except for property rental income of HK\$800,033,000 (2021: HK\$814,497,000) 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*. Hotel revenue from room rental in hotels and serviced apartments segment of HK\$159,807,000 (2021: HK\$118,414,000) is recognised over time during the period of stay for the hotel guests. Food and beverage sales and other ancillary services in hotels and serviced apartments segment and food and beverage operation segment are recognised at the point in time when services are rendered. Revenue from travel operation is recognised at a point in time of tour departure or when ticket sold out.

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
The Hong Kong Special Administrative Region	1,316,599	1,178,953	14,689,850	14,639,795
The PRC	65,632	68,072	680,769	745,643
The United Kingdom	—	—	32,900	36,548
	<u>1,382,231</u>	<u>1,247,025</u>	<u>15,403,519</u>	<u>15,421,986</u>

4. PROFIT BEFORE TAXATION

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

	2022 HK\$'000	2021 HK\$'000
(a) Staff costs		
Contributions to defined contribution retirement plan	15,918	15,026
Salaries, wages and other benefits	<u>395,688</u>	<u>345,532</u>
	<u>411,606</u>	<u>360,558</u>
(b) Finance costs		
Interest on bank loan	—	11
Interest on lease liabilities	<u>2,140</u>	<u>2,224</u>
	<u>2,140</u>	<u>2,235</u>
(c) Other non-operating net gain		
Net realised and unrealised gains on financial assets measured at FVPL	<u>(988)</u>	<u>(3,413)</u>
(d) Other items		
Dividend income from listed securities	(1,925)	(3,794)
Bank interest income	(94,312)	(20,278)
Reversal of provision for properties held for resale	(85)	(86)
Government subsidies (<i>Note</i>)	(36,613)	(8,010)
Loss allowance for trade receivables	598	34
Impairment loss on other property, plant and equipment	<u>—</u>	<u>31,603</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 current and prior years.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	65,743	84,616
Over provision in respect of prior years	<u>(192)</u>	<u>(813)</u>
	65,551	83,803
Current tax — Taxation outside Hong Kong		
Provision for the year	<u>7,334</u>	<u>6,514</u>
	72,885	90,317
Deferred tax		
Change in fair value of investment properties	38	(171)
Effect on deferred tax balance resulting from a change in tax rate	20,046	—
Origination and reversal of temporary differences	<u>(1,318)</u>	<u>(3,040)</u>
	18,766	(3,211)
	91,651	87,106

Provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year.

Taxation outside Hong Kong 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 2022 of HK\$22,000 (2021: HK\$27,000) is included in the share of profits less losses of associates.

6. DIVIDENDS

(a) Dividends attributable to the year

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend declared and paid of HK21 cents per share (2021: HK20 cents per share)	145,102	138,192
Final dividend proposed after the end of the reporting period of HK29 cents per share (2021: HK26 cents per share)	<u>200,378</u>	<u>179,649</u>
	345,480	317,841

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents per share (2021: HK28 cents per share)	<u>179,649</u>	<u>193,469</u>

7. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

For the year ended 31 December 2022, the calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$480,104,000 (2021: HK\$329,958,000) and 690,959,695 shares (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to shareholders of the Company	480,104	329,958
Changes in fair value of investment properties during the year	23,159	112,143
Effect on deferred tax balance resulting from a change in tax rate	20,046	—
Effect of deferred tax on changes in fair value of investment properties	38	(171)
Net gain on disposal of properties	<u>—</u>	<u>(18,696)</u>
Underlying profit attributable to shareholders of the Company	<u>523,347</u>	<u>423,234</u>
Underlying earnings per share	<u>HK\$0.76</u>	<u>HK\$0.61</u>

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

Investment properties of the Group were revalued at 31 December 2022 and 2021. 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 property being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the year, the net decrease in fair value of investment properties was HK\$23,159,000 (2021: net decrease in fair value of HK\$112,143,000).

(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 2022, the Group recognised the additions to right-of-use assets of HK\$48,551,000 (2021: HK\$47,643,000). Depreciation charges and impairment losses related to the right-of-use assets of HK\$30,761,000 and nil (2021: HK\$36,044,000 and HK\$11,084,000) 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\$82,239,000 (at 31 December 2021: HK\$64,449,000).

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

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

The leases of operation outlets 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 paid/payable to landlord and COVID-19 rent concessions received from landlord for the year are summarised below:

	Year ended 31 December 2022		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operating outlets	<u>881</u>	<u>150</u>	<u>(2,143)</u>

	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>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	37,187	18,740
1 month to 2 months	9,202	3,851
Over 2 months	<u>42,948</u>	<u>24,033</u>
Trade receivables (net of loss allowance)	89,337	46,624
Other receivables, deposits and prepayments	<u>125,410</u>	<u>118,637</u>
	<u>214,747</u>	<u>165,261</u>

9. TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2022 and 2021, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$12,889,000 (2021: HK\$8,686,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due within 3 months or on demand	27,676	15,374
Due after 3 months but within 6 months	<u>20,235</u>	<u>9,571</u>
Trade payables	47,911	24,945
Other payables and accrued charges	239,120	201,644
Amounts due to holders of non-controlling interests of subsidiaries (<i>see note (i)</i>)	72,682	72,622
Amounts due to associates (<i>see note (ii)</i>)	<u>4,261</u>	<u>4,278</u>
	<u><u>363,974</u></u>	<u><u>303,489</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 2022 was HK\$91,000 (2021: HK\$768,000) and the balance available to be utilised as at 31 December 2022 was nil (2021: nil).

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. The only obligation of the Group with respect to these retirement schemes is to make the required contributions under the defined contribution retirement schemes. No forfeited contributions was used by the employers to reduce the existing level of contributions for the year ended 31 December 2022 (2021: nil). The balance available to be utilised as at 31 December 2022 was nil (2021: nil).

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting of the Company will be held on Thursday, 8 June 2023 at 12:00 noon. The Notice of 2023 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, 26 April 2023.

CLOSURE OF REGISTER OF MEMBERS

- (1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2023 Annual General Meeting, the Register of Members will be closed from Friday, 2 June 2023 to Thursday, 8 June 2023, both days inclusive, during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 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 Thursday, 1 June 2023; and
- (2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 14 June 2023 to Monday, 19 June 2023, 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 Tuesday, 13 June 2023.

DIVIDEND DESPATCH DATE

Subject to the approval to be obtained at the 2023 Annual General Meeting, the proposed final dividend is expected to be distributed to Shareholders on Tuesday, 11 July 2023.

EMPLOYEES

As at 31 December 2022, the Group had a total of 1,171 full-time employees, including 1,143 employed in Hong Kong, 22 employed in The People's Republic of China and 6 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 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 2022, with the exception that roles of the chairman and the chief executive officer of the Company have not been segregated as requested by the CG Code. 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 2022 and discussed with the 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 2022 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 2022, 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 2022.

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, 16 March 2023

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.