




鷹君集團有限公司

Great Eagle Holdings Limited

Incorporated in Bermuda with limited liability
(Stock Code: 41)

ANNUAL REPORT 2020

CORPORATE PROFILE

The Great Eagle Group is one of Hong Kong's leading property companies. It also owns and manages an extensive international hotel portfolio branded under The Langham and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, North America, Australasia and Europe.

The Group's principal holdings include a 67.2% interest (as at 31 December 2020) in Champion Real Estate Investment Trust, and a 69.2% interest (as at 31 December 2020) in Langham Hospitality Investments and Langham Hospitality Investments Limited (LHI). Champion Real Estate Investment Trust owns 1.64 million square feet of Grade-A commercial office space in Three Garden Road in the central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. As for LHI, it owns three high quality hotels in the heart of Kowloon, including the 498-room The Langham hotel in the prime shopping district of Tsimshatsui, the 669-room Cordis hotel in the prime shopping area of Mongkok which is connected to the Langham Place Office and Mall, and the 465-room Eaton hotel located on the busy arterial Nathan Road.

The Group's development projects include ONTOLO, a luxury residential development project in Pak Shek Kok, Tai Po, Hong Kong, two development projects in San Francisco, U.S., a development project in Seattle, U.S., a hotel development project in Venice, Italy and a hotel redevelopment project in Tokyo, Japan. The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive international hotel portfolio currently comprises twenty-four luxury properties with more than 9,000 rooms, including twenty-one luxury hotels branded under The Langham, Langham Place and Cordis brands in Hong Kong, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Haining, Haikou, Ningbo, Xiamen and Hefei; two Eaton hotels in Washington D.C. and Hong Kong; and the Chelsea hotel in Toronto. All the hotels are managed by Langham Hotels International Limited, which is a wholly-owned subsidiary of Great Eagle.

The Group was founded in 1963 with The Great Eagle Company, Limited as its holding company, shares of which were listed on the Hong Kong Stock Exchange in 1972. The Group underwent a re-organisation in 1990 and Great Eagle Holdings Limited, a Bermuda registered company, became the listed company of the Group in place of The Great Eagle Company, Limited.

The Group had a core profit after tax of approximately HK$1,773 million in the financial year 2020 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK$66 billion as of 31 December 2020.

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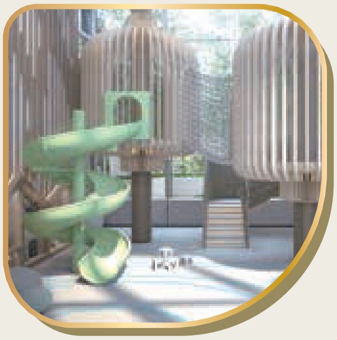

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CORPORATE INFORMATION

DIRECTORS
LO Ka Shui *(Chairman and Managing Director)*
LO TO Lee Kwan#
CHENG Hoi Chuen, Vincent*
WONG Yue Chim, Richard*
LEE Pui Ling, Angelina*
LEE Siu Kwong, Ambrose*
POON Ka Yeung, Larry*
LO Hong Sui, Antony
LAW Wai Duen
LO Hong Sui, Vincent#
LO Ying Sui#
LO Chun Him, Alexander
KAN Tak Kwong *(General Manager)*
CHU Shik Pui

\# Non-executive Directors
* Independent Non-executive Directors

AUDIT COMMITTEE
CHENG Hoi Chuen, Vincent *(Chairman)*
WONG Yue Chim, Richard
LEE Pui Ling, Angelina
LEE Siu Kwong, Ambrose
POON Ka Yeung, Larry

REMUNERATION COMMITTEE
LEE Pui Ling, Angelina *(Chairwoman)*
CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard
LEE Siu Kwong, Ambrose
POON Ka Yeung, Larry

NOMINATION COMMITTEE
WONG Yue Chim, Richard *(Chairman)*
CHENG Hoi Chuen, Vincent
LEE Pui Ling, Angelina
LEE Siu Kwong, Ambrose
POON Ka Yeung, Larry

FINANCE COMMITTEE
LO Ka Shui *(Chairman)*
KAN Tak Kwong
LO Chun Him, Alexander
CHU Shik Pui

COMPANY SECRETARY
WONG Mei Ling, Marina

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISORS
Appleby
Clayton Utz
Clifford Chance
Mayer Brown
Pillsbury Winthrop Shaw Pittman LLP
Reed Smith Richards Butler
Shartsis Friese LLP

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
Mizuho Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE
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Hamilton HM 10
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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PRINCIPAL SHARE REGISTRAR
MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE
www.GreatEagle.com.hk

STOCK CODE
41

FINAL DIVIDEND AND SPECIAL FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend of HK50 cents per share ("2020 Final Dividend") (2019: HK50 cents per share) and a special final dividend of HK50 cents per share ("Special Final Dividend") (2019: HK50 cents for share) for the year ended 31 December 2020 to the Shareholders whose names appear on the Registers of Members on Tuesday, 18 May 2021 subject to the approval of the Shareholders at the forthcoming 2021 Annual General Meeting.

Taken together with the interim dividend of HK33 cents per share and a special interim dividend of HK$1.50 per share paid on 15 October 2020, the total dividend for the year 2020 will be HK$2.83 per share (2019 total dividend: HK$1.33 per share, comprising an interim dividend of HK33 cents, a final dividend of HK50 cents and a special final dividend HK50 cents).

Shareholders will be given the option to receive the proposed 2020 Final Dividend of HK50 cents per share in new shares in lieu of cash (the "Scrip Dividend Arrangement") and the proposed Special Final Dividend of HK50 cents per share will be paid in the form of cash. The Scrip Dividend Arrangement is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in May 2021. Dividend warrants and share certificates in respect of the proposed 2020 Final Dividend and Special Final Dividend are expected to be despatched to the Shareholders on 21 June 2021.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed during the following periods and during these periods, no transfer of shares will be registered:

(i) To attend and vote at the 2021 Annual General Meeting

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2021 Annual General Meeting, the Registers of Members of the Company will be closed from Monday, 3 May 2021 to Thursday, 6 May 2021, both days inclusive.

In order to be eligible to attend and vote at the 2021 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration no later than 4:30 p.m. on Friday, 30 April 2021.

(ii) To qualify for the proposed 2020 Final Dividend and Special Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2020 Final Dividend and Special Final Dividend, the Registers of Members of the Company will be closed from Thursday, 13 May 2021 to Tuesday, 18 May 2021, both days inclusive.

In order to qualify for the proposed 2020 Final Dividend and Special Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong for registration no later than 4:30 p.m. on Wednesday, 12 May 2021.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

	Year ended 31 December		
	2020	2019	Change
	HK$ million	HK$ million	
Key Financials on Income Statement			
Based on core business [1]			
Revenue based on core business	**8,261.9**	6,498.4	27.1%
Core profit after tax attributable to equity holders	**1,771.9**	1,731.0	2.4%
Core profit after tax attributable to equity holders (per share)	**HK$2.48**	HK$2.45	
Based on statutory accounting principles [2]			
Revenue based on statutory accounting principles	**10,305.3**	9,236.8	11.6%
Statutory loss attributable to equity holders	**(8,540.3)**	(337.8)	n.m.
Interim dividend (per share)	**HK$0.33**	HK$0.33	
Special interim dividend (per share)	**HK$1.50**	–	
Final dividend (per share)	**HK$0.50**	HK$0.50	
Special final dividend (per share)	**HK$0.50**	HK$0.50	
Total dividend (per share)	**HK$2.83**	HK$1.33	

1 On the basis of core business, figures excluded fair value changes relating to the Group's investment properties and financial assets, and were based on attributable distribution income from Champion REIT, Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHI") and the U.S. Real Estate Fund ("U.S. Fund"), as well as realised gains and losses on financial assets. The management's discussion and analysis focuses on the core profit of the Group.

2 Financial figures prepared under the statutory accounting principles were based on applicable accounting standards, which included fair value changes and had consolidated financial figures of Champion REIT, LHI and the U.S. Fund.

	As at the end of December 2020	As at the end of June 2020
Key Financials on Balance Sheet		
Based on share of Net Assets of Champion REIT, LHI and the U.S. Fund (core balance sheet) [1]		
Net gearing	**1.2%**	Net cash
Book value (per share)	**HK$92.1**	HK$95.9
Based on statutory accounting principles [2]		
Net gearing [3]	**25.6%**	20.1%
Book value (per share)	**HK$81.7**	HK$85.8

[1] The Group's core balance sheet is derived from our share of net assets of LHI. As the hotels owned by LHI are classified as investment properties, the values of these hotels were marked to market. More details about the balance sheet derived from our share of net assets in Champion REIT, LHI and the U.S. Fund are on page 8.

[2] As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. However, the Group only owns a 67.22%, 69.24% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of December 2020.

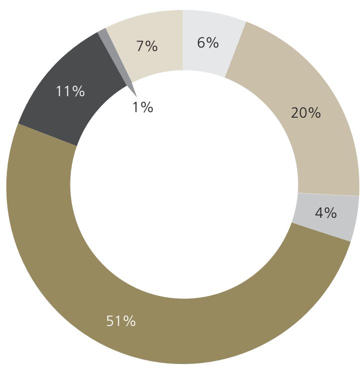
[3] Net gearing based on statutory accounting principles is based on net debts attributable to shareholders of the Group divided by equity attributable to shareholders of the Group.

FINANCIAL CALENDAR

2020 Interim Results Announcement	:	27 August 2020
Payment of 2020 Interim Dividend and Special Interim Dividend	:	15 October 2020
2020 Annual Results Announcement	:	26 February 2021
Closure of Registers for ascertaining the entitlement to attend and vote at the 2021 Annual General Meeting	:	3 May 2021 – 6 May 2021 (both days inclusive)
2021 Annual General Meeting	:	6 May 2021
Ex-dividend Date	:	11 May 2021
Closure of Registers for ascertaining the entitlement to the proposed 2020 Final Dividend and Special Final Dividend	:	13 May 2021 – 18 May 2021 (both days inclusive)
Record Date for the proposed 2020 Final Dividend and Special Final Dividend	:	18 May 2021
Payment of the proposed 2020 Final Dividend and Special Final Dividend	:	21 June 2021

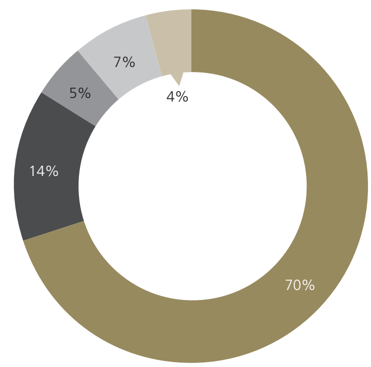
ASSETS EMPLOYED

Total Assets HK$94,509 million



- Property investment
- Hotel operation
- Property development
- Share of assets of Champion REIT
- Share of assets of LHI
- Share of assets of U.S. Fund
- Other operations

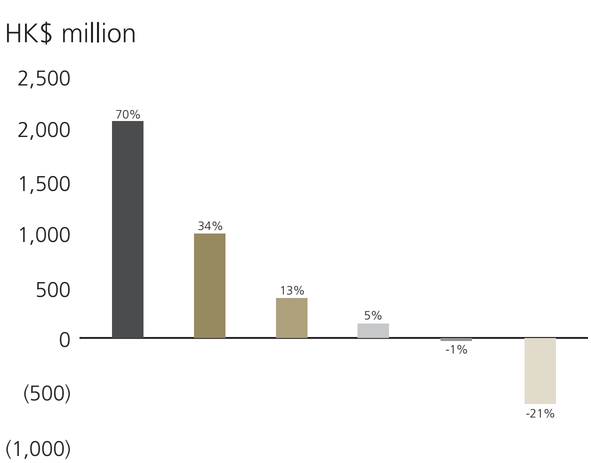
FINANCED BY



- Equity attributable to equity holders
- Share of liabilities of Champion REIT
- Share of liabilities of LHI
- Non-current liabilities
- Current liabilities

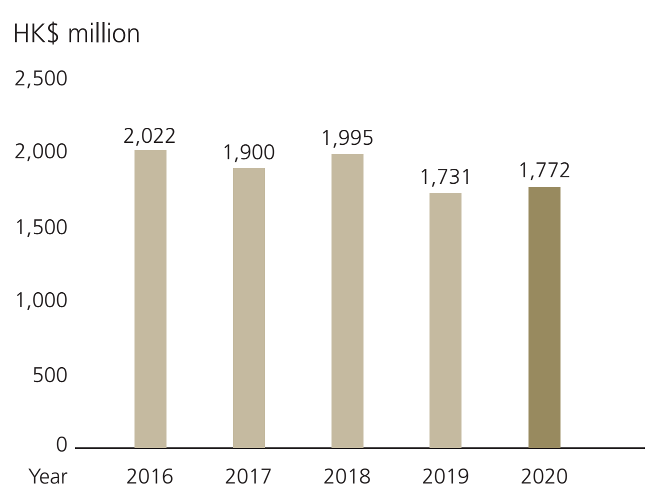
OPERATING INCOME FROM CORE BUSINESS

HK$2,904 million



- Income from property sales
- Distribution from Champion REIT
- Management fee income from Champion REIT
- Net rental income
- Operating income from other operations
- Hotels EBITDA

CORE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Year ended 31 December		
	2020 HK$ million	2019 HK$ million	Change
Revenue from core business			
Revenue from property sales	**5,107.9**	–	n.a.
Hotels Division	**1,300.1**	4,249.9	- 69.4%
Gross rental income	**183.3**	218.6	- 16.1%
Management fee income from Champion REIT	**378.0**	424.4	- 10.9%
Distribution income from Champion REIT ^	**988.0**	1,036.4	- 4.7%
Distribution income from LHI ^	**–**	163.9	n.m.
Other operations	**304.6**	405.2	- 24.8%
Total revenue	**8,261.9**	6,498.4	27.1%
Income from property sales	**2,055.4**	–	n.a.
Hotels EBITDA	**(625.8)**	779.8	n.m.
Net rental income	**134.5**	168.2	- 20.0%
Management fee income from Champion REIT	**378.0**	424.4	- 10.9%
Distribution income from Champion REIT ^	**988.0**	1,036.4	- 4.7%
Distribution income from LHI ^	**–**	163.9	n.m.
Operating income from other operations	**(26.3)**	137.9	n.m.
Operating income from core business	**2,903.8**	2,710.6	7.1%
Depreciation	**(380.8)**	(305.7)	24.6%
Administrative and other expenses	**(590.0)**	(615.3)	- 4.1%
Other income	**43.9**	9.2	n.m.
Interest income	**188.9**	177.8	6.2%
Finance costs	**(156.1)**	(167.9)	- 7.0%
Share of results of joint ventures	**(17.0)**	43.9	n.m.
Share of results of associates	**5.1**	1.2	n.m.
Core profit before tax	**1,997.8**	1,853.8	7.8%
Income taxes	**(224.9)**	(119.5)	88.2%
Core profit after tax	**1,772.9**	1,734.3	2.2%
Non-controlling interest	**(1.0)**	(3.3)	- 69.7%
Core profit attributable to equity holders	**1,771.9**	1,731.0	2.4%

^ Under the Group's statutory profit, annual results of Champion REIT, LHI and the U.S. Fund are consolidated on the Group's income statement. However, the Group's core profit is based on attributable distribution income from Champion REIT, LHI and the U.S. Fund.

SEGMENT ASSETS AND LIABILITIES (BASED ON NET ASSETS OF CHAMPION REIT, LHI AND THE U.S. FUND)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

31 December 2020

	Assets HK$ million	Liabilities HK$ million	Net Assets HK$ million
Great Eagle operations	**35,425**	**9,681**	**25,744**
Champion REIT	**48,192**	**13,500**	**34,692**
LHI	**10,441**	**4,812**	**5,629**
U.S. Fund	**451**	**181**	**270**
	94,509	**28,174**	**66,335**

31 December 2019

	Assets HK$ million	Liabilities HK$ million	Net Assets HK$ million
Great Eagle operations	39,391	12,160	27,231
Champion REIT	55,412	11,960	43,452
LHI	11,175	4,836	6,339
U.S. Fund	541	166	375
	106,519	29,122	77,397

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Year ended 31 December		
	2020 HK$ million	2019 HK$ million	Change
Revenue based on statutory accounting principles			
Revenue from property sales	**5,107.9**	–	n.a.
Hotels Division	**1,815.2**	5,600.2	- 67.6%
Gross rental income	**183.3**	218.6	- 16.1%
Other operations (including management fee income from Champion REIT)	**682.5**	829.6	- 17.7%
Gross rental income – Champion REIT	**2,920.3**	3,080.7	- 5.2%
Gross rental income – LHI	**208.3**	483.9	- 57.0%
Gross revenue – U.S. Fund	**84.3**	47.0	79.4%
Elimination on intragroup transactions	**(696.5)**	(1,023.2)	- 31.9%
Consolidated total revenue	**10,305.3**	9,236.8	11.6%
Income from property sales	**2,055.4**	–	n.a.
Hotels EBITDA	**(625.8)**	779.8	n.m.
Net rental income	**134.5**	168.2	- 20.0%
Operating income from other operations (including management fee income from Champion REIT)	**351.6**	562.3	- 37.5%
Net rental income – Champion REIT	**2,065.4**	2,183.0	- 5.4%
Net rental income – LHI	**179.9**	448.3	- 59.9%
Net operating loss – U.S. Fund	**(0.0)**	(43.1)	n.m.
Elimination on intragroup transactions	**40.5**	(56.6)	n.m.
Consolidated operating income	**4,201.5**	4,041.9	3.9%
Depreciation	**(831.8)**	(768.5)	8.2%
Fair value changes on investment properties	**(14,252.7)**	(2,146.8)	n.m.
Fair value changes on derivative financial instruments	**(194.0)**	(51.3)	n.m.
Fair value changes on financial assets at fair value through profit or loss	**40.9**	24.8	64.9%
Administrative and other expenses	**(489.2)**	(639.1)	- 23.5%
Impairment on property, plant and equipment	**(347.9)**	–	n.a.
Other income (including interest income)	**289.7**	232.0	24.9%
Finance costs	**(802.9)**	(884.4)	- 9.2%
Share of results of joint ventures	**(17.0)**	43.9	n.m.
Share of results of associates	**5.1**	1.2	n.m.
Statutory loss before tax	**(12,398.3)**	(146.3)	n.m.
Income taxes	**(403.8)**	(429.8)	- 6.0%
Statutory loss after tax	**(12,802.1)**	(576.1)	n.m.
Non-controlling interest	**113.5**	49.5	n.m.
Non-controlling unitholders of Champion REIT	**4,148.3**	188.8	n.m.
Statutory loss attributable to equity holders	**(8,540.3)**	(337.8)	n.m.

OVERVIEW

In 2020, the outbreak of the COVID-19 pandemic and the related containment measures took a drastic toll across our businesses. Our hotel business has been hit particularly hard and recorded an unprecedentedly steep loss for the year, while our other businesses witnessed a marked deterioration in business conditions during the year. Nonetheless, the Group's core profit in 2020 was supported solely by the profit booked for accumulated units sold at ONTOLO, our luxury residential development project, which have been delivered to buyers in the second half of 2020. The Group's statutory result, which included revaluation deficit and fair value changes on financial instruments, came to a loss attributable to equity holders of HK$8,540.3 million in 2020 (2019: HK$337.8 million).

The Group's operating income rose 7.1% to HK$2,903.8 million in 2020 (2019: HK$2,710.6 million), driven by a HK$2,055.4 million operating income booked from the ONTOLO luxury residential project. Meanwhile, the Hotels Division turned a loss before interest, taxes and depreciation of HK$625.8 million in 2020 (2019: EBITDA of HK$779.8 million), owing to a collapse in hotel room demand amid global travel restrictions and social distancing measures imposed. Furthermore, there was an absence of distribution income from LHI in 2020 (2019: HK$163.9 million) given it did not declare a distribution amid the poor performance of its hotels.

Distribution income from Champion REIT dropped by 4.7% year-on-year to HK$988.0 million for 2020 (2019: HK$1,036.4 million). Meanwhile, management fee income from Champion REIT fell by 10.9% year-to-year to HK$378.0 million in 2020 (2019: HK$424.4 million). Net rental income from our investment portfolio dropped by 20.0% year-on-year to HK$134.5 million in 2020 (2019: HK$168.2 million).

There was also an across-the-board decline in profit of the Group's other business operations. Together with a provision of HK$128.0 million on loss due to rental commitments of our Eaton Club's flexible workspace business, operating loss of the Group's other businesses amounted to HK$26.3 million in 2020 (2019: operating profit of HK$137.9 million).

In 2020, the Group has written-off our non-core residual investment of HK$69.8 million in NeueHouse, a high-end co-working club company based in New York, as well as HK$63.0 million fixed assets of Eaton Club, as its expansion was met with the COVID-19 pandemic. These write-offs were included under "administrative and other expenses".

Net finance income amounted to HK$32.8 million in 2020 (2019: HK$9.9 million). Share of losses of joint ventures came to HK$17.0 million in 2020 (2019: share of profits of HK$43.9 million), due to a HK$32.4 million provision made for the Dalian mixed-use development project, as the remaining sales proceed has not been received by the end of 2020 as initially scheduled.

Core profit attributable to equity holders rose by 2.4% to HK$1,771.9 million in 2020 (2019: HK$1,731.0 million).

During the third quarter of 2020, LHI successfully raised gross proceeds of HK$1,019.1 million through its rights issue. The fund raised has strengthened LHI's financial position as LHI had entered into this pandemic crisis with a relatively high gearing ratio and insufficient cash resources. As a major shareholder of LHI, the Group has fully subscribed for all of our rights entitled as well as taken up additional rights, which resulted in an increase in our interest in LHI from 63.73% to 69.01% immediately following the completion of the rights issue.

BUSINESS REVIEW

Breakdown of operating income	Year ended 31 December 2020 HK$ million	2019 HK$ million	Change
1. Income from property sales	**2,055.4**	–	n.a.
2. Hotels EBITDA	**(625.8)**	779.8	n.m.
3. Income from Champion REIT	**1,366.0**	1,460.8	- 6.5%
4. Distribution income from LHI	**–**	163.9	n.m.
5. Net rental income from investment properties	**134.5**	168.2	- 20.0%
6. Operating income from other operations	**(26.3)**	137.9	n.m.
Operating income from core business	**2,903.8**	2,710.6	7.1%

1. PROPERTY SALES

ONTOLO, Pak Shek Kok

The site, which is located in Pak Shek Kok, Tai Po and commands spectacularly unobstructed sea views over Tolo Harbour was acquired in May 2014. The development, with a total permissible gross floor area of 730,870 sq. ft. or saleable area of 635,612 sq. ft., comprised 723 luxury residential units and 456 parking spaces, was completed in the fourth quarter of 2020.

By the end of 2020, accumulated sales reached 493 residential units. 435 residential units and 92 carparks have been delivered to the buyers by the end of 2020, resulting in revenue and operating profit contribution from the project of HK$5,107.9 million and HK$2,055.4 million respectively during 2020. Average sales price for the residential units reached HK$16,682 per sq. ft. based on saleable area, and average sales price was HK$2.65 million per unit for the parking spaces sold.

2. HOTELS DIVISION

Hotels Performance

	Average daily rooms available		Occupancy		Average room rate (local currency)		RevPAR (local currency)	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Europe								
The Langham, London	**380**	380	**19.0%**	80.3%	**333**	390	**63**	313
North America								
The Langham, Boston ^	**–**	317	**–**	59.2%	**–**	233	**–**	138
The Langham Huntington, Pasadena	**379**	379	**22.3%**	71.8%	**295**	281	**66**	202
The Langham, Chicago	**316**	316	**21.3%**	78.0%	**369**	407	**79**	317
The Langham, New York, Fifth Avenue	**234**	234	**18.5%**	83.6%	**498**	578	**92**	483
Eaton, Washington D.C.	**209**	209	**17.9%**	55.3%	**182**	253	**32**	140
Chelsea Hotel, Toronto	**1,590**	1,590	**20.3%**	77.6%	**137**	173	**28**	134
Australia / New Zealand								
The Langham, Melbourne	**388**	388	**21.5%**	87.1%	**346**	308	**75**	268
The Langham, Sydney	**96**	96	**36.6%**	82.1%	**470**	464	**172**	381
Cordis, Auckland	**373**	396	**40.4%**	81.6%	**230**	225	**93**	184
China								
The Langham, Shanghai, Xintiandi	**355**	356	**52.3%**	81.7%	**1,172**	1,590	**613**	1,299
Cordis, Shanghai, Hongqiao	**395**	395	**40.4%**	64.3%	**723**	934	**292**	601

^ Closed for renovation from April 2019

	Year ended 31 December 2020 HK$ million	2019 HK$ million	Change
Hotels revenue			
Europe	**138.0**	647.5	- 78.7%
North America	**517.8**	2,190.3	- 76.4%
Australia / New Zealand	**296.1**	758.3	- 61.0%
China	**274.8**	512.4	- 46.4%
Others (including hotel management fee income)	**73.4**	141.4	- 48.1%
Total hotels revenue	**1,300.1**	4,249.9	- 69.4%
Hotels EBITDA			
Europe	**(47.9)**	178.9	n.m.
North America	**(364.6)**	304.1	n.m.
Australia / New Zealand	**(40.1)**	113.3	n.m.
China	**17.8**	157.4	- 88.7%
Others (including hotel management fee income)	**(191.0)**	26.1	n.m.
Total hotels EBITDA	**(625.8)**	779.8	n.m.

The performance of our overseas hotels for 2020 has been severely impacted by the unprecedented revenue loss, as business came to a standstill and several of our overseas hotels suspended operation due to the COVID-19 pandemic. All of our hotels have seen continued weak demand from all markets due to strict controls on travel and social distancing implemented in every jurisdiction. To mitigate the substantial downturn in sales, our hotels have implemented some effective cost-saving measures.

Total revenue for the Hotels Division dropped by 69.4% year-on-year to HK$1,300.1 million in 2020. After accounting for the operating loss and rental payment shortfall of HK$238.2 million incurred as the lessee of LHI's hotels, which were included under "Others" breakdown of the Hotels Division's operating results, the Hotels Division incurred a loss before interest, taxes and depreciation of HK$625.8 million in 2020, as compared with an EBITDA of HK$779.8 million in 2019. The loss has factored in HK$239.3 million in government subsidies received.

EUROPE

The Langham, London

The Langham, London was forced to close during the first wave of the pandemic from March 2020 and was reopened on 4 July 2020. However, recovery was slow with minimal rooms and restaurant business. The rapid increase in COVID-19 cases in the third quarter of 2020 led to a second lockdown in November 2020 with bars and restaurants closed. In 2020, government relief subsidy amounting to HK$47.8 million was booked for the hotel.

NORTH AMERICA

The Langham, Boston, The Langham, Chicago, The Langham, New York, Fifth Avenue, The Langham Huntington, Pasadena and Eaton, Washington D.C.

The Langham, Boston was closed since April 2019 for major renovation. All 317 guests rooms, the club lounge and public areas are undergoing renovations. Whereas The Langham, Chicago, The Langham, New York, Fifth Avenue, The Langham Huntington, Pasadena and Eaton, Washington D.C. were all forced to close during the first wave of the pandemic. Although they have reopened in the third quarter of 2020, business recovered slowly as restrictions on public gatherings and indoor dining continued to be in place. With the worsening pandemic situation, some states has imposed stay at home orders in the fourth quarter and restricted interstate travel. Our qualified hotels in the U.S. have applied for a total of US$9.93 million loan funding under the Paycheck Protection Program, and the fund has been received by the end of 2020. We estimate that approximately 65% of the fund received can be forgiven upon government's approval, which can then be booked as government relief subsidy in our results. Noted we have not booked any subsidy in our 2020 results, as our application for loan forgiveness has not yet been formally approved by the government.

Chelsea Hotel, Toronto

Although the Chelsea hotel remained open throughout 2020, there was a lack of demand except for some aircrew business. Hence, the hotel witnessed a significant decline in occupancy in 2020. During the year, government relief subsidy amounting to HK$36.5 million was booked for the hotel.

During 2020, the Group continued to work on the right to redevelop the Chelsea hotel site into a mixed-use project with a 400-key hotel, two residential condominium towers and a small amount of commercial space which would more than double the existing aggregate gross floor area. After securing the Entitlement Rights per our development application in formal written in 2019, the Group submitted a Site Permit application to the City Planning in December 2019 and expected to receive Construction Permit approval in about 18-24 months' time. Our development team continues to assess market forces in order to determine the optimal timing to launch the redevelopment of the Chelsea site. Current phase of the project continues with the minimal impact from COVID-19.

During the year, the Group is closely monitoring condominium market trends and condition. We are soliciting proposals from well-established Toronto property developers to explore potential joint-venture options that would reduce our market exposure while leveraging off local market expertise. Meanwhile, the Chelsea hotel operation will continue for at least one to two years more.

AUSTRALIA / NEW ZEALAND

The Langham, Melbourne and The Langham, Sydney

RevPARs of The Langham, Melbourne and The Langham, Sydney were already declining before the COVID-19 pandemic hit. The pandemic exacerbated the declines in RevPARs, as the Australian government placed restrictions on international and domestic flights when the pandemic hit. Hence, The Langham, Melbourne and The Langham, Sydney suspended their operations from April 2020 and have reopened for business since November and July respectively. But demand has remained lackluster since their reopening. In 2020, government relief subsidy amounting to HK$46.8 million was booked for the two hotels in Australia.

Cordis, Auckland

In New Zealand, the government shut its border to tourists. Although Cordis, Auckland remained open until August when there was an increase in the number of COVID-19 cases, there was only demand from aircrew business, resulting in significantly lowered occupancy for the hotel in 2020. With the restrictions lifted in October 2020, the hotel has seen recovery in rooms supported by domestic leisure business. In particular, the restaurant and catering segment has seen revenue returning to almost normal levels in the year. In 2020, government relief subsidy amounting to HK$26.2 million was booked for the hotel.

Construction of an additional 244 rooms on the site, which commenced in March 2019 and was originally targeted for completion in 2021, has now been delayed to 2022 due to the impact of the COVID-19 pandemic.

CHINA

The Langham, Shanghai, Xintiandi and Cordis, Shanghai, Hongqiao

RevPARs for The Langham, Xintiandi and Cordis, Hongqiao were in significant declines in the first quarter of 2020, which reflected the impacts of the COVID-19 pandemic that started spreading as early as January 2020. The Chinese Government imposed lockdowns in some provinces with strict social distancing measures. Hence, The Langham, Xintiandi and Cordis, Hongqiao temporarily closed their food and beverage outlets in February and March 2020.

As restrictions have been lifted with domestic travel resumed in the second quarter of 2020, business in The Langham, Xintiandi and Cordis, Hongqiao was gradually recovering. While room rates remained depressed, occupancy levels in both hotels have started to rebuild throughout the rest of the 2020 with demand being led by domestic retail segment. Nevertheless, the resurgence of COVID-19 cases from November 2020 onwards has translated to slower business pickup with cancellations in rooms and restaurants.

Hotel Management Business

Results of the Hotels Division also included hotel management fee income from pure managed hotels and any surplus or shortfall incurred by the Group as the lessee of LHI's hotels, which are included under the "Others" breakdown of the Hotels Division's operating results. The loss incurred in "Others" in 2020 was primarily due to the shortfall of HK$238.2 million incurred by the Group as the lessee of LHI's hotels.

As at the end of December 2020, there were nine hotels with approximately 2,800 rooms in our management portfolio. The most recent hotel added to the portfolio was Cordis, Dongqian Lake, Ningbo, which soft opened in May 2019 with 238 rooms.

3. INCOME FROM CHAMPION REIT

The Group's core profit is based on the attributable distribution income and management fee income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in 2020 dropped by 6.5% to HK$1,366.0 million. Of which, distribution income dropped by 4.7% to HK$988.0 million, as the REIT declared a 6.1% decline in distribution per unit and our holdings in the REIT has been increased from 66.22% as at the end of December 2019 to 67.22% as at the end of December 2020. Given lower net property income of Champion REIT, together with reduced agency leasing commission income in 2020, these have led to an overall 10.9% drop in management fee income from Champion REIT, which came to HK$378.0 million in 2020.

	Year ended 31 December		
	2020	2019	Change
	HK$ million	HK$ million	
Attributable distribution income	**988.0**	1,036.4	- 4.7%
Management fee income	**378.0**	424.4	- 10.9%
Total income from Champion REIT	**1,366.0**	1,460.8	- 6.5%

The following text was extracted from the 2020 annual results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road

Occupancy of the property fell to 86.8% as at 31 December 2020 from 93.0% as at 31 December 2019. Despite the lower average occupancy, rental income of Three Garden Road maintained at the stable level of HK$1,518 million (2019: HK$1,512 million). The previous gap between the average passing rent of the property and the market rent provided us sufficient buffer to achieve a mild positive rental reversion amid the battered market environment. Average passing rent increased to HK$110.4 per sq. ft. (based on lettable area) as at 31 December 2020 (2019: HK$107.8 per sq. ft.). Net property income declined slightly by 0.4% to HK$1,369 million (2019: HK$1,375 million), owing to the increase of 8.5% in net property operating expenses.

Langham Place Office Tower

Despite the challenging business environment, total rental income of Langham Place Office remained stable at HK$378 million in 2020 (2019: HK$375 million). While market rents have been softening, passing rent of the property slightly increased to HK$47.7 per sq. ft. (based on gross floor area) as at 31 December 2020 (2019: HK$46.5 per sq. ft.) as the rental level of the departed tenants was lower than the passing rent. Net property income improved slightly to HK$346 million (2019: HK$342 million).

Langham Place Mall

Given the significant drop in tenants sales, total rental income of the mall recorded a 17.3% decline to HK$738 million (2019: HK$891 million), the biggest decrease since the opening of the mall. The mall remained fully occupied as at 31 December 2020. The proportion of tenants paying turnover rent only increased to 14.9% of area as at 31 December 2020 (6.9% as at 30 June 2020). The substantial decline in sales drove down turnover rent portion to HK$19 million (2019: HK$114 million). The average passing rents dropped to HK$179.3 per sq. ft. (based on lettable area) as at 31 December 2020 (2019: HK$209.5 per sq. ft.). Net property income fell 17.3% to HK$632 million (2019: HK$764 million).

4. DISTRIBUTION INCOME FROM LHI

Under statutory accounting basis, our investment in LHI is classified as a subsidiary, and its results are consolidated into the Group's statutory income statement. However, as LHI is principally focused on distributions, the Group's core profit will be derived from the attributable distribution income. We believe this will better reflect the financial return and economic interest attributable to our investment in LHI. This entry is also consistent with our practice in accounting for returns from our investment in Champion REIT, which also focuses on distributions.

In 2020, LHI did not declare a distribution amid the devastated performance of its three hotels in Hong Kong.

	Year ended 31 December		
	2020 HK$ million	2019 HK$ million	Change
Attributable distribution income	–	163.9	n.m.

Performances of the Hong Kong hotels below were extracted from the 2020 annual results announcement of LHI relating to the performance of the trust group's properties.

	Average daily rooms available		Occupancy		Average room rate (in HK$)		RevPAR (in HK$)	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
The Langham, Hong Kong	**498**	497	**16.3%**	75.3%	**1,342**	1,955	**219**	1,472
Cordis, Hong Kong	**667**	667	**22.5%**	73.1%	**1,165**	1,656	**262**	1,210
Eaton HK	**465**	465	**37.4%**	71.6%	**543**	950	**203**	679

The Langham, Hong Kong

The hotel's performance for 2020 was severely impacted by the pandemic as leisure and business levels remained low due in large part to global travel restrictions. Amid the plunge in demand from the traditional segments in 2020, the Hotel Manager switched its strategy to focus on the local staycation market, as well as long stay packages from the second quarter of 2020. As a result, the hotel managed a 16.3% occupancy for the full year, as compared with a 14.4% occupancy witnessed in the first half of 2020. Average room rate dropped by 31.4%, resulting in a RevPAR decline of 85.1% in 2020, as compared with a 73.6% drop in RevPAR of its respective High Tariff A hotel market.

Food and Beverage ("F&B") revenue for the hotel dropped by 53.0% year-on-year in 2020. All F&B outlets have witnessed substantial decline in revenue amid social distancing measures imposed, with banqueting business being particularly severely impacted as most existing bookings being deferred and negligible to pick up new business. Note that the all-day dining venue, The Food Gallery, was closed for three months at the beginning of the COVID-19 lockdown. The hotel applied for the Employment Support Scheme and other government subsidies and HK$25.3 million was booked under other revenue in 2020.

Cordis, Hong Kong

The hotel had fared slightly better than The Langham, Hong Kong as the hotel still had group business during the onset of the pandemic breakout in early 2020. However, the overall demand has fallen sharply following the travel restrictions and quarantine measures. The hotel increased its effort in targeting the local staycation market from the second quarter of 2020 and managed to achieve a 22.5% overall occupancy for 2020, as compared with a 19.5% occupancy in the first half of 2020. Average room rate dropped by 29.6% in 2020. RevPAR dropped by 78.3%, which compared unfavourably with a 73.6% drop in RevPAR of the respective High Tariff A hotel market.

Revenue from F&B witnessed a decline of 53.6% year-on-year in 2020. Business remained weak amid the imposed government restrictions, which led to a lack of banquet bookings as well as a substantial drop in revenue of all the outlets. The hotel has applied for the Employment Support Scheme and other government subsidies and HK$29.6 million was booked under other revenue in 2020.

Eaton HK

The hotel's average room rate dropped by 42.8% and occupancy dropped by 34.2 percentage points year-on-year in 2020. This resulted in a RevPAR decline of 70.1%, as compared with a 65.1% drop in RevPAR of its respective High Tariff B hotel market during 2020. The hotel benefitted from some guaranteed group business during February, but demand remained lackluster for the rest of the year, with price competition being extremely intense for the lower tariff hotels.

Revenue from F&B at the Eaton HK performed relatively well with a drop of only 13.6% year-on-year in 2020. After the renovation works, business at Yat Tung Heen was particularly strong despite the imposed government restrictions. The hotel has applied for the Employment Support Scheme and other government subsidies and HK$17.5 million was booked under other revenue in 2020.

5. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Year ended 31 December		
	2020	2019	Change
	HK$ million	HK$ million	
Gross rental income			
Great Eagle Centre	**119.9**	135.3	- 11.4%
Eaton Residences Apartments	**33.0**	51.3	- 35.7%
Others	**30.4**	32.0	- 5.0%
	183.3	218.6	- 16.1%
Net rental income			
Great Eagle Centre	**112.1**	131.2	- 14.6%
Eaton Residences Apartments	**19.1**	31.0	- 38.4%
Others	**3.3**	6.0	- 45.0%
	134.5	168.2	- 20.0%

Great Eagle Centre

	As at the end of		
	December 2020	December 2019	Change
Office (on lettable area)			
Occupancy	**88.4%**	100.0%	- 11.6ppt
Average passing rent	**HK$69.5**	HK$70.1	- 0.9%
Retail (on lettable area)			
Occupancy	**95.0%**	99.4%	- 4.4ppt
Average passing rent	**HK$101.5**	HK$104.6	- 3.0%

Occupancy of office space in Great Eagle Centre dropped 11.6 percentage points to 88.4% amid the outbreak of the COVID-19 pandemic, which dampened demand for office space. Furthermore, as the Group took up more space for its in-house expansion, this also contributed to lower rental income for the Group. Overall gross rental income for the Great Eagle Centre, which included retail rental income and other income, dropped by 11.4% year-on-year to HK$119.9 million in 2020. Net rental income dropped by 14.6% to HK$112.1 million.

Eaton Residences Apartments

	Year ended 31 December		
	2020	2019	Change
(On gross floor area)			
Occupancy	**67.4%**	79.1%	- 11.7ppt
Average net passing rent	**HK$26.1**	HK$30.6	- 14.7%

Blue Pool Road property was closed for renovation from August 2020, which contributed to the decline in profit in 2020. The renovation targets for completion in the summer of 2021. Meanwhile, both the Wanchai Gap Road and Village Road property witnessed a decrease in demand from the leisure segment amid travel restrictions imposed. Gross rental income dropped by 35.7% year-on-year to HK$33.0 million in 2020, and net rental income dropped by 38.4% year-on-year to HK$19.1 million.

6. OPERATING INCOME FROM OTHER OPERATIONS

The Group's operating income from other business operations included property management and maintenance income, trading income from our trading and procurement subsidiaries, asset management fee income, income from our investment in the Eaton Club's flexible workspace business and dividend or distribution income from securities portfolio or other investments.

There was also an across-the-board decline in profit of the Group's other business operations. Together with a provision of HK$128.0 million on loss due to rental commitments of our Eaton Club's flexible workspace business, operating loss of the Group's other businesses amounted to HK$26.3 million in 2020 (2019: operating profit of HK$137.9 million).

U.S. FUND

The Group has established a U.S. Real Estate Fund in 2014, which targets at office and residential property investments in the United States. As at the end of December 2020, the Group held 49.97% interest in the U.S. Fund and acts as its asset manager with a 80% stake in the asset management company, and the remaining interest was held by China Orient Asset Management (International) Holding Limited.

While the financials of the U.S. Fund are consolidated into the Group's financial statements under statutory accounting principles, the Group's core profit is based on distribution received from the U.S. Fund, as well as our share of asset management fee income from the U.S. Fund. The Group's core balance sheet is based on our share of net asset in the U.S. Fund. Since the establishment of the U.S. Fund, it has already disposed of three office buildings by the end of 2016 and its remaining office building during 2019. The progress of other projects still held by the U.S. Fund are as follows:

The Austin, San Francisco

The site, which is located at 1545 Pine Street, San Francisco, was acquired in January 2015. The site is situated in the trendy Polk Street neighbourhood, in proximity to the traditional luxury residential areas of Nob Hill and Pacific Heights, and within easy reach from the burgeoning technology cluster in Mid-Market. The development with gross floor area of approximately 135,000 sq. ft. comprised 100 studio, one- and two-bedroom residences. The project was completed in December 2017 and was highly acclaimed by Wallpaper Magazine as an embodiment of Californian modernism. All residential units were sold by the end of December 2020. The project generated only a small profit.

Cavalleri, Malibu

The acquisition of the residential property with 68 rental apartment units in Malibu, California was completed in September 2015. Malibu is a sought-after high-end coastal residential area in Los Angeles, where regulatory development constraints establish high barriers to entry and currently no similar competing properties are available for sale or under development. The U.S. Fund has successfully repositioned the units to high-end products with renovation works completed in 2018. Since offers received for an en-bloc sale of the project did not meet our minimum acceptable price, the U.S. Fund has decided to change its strategy to lease out the units as luxury rental apartments instead.

DEVELOPMENT PROJECTS

CHINA

Dalian Mixed-use Development Project

The project is located in Dalian, Liaoning Province. The project has been developed in two phases: Phase I comprises approximately 800 apartments and Phase II comprises 400 apartments and the hotel. Phase I development was completed by the end of 2018 with 60% of the apartments sold. The Group successfully entered into a sale agreement with a third party in July 2019 in respect of all the remaining unsold units of Phase I together with the site for Phase II of the project. Owing to the payment arrangement, attributable distribution income resulted from disposal will be made to the Group in two stages, with HK$73 million taken in the second half of 2019. The residual sales proceeds should have been received in July 2020. Since the Group did not receive the remaining sales proceeds by the end of 2020, the remaining profit has not been recognised in 2020's results. Furthermore, a HK$32.4 million provision has been shared in 2020 results, as it is uncertain when the final remaining sales proceeds will be received. At the same time, the Group has initiated legal proceedings to pursue the outstanding proceeds.

JAPAN

Tokyo Hotel Redevelopment Project

The Group acquired a hotel redevelopment site situated in close proximity to the landmark Roppongi Hills Midtown, Tokyo for JPY22.2 billion in 2016. Subsequently, the Group made follow up acquisition of surrounding small adjoining parcels of land to support the application for an increase in plot ratio of the site. Based on a higher plot ratio, total gross floor area of the expanded site is approximately 379,100 sq. ft.

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 280-key flagship The Langham Hotel. Planning application has been submitted to the local government, and the contractor tender process has commenced in May 2019. However, as preliminary submissions received exceeded the budgeted amount, works are currently being undertaken to reduce construction costs to fall within the budgeted sum. Construction will commence after resolution of such matter.

Artistic rendering only

UNITED STATES

San Francisco Hotel Development Project, 1125 Market Street

The Group acquired a site in San Francisco for US$19.8 million in May 2015. The land located at 1125 Market Street was the last remaining vacant lot in San Francisco's Mid-Market district and is situated opposite to San Francisco's City Hall.

The site has been earmarked for the development of an "Eaton" hotel. After optimising the design, the property can achieve a gross floor area of approximately 139,000 sq. ft. with 177-key. The updated design was submitted in August 2018 to the City of San Francisco for planning review. The design has been well received and was approved by the City of San Francisco in September 2020. Hearing for entitlement approval will take place after an agreement has been reached with the local union. Meanwhile, further study on profitability is being carried out due to uncertain market conditions and high construction cost in San Francisco. The project has been put on hold.

Artistic rendering only

San Francisco Hotel Redevelopment Project, 555 Howard Street

555 Howard Street is a redevelopment project located right across the new Transbay Transit Center, the recently launched US$4.5 billion transportation hub, in the heart of The East Cut San Francisco's new central business district in the South of Market (SOMA) area. The Group completed the acquisition of this untitled site with an estimated gross floor area of 430,000 sq. ft. for US$45.6 million in April 2015.

The world renowned international architecture firm Renzo Piano Building Workshop has been commissioned to design this prestigious project in collaboration with the acclaimed California architect Mark Cavagnero Associates. After a change in plan, the revised plan is to build a hotel with 400+ keys. Entitlement for the all hotel scheme was submitted in December 2018 and the project was approved unanimously by the Planning Commission on September 24, 2020 at a Public Hearing. The project now has three years to obtain an approved building permit. Meanwhile, due to the outbreak of the COVID-19 pandemic, we are reassessing the project's return due to uncertain market conditions and the severe cost escalation of construction in San Francisco. Plans are being restudied to see if lower costing can be achieved. The project has been put on hold.

Artistic rendering only

Seattle Development Project, 1931 Second Avenue

The Group acquired a site in downtown Seattle for US$18 million in December 2016. The site is located at one of the highest points of downtown Seattle and near the famous Pike Place market. The site has an area of approximately 19,400 sq. ft. Although the Seattle site has already been approved for the development of a hotel, we are evaluating an opportunity to expand the development's floor area, and incorporate residential component to the project, so as to further enhance the financial attractiveness of the project. We have again brought in world renowned architect, Kengo Kuma & Associates, to design this landmark mixed use development project. Schematic design on the project were completed in the third quarter of 2019. However, reviews of the Master Use Permit application are being delayed at City Hall, due to the large number of development projects in the queue and the current COVID-19 pandemic situation. Entitlement is anticipated by the first quarter of 2022. We are closely monitoring the market price trend of Seattle construction cost and the condominium market.

EUROPE

Venice Hotel Development Project, Island of Murano

The Group acquired a site on the island of Murano in Venice for EUR32.5 million in December 2019. The project is a combination of restoration to historic structures and new build construction that will consist of 136 keys with a total gross floor area of approximately 170,000 sq. ft. The project utilises an existing building permit with the design to be modified and re-permitted as required to deliver the requirements of the Langham brand.

The design of the hotel is being carried out by world renowned architect Matteo Thun, and is currently in concept design stage. Completion of the project is expected to be no earlier than the second quarter of 2024. Further assessment on return is required due to the COVID-19 pandemic and its long term impact on Italy's tourism market.

Venice, being a world heritage-listed city with its distinctive canal landscape and highly celebrated architects, attracts more than 20 million visitors each year. The completion of this hotel would help to extend our prestigious Langham brand to continental Europe after The Langham, London has solidified its position as one of the most luxurious hotels in the U.K. This investment is part of the Group's strategy to own hotels in strategic gateway cities that will anchor our hotel brand.

FINANCIAL REVIEW

DEBT

On statutory reporting basis, after consolidating the results of Champion REIT, LHI and the U.S. Fund, the consolidated net debts of the Group as of 31 December 2020 was HK$21,829 million, an increase of HK$1,360 million compared to that as of 31 December 2019. The increase in net borrowings was mainly due to medium-term notes issued by Champion REIT and payment of special dividends. The increase was partially offset by the sales proceeds from ONTOLO.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2020 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$58,811 million, representing a decrease of HK$10,111 million compared to the value of HK$68,922 million as of 31 December 2019. The decrease was mainly attributable to valuation loss of investment properties and distribution of dividends during the year.

For statutory accounts reporting purpose, on consolidation the Group is treated to include entire debts of Champion REIT, LHI and the U.S. Fund. Based on the consolidated net debts attributable to the Group (i.e. only 67.22%, 69.24% and 49.97% of the net debts of Champion REIT, LHI and the U.S. Fund respectively) and equity attributable to shareholders, the gearing ratio of the Group as at 31 December 2020 was 25.6%. Since the debts of these three subsidiary groups had no recourse to the Group, we considered it was more meaningful to account for the Group's own net debts instead of attributable consolidated net debts against the Group's sharing of net assets of those subsidiaries, and the resulting net position is illustrated below.

Net debt at 31 December 2020	On consolidated basis HK$ million	On core balance sheet basis HK$ million
Great Eagle	820	820
Champion REIT	14,674	–
LHI	6,158	–
U.S. Fund	177	–
Net debts	21,829	820
Net debts attributable to Shareholders of the Group	**15,036**	**820**
Equity attributable to Shareholders of the Group	**58,811**	**66,335**
Net gearing ratio ^	**25.6%**	**1.2%**

^ Net debts attributable to Shareholders of the Group / Equity attributable to Shareholders of the Group.

The following analysis is based on the statutory consolidated financial statements:

INDEBTEDNESS

Our gross debts (including medium term notes) after consolidating Champion REIT, LHI and the U.S. Fund amounted to HK$29,570 million as of 31 December 2020. Bank loans amounted to HK$14,696 million were secured by way of legal charges over certain of the Group's assets and business undertaking.

Outstanding gross debts (1)(2)	Floating rate debts HK$ million	Fixed rate debts HK$ million	Utilised facilities HK$ million
Bank loans	**7,118**	**14,787** (5)	**21,905** (3)
Medium term notes	**643**	**7,022** (4)	**7,665**
Total	**7,761**	**21,809**	**29,570**
%	**26.2%**	**73.8%**	**100%**

(1) All amounts are stated at face value.

(2) All debt facilities were denominated in Hong Kong Dollars except for (3) and (4) below.

(3) Equivalence of HK$5,446 million loans were originally denominated in other currencies.

(4) (a) Equivalence of HK$5,322 million were US dollars notes; (b) Included notes of outstanding principal amount of US$386.4 million which was under cross currency swaps at an average rate of HK$7.7595 to US$1.00.

(5) Included floating rate debts which had been swapped to fixed rate debts. As at 31 December 2020, the Group had outstanding interest rate swap contracts of notional amount of HK$12,971 million to manage interest rate exposure. The Group also entered into cross currency swaps of notional amount equivalent to HK$1,743 million in total to mitigate exposure to fluctuations in exchange rate and interest rate of Japanese YEN.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2020, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$12,190 million. The majority of our loan facilities were secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding gross debts (including medium term notes) as of 31 December 2020:

Within 1 year	15.8%
More than 1 year but not exceeding 2 years	14.8%
More than 2 years but not exceeding 5 years	60.6%
More than 5 years	8.8%

FINANCE COST

The net consolidated finance cost during the year was HK$600 million of which HK$43 million was capitalised to property development projects. Overall net interest cover at the reporting date was 6.3 times.

PLEDGE OF ASSETS

At 31 December 2020, properties of the Group with a total book carrying value of approximately HK$33,578 million (31 December 2019: HK$41,832 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2020, the Group had authorised capital expenditure for investment properties and property, plant and equipment which was not provided for in these consolidated financial statements amounting to HK$9,410 million (31 December 2019: HK$7,841 million) of which HK$774 million (31 December 2019: HK$1,467 million) has been contracted for.

Other than the aforesaid, the Group did not have any significant commitments and contingent liabilities at the end of the reporting period.

OUTLOOK

After an extremely difficult year in 2020, the operating environment continues to be highly challenging as we head into 2021 amid the still-elevated number of new COVID-19 cases and emergence of new and more infectious strains. Hence, social distancing measures and travel restrictions have remained, with some even at their severest, in most of our key markets. As the course of the pandemic and pace of vaccinations remain highly uncertain, it is unclear when there will be a more sustainable easing in COVID-19-related restrictions. For now, China has avoided new major waves of infection that have stalled progress elsewhere and has pulled ahead in economic recovery.

For our Hotels Division, we expect our hotels' business will be under enormous pressure until travel restrictions and social distancing measures are fully lifted. Therefore, implementing strict cost control measures will be of utmost importance in 2021. Given our poor outlook for the global hotel and tourism industry, we expect LHI's performance will also be under pressure in 2021.

Compared with the hefty development profit booked in 2020 as the accumulated units sold since July 2019 were being recognised in 2020 upon completion of the project, we expect profit from ONTOLO to be substantially lower in 2021, as most of the unsold units at ONTOLO are larger-sized units which we expect to be sold at a much slower pace. In fact, with the 13 units sold during the first two months of 2021, the pace of sale has clearly decelerated.

For Champion REIT, as the overall operating environment will remain very difficult in 2021 for their businesses, there are obvious downside risks in rental income of their properties portfolio.

Overall, we expect the Group's core profit will decline in 2021, as we expect a much lower profit contribution from ONTOLO, whereas our other core businesses, especially the Hotels Division, cannot turn around until the pandemic can be controlled by vaccinations which has just started in major countries.

In February 2021, the Group, Goldin Properties Holdings Limited, Gold Brilliant Investment Limited and MTR Corporation Limited have reached a novation agreement on the Ho Man Tin Station Package One Property Development. The Group and MTR Corporation Limited will join hands in pursuing and completing the development for that residential project.

Other than the impacts of the pandemic, it is important to note that the tension between the U.S. and China remains intense. There is also an uncertainty relating to the new U.S. administration, further blurring the economic outlook for China and consequently, this could impact the economic outlook for Hong Kong. Therefore, we must stay vigilant and be ready to respond to further deterioration in our businesses at home and abroad. Nonetheless, given our strong balance sheet with very liquid cash position, we will try to capitalise on opportunities that may arise in this uniquely challenging period.

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 26 February 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Pandemic Support to Single Parents

Food Donation

Great Eagle Music Children Ensemble

Musica del Cuore

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

It is the Group's vision to achieve Sustainable Growth. At Great Eagle, sustainability is a concept whereby we would integrate environmental and social concerns in our business operations. We are committed to pursuing this business approach by embracing opportunities and managing risks derived from economic, environmental and social developments, and making informed decisions by engaging with our stakeholders.

Our commitment to this concept is steadfast as we believe that sustainability could:

- create long-term value for our stakeholders; and
- improve the quality of life in our workplace, the local community as well as the world at large.

The above belief is harnessed into our sustainability vision - *"Create Value, Improve Quality of Life"*.

Reporting Approach & Boundary

This Environmental, Social and Governance ("ESG") Report ("the Report") is prepared in accordance with the HKEX's ESG Reporting Guide and satisfies the "comply or explain" provisions of it. The Report follows the four Reporting Principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the ESG Reporting Guide.

The Report is structured according to the ESG subject areas of the ESG Reporting Guide:

- Environmental
- Social
  - o Employment and Labour Practices
  - o Operating Practices
  - o Community

In addition to reporting on these ESG subject areas, we have documented on how we govern and make decision in pursuit of our sustainability targets in "Sustainability Governance & Management" section. Selected key performance indicators are supplemented to illustrate our sustainability performance.

The reporting boundary of this Report covers the Group's major businesses and principle subsidiaries in development, investment and management of hotels and properties in Asia, North America, Australasia and Europe. It particularly focuses on our corporate office, owned hotels and major owned and/or managed properties. The Group determines the reporting boundary based on financial significance and operational influence of our business, and regularly reviews it by considering factors such as revenue contribution, management ownership, operating status, and sustainability impacts in order to ensure the material issues of the Group's portfolio are covered.

Our Hotel Division, Langham Hospitality Group, annually issues their sustainability report which reviews their current systems and performance as well as sets out their environmental and social objectives for the coming years.

Our sustainability commitment extends to support the UN Global Compact which encourages business worldwide to adopt sustainability policies. It also drives business awareness and action in support of achieving the Sustainable Development Goals (SDGs) by 2030. Based on our business focus, we have identified the relevant SDGs that we believe are most closely related to us. They are:

SDGs	Cross reference in this report
Good Health & Well-Being	• Health & Safety • Work-life Balance • Community Engagement
Quality Education	• Community Investment Policy • Community Engagement
Gender Equality	• Employment
Clean Water & Sanitation	• Environmental Policy and Impact Assessment • Environmental Measures • Community Engagement
Decent Work & Economic Growth	• Employment • Development and Training • Superior Quality Services
Sustainable Cities & Communities	• Environmental Policy and Impact Assessment • Environmental Measures
Responsible Consumption & Production	• Anti-corruption and Supply Chain Management • Environmental Policy and Impact Assessment • Environmental Measures
Climate Action	• Environmental Policy and Impact Assessment • Environmental Measures

Performance Highlights

13 hotels
EarthCheck Certified

BEAM Plus Existing Building Platinum (Langham Place Mall)

WELL Building Standard Platinum (Three Garden Road)

Energy Consumption Intensity (2020 vs 2019)		Carbon Emission Intensity (2020 vs 2019)		Water Consumption Intensity (2020 vs 2019)	
-42.1% (Hotel)	**-7.6%** (Property)	**-34.5%** (Hotel)	**-7.5%** (Property)	**-38.7%** (Hotel)	**-6.0%** (Property)

Hang Seng Corporate Sustainability Benchmark Index: AA Rating

Sustainalytics ESG Risk Rating: Low Risk

SUSTAINABILITY GOVERNANCE & MANAGEMENT

Sustainability Governance

Supporting our sustainability vision is a robust sustainability governance and management framework which encompasses the following elements:

- The Board of Directors: the Board oversees the broader sustainability trends and is devoted to lead the Group's sustainability direction. ESG strategy, planning and reporting are regularly put into the agenda of the Board meetings for discussion. The Board is also responsible for evaluating and determining the Group's ESG-related risk and ensuring that appropriate and effective ESG risk management and internal control systems are in place (please see "ESG Risk Management" for details);
- Sustainability Steering Committee: the Committee is responsible for enabling the Group to take responsibility for our sustainability impacts and integrate sustainability into every facet of the Group's operations. The Committee is chaired by the Board Executive Director and comprises management from key areas of the Group, serving as a senior level working group for determining and monitoring the Group's material ESG issues and strategy implementation ("Terms of Reference of the Committee" is posted on the corporate website); and
- Sustainability Department: the Department is responsible for day-to-day sustainability-related matters within the Group. It periodically engages internal and external stakeholders in order to understand their expectations such that material ESG issues to the Group could be identified. It integrates the Group's ESG strategy into our business and operations as well as embedding a sustainability culture across all functions.

Sustainability Governance

Board of Directors

↓

Sustainability Steering Committee

↓

Sustainability Department

Management Approach

In order to manage our sustainability impacts from operations and integrate sustainability throughout the Group, we put in place a well-established framework of ESG-related policies and procedures:

- The Group Sustainability Policy: the Committee has formulated Group Sustainability Policy which provides a robust framework and direction for the Group to implement sustainability and embed sustainability into our organisational culture (the Policy is posted on the corporate website); and
- ESG Framework: a set of policies and procedures are in place to guide the Group to achieve planned ESG outcomes. The framework includes policies and procedures such as Environmental Policy, Employee Handbook, Equal Opportunity Policy as well as Code of Conduct.

Corporate Governance

The Group is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of shareholders. The Board from time to time monitors and reviews the Group's corporate governance practices according to the regulatory requirements and the needs to underpin engrained value of integrity and accountability.

We have in place a set of governance policies and procedures which constitute to the core elements of the governance framework of the Group. They include Reporting and Monitoring Policy on Connected Transactions, Whistleblowing Policy, and Social Media Policy, among others.

For more information on our corporate governance performance, please refer to the separate Corporate Governance Report contained in this Annual Report.

ESG Risk Management

The Audit Committee and the Group's Internal Audit Department support the Board to conduct annual reviews on the effectiveness of the Group's risk management and internal control systems. One of the measures to ensure appropriate and effective risk management and internal control is through Risk Management Self-Assessment (RMSA) and Internal Control Self-Assessment (ICSA). Internal Audit Department takes the lead to coordinate with the major business entities of the Group to conduct RMSA and ICSA annually in order to evaluate possible risks including business, financial, operations as well as ESG-related risks. Through RMSA and ICSA, Sustainability Department regularly assesses the ESG risks arising from material ESG issues and provides the assessment results along with mitigating measures to Internal Audit Department for their further risk evaluation.

Stakeholder Engagement

To understand stakeholders' expectations and identify material ESG issues, the Group needs to consider views from both internal and external stakeholders. We engage our key stakeholders periodically in order to identify the important ESG issues and prioritise the materiality level of them. In the recent engagement, we commissioned an independent consultant to provide an impartial assessment with the Group's key stakeholders. The following table shows the key stakeholders engaged and the respective engagement methods:

<table>
<tr><th>Stakeholder</th><th>Engagement Method</th></tr>
<tr><td>Employees</td><td>Focus Group</td></tr>
<tr><td>Tenants</td><td rowspan="4">Phone Interview</td></tr>
<tr><td>Suppliers</td></tr>
<tr><td>Investors</td></tr>
<tr><td>Media</td></tr>
</table>

Materiality Assessment & ESG Strategy

We identified the Group's material ESG issues by listening to our key stakeholders through the recent stakeholder engagement. Stakeholders were asked to rate a list of ESG issues in terms of the relevance and importance to the Group's sustainability development and the aspects as laid down in HKEX's ESG Reporting Guide. We could then conduct a materiality assessment which defines the level of materiality by considering "Stakeholder Interest" as rated by the stakeholders and "Potential Impact to Business" as evaluated internally. A strategy was formulated to enable the Group to focus all of the efforts, setting up targets to manage the material ESG issues as determined from the assessment.

The materiality assessment matrix, the top three material ESG issues and related targets are presented as follow:

Materiality Assessment

Environmental

- **A** Climate change
- **B** Waste management
- **C** Use of energy and water

Social

Employment & Labour Practices

- **D** Anti-discrimination
- **E** Diverse workforce
- **F** Employee satisfaction
- **G** Health and safety at work
- **H** Training and development

Operating Practices

- **I** Supply chain influence
- **J** Anti-corruption
- **K** Customer satisfaction

Community

- **L** Project sponsorship
- **M** Staff volunteering
- **N** Communication

Top Three Material ESG Issues	Targets
Employee Satisfaction	• Review to enhance staff benefits • Organize sustainability activities, interest classes, sports clubs and recreational events
Health & Safety at Work	• Launch health & safety campaign such as wellness and exercise month • Promulgate the importance of physical and mental wellness and share healthy tips in workplace • Prevent spread of coronavirus in workplace
Communication	• Communicate with colleagues through social media platforms • Timely update media of the Group's sustainability news

Along with the top three material ESG issues as determined in the recent materiality assessment, the Group continued to manage three other ESG issues which were identified as material in the previous materiality assessments. They are "Environmental Protection", "Supply Chain Influence" and "Community Involvement":

Previous Material ESG Issues	Targets
Environmental Protection	• Maintain EarthCheck Certification for hotels and implement green practices • Obtain green building rating schemes for new and existing properties • Maintain ISO 14001 Environmental Management System for existing properties and implement green practices • Launch "Climate Change Project" to concert the Group's efforts to mitigate and adapt climate change impacts
Supply Chain Influence	• Communicate Supplier Code of Conduct to suppliers • Request suppliers to fill in Supplier Code of Conduct Checklist
Community Involvement	• Based on the three Thematic Sponsorship themes, partner with NGOs to design deserving projects • Organise meaningful volunteering activities for colleagues to contribute to the community

The achievement of the above targets is reported in the respective sections of this Report.

A new round of stakeholder engagement and materiality assessment is undergoing. The results would enable the Group to formulate a new corporate sustainability strategy which would develop a 2030 sustainability roadmap, setting out a clear pathway for the Group towards our vision of sustainable growth. New emerging ESG issues such as the global COVID-19 pandemic crisis and worsening climate change would definitely constitute the new corporate sustainability strategy.

Sustainability Culture

To achieve our sustainability vision, we believe nurturing a sustainability culture in the Group is a crucial factor. To this end:

- we convey sustainability to colleagues in a friendly and funny way by designing a sustainability logo and a set of icons which represent our sustainability commitments in human rights, labour practices, the environment and operating practices, among others;
- to communicate our latest sustainability news to industry peers, the Group has established a LinkedIn page to post up-to-date news feed on our sustainability activities. Colleagues could keep abreast of the Group's sustainability activities by reading the Group's newsletter "Eagle Express" which is issued quarterly. Media is also timely updated when we organize sustainability-related events;
- CONNECT is the corporate sustainability programme of our Hotel Division. The Programme is composed of four focus areas namely "Environment", "Community", "Colleagues" and "Governance". They shape the balanced thinking and actions to bring the Division to become a sustainable company; and
- the Division annually organises the Global CONNECT Events that are related to the focus areas. All of the hotels are required to participate in the selected events for the purpose of strengthening the group-wide "CONNECT" power. The Division believes it is important to ensure colleagues embrace sustainability not only in their daily work, but also as part of their lifestyle.

SUSTAINABILITY

Sustainability Logo

ENVIRONMENTAL

The Group strives to establish excellence in environmental responsibility. Backed by our devoted teams, we promote diversified green initiatives in our properties and develop green buildings in order to protect the environment and mitigate climate change.

Environmental Policy and Significant Impact

The Group's Environmental Policy demonstrates our commitment to sustainable development and responsible environmental stewardship (the Policy is posted on the company website). Under the Policy, we are committed to complying with all related environmental legislations and keeping the environmental footprint of our operations to a minimum. In addition, we pledge to identify and minimise our significant impacts on the environment and nature, identify and mitigate climate-related issues to us and continuously improve the environmental performance of our operations. The Policy also lays down a framework for each division to establish their own environmental policy.

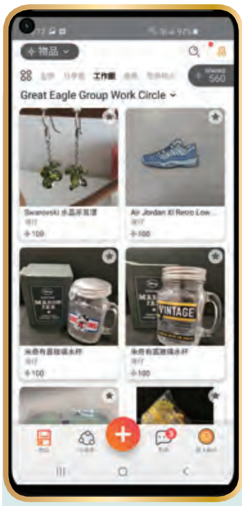
To systematically minimise our significant impacts, our major subsidiaries have established their environmental management systems (e.g. ISO14001). The systems enable them to identify all significant impacts arising from their operations and determine measures to mitigate the adverse impacts. Through the assessments, the divisions have identified "energy consumption", "carbon emission" and "water consumption" as our significant impacts which require managing actions across the Group.

Our major operations consume mainly energy and water which are natural resources that should be used prudently. Carbon emissions from our properties intensify climate change that requires our close attention to mitigate and formulate a resilience plan. As such, we collect data for these three aspects in order to monitor the performance of our managing actions. We also manage these aspects by fully complying with relevant environmental laws and regulations related to the significant impacts including GHG Protocol Corporate Accounting & Reporting Standard, Building Energy Code and Building Energy Efficiency Ordinance of Hong Kong and other local carbon emission reduction guidance, building energy and water efficiency regulations in overseas business. We did not receive any environmental fines and penalties during the year. Regarding issue in sourcing water that is fit for purpose, our fresh water is primarily sourced and discharged via the local municipal water facilities as our properties are mainly located in urban or suburban areas. To step up our efforts in tackling climate change, we are conducting a "Climate Change Strategy" which would enable us to devise a long-term strategy to mitigate and adapt climate change and the results would be reported in the next ESG Report.

Green Champion Working Group

To cultivate a green culture within the Group, we have established the Green Champion Working Group which is formed by the nominated Green Champions from each division. The Working Group meets regularly throughout the year to design green campaigns in order to raise colleagues' green awareness. It also acts as a platform for the Green Champions to share and learn green practices among each other. The following green campaigns were launched in the year:

- Me2You Mobile App: we utilised new technology to reduce waste and reuse resources by promoting this new mobile app to colleagues to use. The mobile app is a resource sharing platform that encourages users to share idle items and receive points ("Sparks") in return for redeeming others' items;
- Red Packet Reuse & Recycle: Hong Kong people dole out around 320 million red packets during Lunar New Year. The amount of paper used to make this huge number of red packets – most of which end up in the landfills – is astonishing. To reduce this environmental impact, we supported Greeners Action to collect used red packets from colleagues and tenants for reuse and recycle; and
- Mooncake Collection: to share the festive joy and love with the needy in the community, we collected surplus mooncakes from colleagues and tenants. All collected mooncakes were donated to Food Co. which would redistribute them to their service users.



Me2You
Mobile App

Environmental Measures

Our Hotel Division has been stipulating the direction with a mandatory key performance indicator for all our hotels – to achieve EarthCheck certification. EarthCheck is the leading international sustainability benchmarking and certification service for the travel and tourism industry. The EarthCheck standards align with international frameworks such as the International Organisation for Standardisation (ISO), Global Reporting Initiatives (GRI) and industry practices such as the Global Sustainable Tourism Criteria (GSTC). Our hotels are regularly assessed and verified by independent third party auditors to drive continuous improvement in sustainable operations.

In 2020, five hotels obtained their EarthCheck Platinum Certification as their sustainability efforts have been recognised for at least ten years. Three hotels also received Gold Certified status, four hotels with Silver Certified, and one hotel with Bronze Benchmarked.

In order to reduce energy consumption, carbon emission and water consumption, the Division has been implementing the following green practices:

- attains LEED Gold Certification for both Eaton DC and Eaton HK;
- optimises operational efficiency of plants and equipment and upgrades systems under major refurbishment;
- retrofits LED light and upgrades HVAC systems to improve electricity efficiency;
- installs water saving fixtures in guest rooms, public toilets and kitchens across the hotels and raises colleagues' awareness on water conversation;
- holds "lights out" campaign in support of the Earth Hour movement; and
- offers sustainable seafood and meatless dishes at our restaurants as well as colleague cafeterias to promote healthy green diet during "Loving Earth Month".

Earth Hour

Engaging our hotel guests is vital for moving environmental protection forward. As such, the Division launched some exciting green campaigns and measures this year:

- held "1.5°C Lifestyle Challenge" for colleagues to develop daily low-carbon living habits such as low carbon diet;
- The Langham formed a partnership with one of the world's leading travel and lifestyle brands, TUMI. With both brands' collective focus on sustainability, The Langham and TUMI kicked start the collaboration with the "Celebrate The Perfect Journey" staycation package in Greater China. The package featured the Pre-Launched First-Ever Recycled Hardside Suitcase which was made with plastic bottles. A dedicated pink TUMI accents kit is also curated exclusively for the partnership;

- to celebrate Cordis' fifth Anniversary, Cordis, Shanghai launched "The Colours of Travel" exhibition in Shanghai. The hotel partnered with the renowned Chinese singer Huang Yali and students at Donghua University, an internationally acclaimed fashion and design innovation institution in Shanghai, joining forces to create sustainable art by upcycling hotel's waste; and

- to allow customers to make good use of mooncake boxes, Eaton HK created a custom-crafted bamboo steamer to replace metal mooncake boxes which usually go to the landfill after the Mid-Autumn Festival. The idea was from Hong Kong's traditional yum cha when dim sum is cooked with bamboo steamers. Customers could reuse the steamer instead of disposing it to the landfill.

Climate crisis is the biggest global challenge in the current century. The Division is committed to going beyond simply cutting their emissions. They are setting targets to minimise their direct and indirect carbon emissions which are in line with the Paris Agreement to help the planet stay below the 1.5 °C global warming limit. They aim to become Climate Net Zero hotel operators eventually.

Recycled Hardside Suitcase

Custom-crafted Bamboo Steamer

"The Colours of Travel" Exhibition

Case Study – Sustainable Christmas Tree Competition

"Sustainable Christmas Tree Competition", a colleagues and guests engagement campaign, was the finale of the Hotel Division's annual Global CONNECT Events this year. To upcycle hotels' waste, each hotel designed and built Christmas trees using recycled/waste materials collected from the hotels in the competition. Colleagues and guests were invited to vote for the "Most Popular Tree" whilst our Executive Committee members selected the "Most Innovative Trees" based on their eco-friendliness, innovation and presentation.


Empty Jam Jar


Waste Metal Coat Hanger


Abandoned Plastic Straws

Our Property Management Division also strives to mitigate their significant environmental impacts as well as improving their environmental performance. As such, the Division has:

- attained the highest rating – Final Platinum under BEAM Plus EB V2.0 Comprehensive Scheme for Langham Place Mall;
- implemented ISO 14001 Environmental Management System Standard at the properties they manage;
- retrofitted conventional lights to LED lights at common areas;
- equipped comprehensive ventilation and air conditioning systems with climate sensors to reduce energy wastage for low occupancy;
- through retro-commissioning, carried out constant optimization on chiller plants by applying automatic control logic of pressure reset and temperature reset systems. Manual


Retrofit of Conventional Lights to LED Lights


Electronically Commutated (EC) Plug Fan

control of chiller plants is also transformed into automation system;

- installed Electronically Commutated (EC) plug fan when retrofitting air handling unit;
- installed solar panels at rooftop;
- installed vertical gardens and eco farms at rooftop;
- placed recycling stations in shopping mall and office buildings;
- installed automatic low flow water faucet for wash basin; and
- drawn underground water for irrigation.

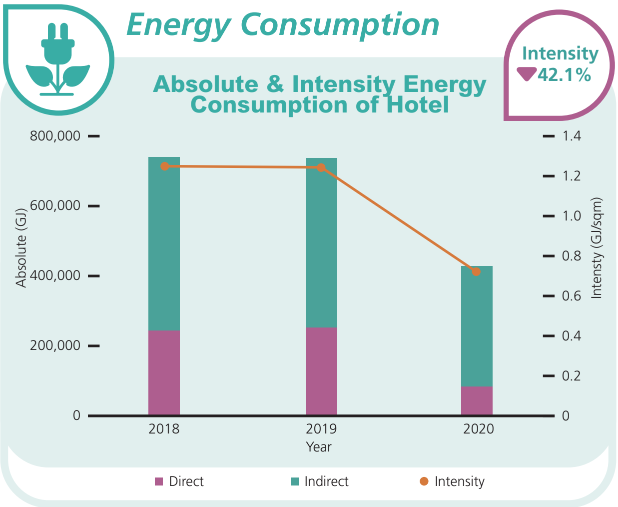
Solar Panels at Rooftop

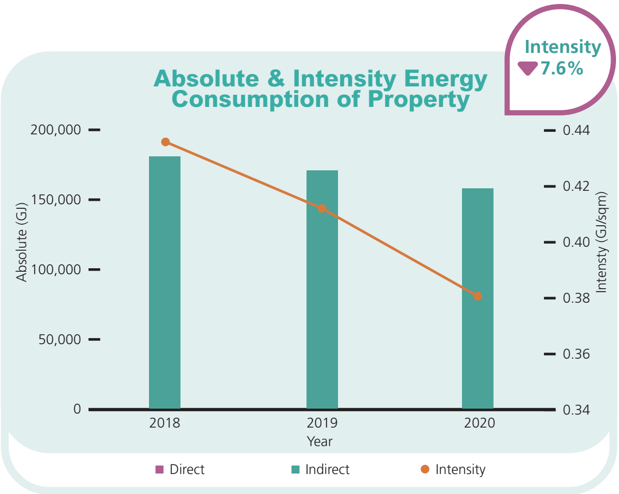
To protect the environment, Property Management Division understands that it cannot be done solely by themselves and must seek partnership with the tenants. In view of this, the Division has:

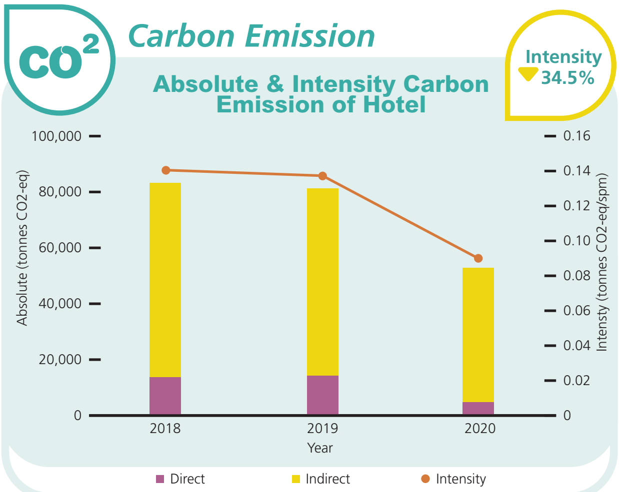
- hosted year-round recycling campaign to collect recycle papers, plastics, metal containers, aluminium cans, glass bottles, batteries, fluorescent tubes, computer equipment, electrical appliances from tenants and shoppers;
- joined hands with "Food for Good" to collect food waste from our food courts;
- participated in Earth Hour as well as encouraged retail tenants, office occupiers and shoppers to join this meaningful event; and
- formulated a Green Purchasing Policy for colleagues, tenants, contractors and suppliers as a reference for making green purchasing decisions.

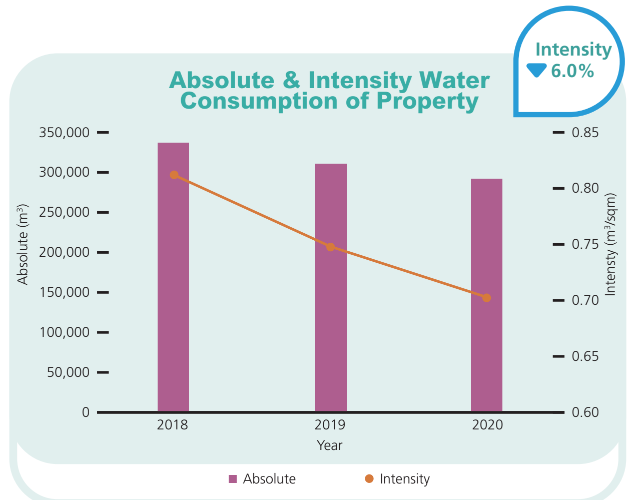
To tackle climate change, the Division is working on a mitigation plan to address physical and transitional risks which include increased occurrence of super typhoon, tightened regulatory requirements on carbon emissions reduction and disclosures. Climate Resilience Policy and mitigation plan would be established to enhance business resilience.

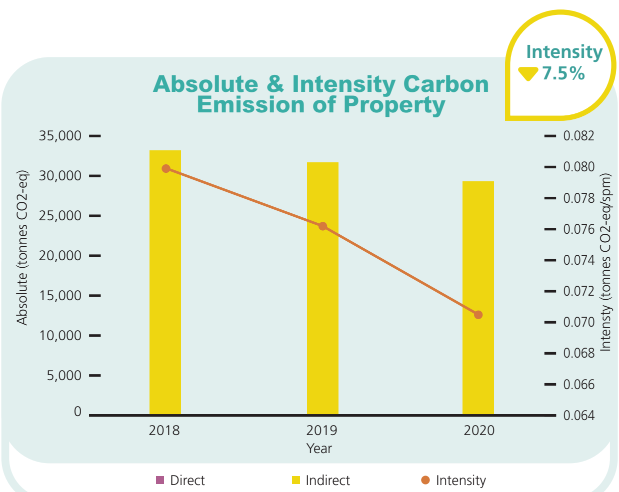
Energy Consumption







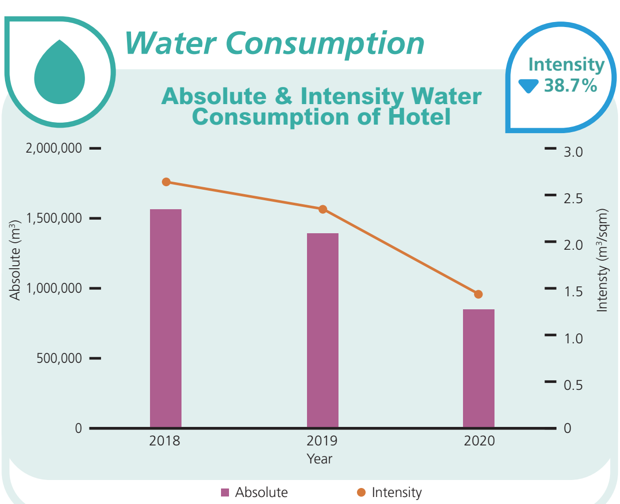




Notes:

1. Hotel includes owned hotels only.

2. Property includes three owned and/or managed major properties: Great Eagle Centre, Langham Place (Office Tower & Shopping Mall) and Three Garden Road only.



Our Development and Project Management Division is committed to pursuing environmental initiatives as an integral part of the development and project management process. They conduct life cycle analysis on environmental impacts throughout the planning, design, construction, and operational phases of the hotel, office, retail and residential assets. The Division demonstrates their commitment to sustainable development by implementing sustainability design and registering building rating schemes which are appropriated for our specific properties. For example:

- Toronto: our existing development, Chelsea Hotel, has a mutual agreement with the City of Toronto to create a Public Park as a compliment to the redevelopment of the project. Currently, the project is being designed to achieve LEED Gold Certification;
- Hong Kong: the ONTOLO residential development in Pak Shek Kok, Tai Po, has obtained HKGBC BEAM Plus Provisional Gold Rating for environmental and sustainable design. At the Eaton Residence, ongoing works complies with all Hong Kong statutory requirements on Energy Saving Policies;
- Venice: located on the island of Murano, the new resort hotel development is intentional in its preservation of historic architecture. Heritage buildings would be restored with materials reused from site. In response to the climate change forecast, the overall site elevation will be raised to accommodate the rising water levels in the area; and
- Tokyo: the hotel development is uniquely planned to create a ground level park amenity for the benefit of the neighbourhood's residents and general public.

The Division would continue to utilise cloud based management systems to reduce the environmental impacts during designing planning and construction phases of the project development.

Case Study – ONTOLO

ONTOLO is the Group's latest residential development project. In the process of designing and developing, the Development and Project Management Division has thoroughly considered the project's impact on the environment. Green measures include:

- unlike conventional indoor metal irrigation tanks, storm water is collected, filtered, and stored in the detention chambers under the Great Lawn before being re-used as irrigation. This system is integrated seamlessly into the landscape;
- lower shading coefficient and U-value of double glazing are selected to reduce cooling load of flat units;
- sea water is adopted for flushing;
- waste sorting and storage area, as well as recycling waste bins are provided within the development for waste separation of general refuse, paper, plastic, metal and glass;
- electric vehicle chargers are provided at private and motorcycle parking lots;
- CO and NO_2 sensors, and variable speed drives of ventilation fan are used in carpark ventilation system to reduce use of HVAC;
- Building Management System (BMS), timer, sensor controls are used for lighting automation in the back of house area and carpark;
- Gammon Green concrete is used in this site to reduce cement consumption, leading to 10% carbon reduction;
- 30% greenery coverage of site area is provided; and
- BEAM Plus Provisional Gold Rating is achieved.

ONTOLO

In our corporate office, Administration Division implements green practices according to the slogan "ER^3" (Environmental Protection, Recycle, Reduce and Reuse). This year, the Division further enhanced the corporate office workplace transformation with more environmental and wellbeing practices:

- natural lighting design office maximises visual comfort and reduces energy consumption;
- more greenery improves air quality and removes impurities;
- the LED TV wall display system in Town Hall conveys eco-living message to colleagues by playing video clips on carbon reduction, eco consumerism and green diet;
- efficient automated lighting control systems are installed in working areas, meeting rooms and restrooms;
- melamine faced chipboard are used as material for desks, tables and cabinets so as to reduce VOC from paints and coatings;
- carpet is made of eco-friendly materials;
- certified carpet cleaner which complies with international environmental standards is used;
- hand dryers are installed in restrooms to reduce paper towel usage; and
- Red Packet Decoration Competition was held to invite colleagues to upcycle used red packets to make decorative crafts.

Greenery in Office

LED TV Wall Display System

SOCIAL

Employment and Labour Practices

Our human capital is the backbone to our sustainable success. We are determined to reward our committed workforce with above par benefit packages and well-rounded development programmes. We have in place a variety of policies and initiatives in creating a safe, people-caring and equal opportunities working environment.

Employment

The Group is committed to providing lawful and proper employment that signifies human development. We strictly adhere to International Labour Organisation Conventions on Employment, Employment Ordinance of Hong Kong and relevant local employment laws and regulations in overseas business such that we could attract and retain the best talents. During the reporting period, we did not receive any non-compliance against the above. The measures we have in place to ensure our commitment and compliance with the laws and regulations include:

- our Employee Handbook, which was drafted with reference to related labour standards, ensures our employment and labour practices comply with relevant employment laws and regulations;

- the Handbook sets out our policies relating to recruitment, promotion, working hours, rest periods, welfare as well as grievance mechanism, and it is communicated to colleagues through company orientation; and

- Child labour and forced labour across our operations and supply chain are strictly prohibited and our Group Sustainability Policy stipulates such requirements. Human Resources Division would monitor the employment practices and conduct investigation if there is any violation in the operations (the Policy is posted on the corporate website).

Promoting equal opportunities, workplace diversity and inclusion are vital to our business. We aim to recruit people from different background to join us and provide them with equal opportunities to grow. We are committed to providing a fair working space by adhering to applicable laws and regulations. During the year, we did not violate United Nations International Bill of Rights, Sex/Disability/Family Status/Race Discrimination Ordinance of Hong Kong and other local anti-discrimination laws. We also encourage a diverse and inclusive workforce in order to increase our creativity and competitive advantages. To achieve a fair and diverse & inclusive workplace:

- we monitor our diversity profile through our workforce profile review which includes distribution of age, gender and geographical region;

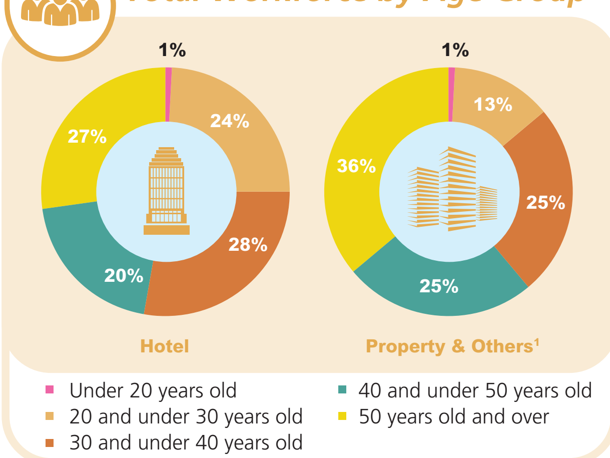
- our Equal Opportunity Policy ensures that no job applicants or employees receive less favourable treatment or are disadvantaged by sex, pregnancy, disability, marital status or family status when applying for a position with the Group or during employment (the Policy is posted on the corporate website); and

- our Hotel Division has found "Diversity and Inclusion Party", which is a taskforce formed by colleagues from various countries, to develop diversity & inclusion priorities, policies and programmes for the hotels.

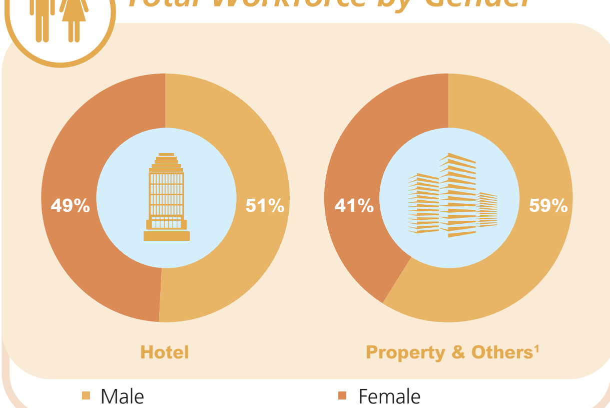
Supporting employment of persons with disabilities, we have participated in Labour and Welfare Bureau's Talent-Wise Employment Charter & Inclusive Organisations Recognition Scheme. One of our practices is the partnership of our Hotel Division with Hong Chi Association and Hong Kong Lutheran Social Service. The trainees work in our hotels' back of house areas and support day-to-day operations (e.g. housekeeping, cleaning and laundry services). The teamwork between the trainees and the colleagues has successfully built a culture of respecting people differences in the workplace.

Our hotels in Shanghai also hire colleagues with disability through local Disabled Persons Federation, School of Deaf-mutes and internal referral. The hotels provide on-going support to the colleagues with disability in order to ensure they receive the same level of attention and training as of the others.

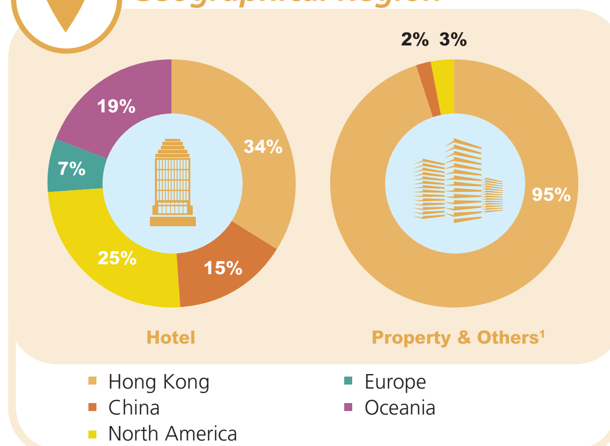
Total Workforce by Age Group



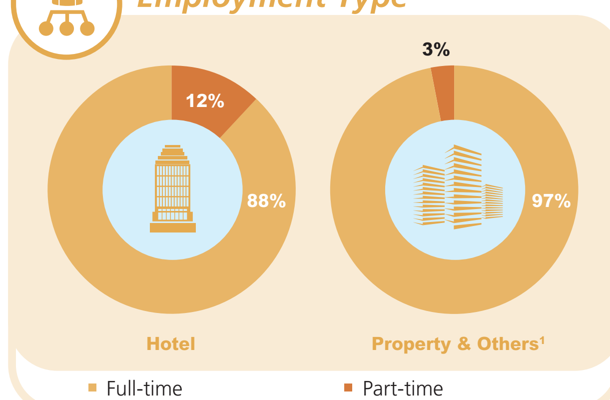
Total Workforce by Gender



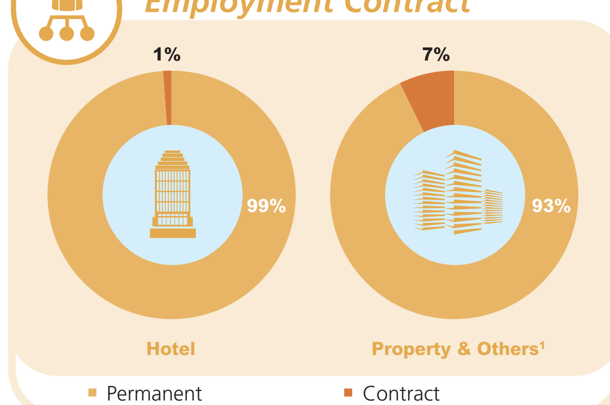
Total Workforce by Geographical Region



Total Workforce by Employment Type



Total Workforce by Employment Contract



Note:

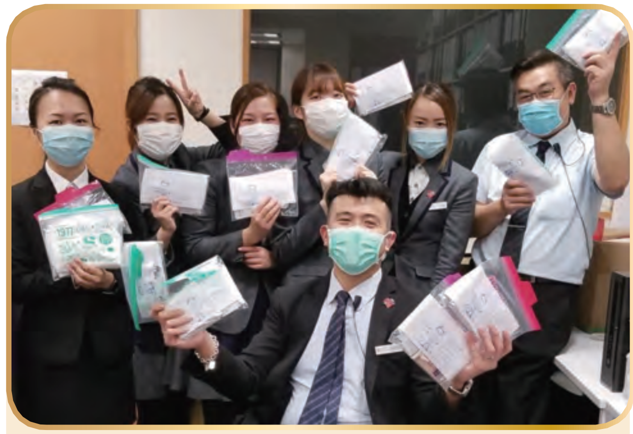
1. Property & Others include businesses such as property development, property management, maintenance and property agency services, sales of building materials, restaurant operation and investment in securities.

Health and Safety

Aside from creating a fair workspace, health and safety of our colleagues is paramount to us. The Group Sustainability Policy sets out our commitment to provide a healthy and safe working environment to protect colleagues from occupational hazards (the Policy is posted on the corporate website). We manage occupational health and safety risks to colleagues by strictly adhering to International Labour Organisation Convention "Occupational Safety and Health Convention", Occupational Safety and Health Ordinance of Hong Kong and relevant local laws and regulations in overseas business. To secure workplace health and safety and comply with legal requirements, we have deployed stringent measures at our corporate office, hotels and properties.

The global pandemic seriously threatened the health and safety of our colleagues, tenants and guests. To protect colleagues from infections, we implemented the following measures in our corporate office:

- an interdepartmental task force was setup to coordinate the overall pandemic prevention, develop emergency response plan and formulate relevant strategies and measures;
- healthcare representative from each department was delegated to report any suspected/confirmed cases to the task force;
- health advice and guidelines were communicated to colleagues;
- colleagues were provided with surgical face masks and required to wear in the workplace;
- colleagues were encouraged to use online meeting or conference call instead of face-to-face meeting;
- sterilized mats were placed at the entrances of our offices;
- sanitizers, diluted bleach and alcohol spray were available for use; and
- visitors were required to fill in the "Health Declaration Form".



Provision of Surgical Face Masks to Colleagues

In Hotel Division, to embrace the health and safety commitment, the following measures are implemented:

- the group-wide Occupational Health and Safety Policy stipulates all hotels to maintain an effective and efficient health and safety management system with policies, committees, training and incident reporting mechanism;
- senior management, human resources directors and security departments of the hotels are responsible for implementing and monitoring the system;
- the effectiveness of the system is monitored in conjunction with the Key Performance Indicators (KPI) System which allows the improvement teams to analyse collected data and root causes of problems, run improvement action plans and follow up on the results;
- to raise colleagues' awareness and on-going best practices on health & safety. Training on fire protection, material handling, blood borne pathogen, bomb threat, crowd control and so on were arranged. Colleague are also well trained to follow all OH&S policies & procedures and are required to report all known or potential safety risks and health hazards to the supervisors as appropriate; and
- colleagues' wellness is promoted globally through the annual Global CONNECT event – Colleague Wellness Week, which is dedicated to enhancing awareness of colleagues on their

wellbeing and supporting them in developing a healthy lifestyle. Health promotion programmes included nutritional meal at colleague cafeteria, wellness fair, stress management and mental health workshops and fun & humour at work. Wellness activities such as yoga and Zumba classes, table tennis tournament and body combat training were also organised.

Nutritional Meal at Colleague Cafeteria

Wellness Fair

Health and wellness of colleagues is a top priority for the Division particularly during the pandemic. As such, the Division:

- organised "Global Fitness Challenge" with the objective of spreading positivity. The CEO of the Division took the lead to pass on the challenge to colleagues around the world to stay positive. The hotels then incorporated this concept into a holistic series of wellness programmes for colleagues and guests to join; and

- continued "Risk Preparedness Video Competition" which has been developing the culture on risk preparedness in hotels for colleagues and relevant stakeholders. This year, the competition focused on combating the global pandemic. Each hotel created fun videos to promote how colleagues could prepare, manage and minimise the risks to health and hygiene during the pandemic.

Risk Preparedness Video Competition

Our Property Management Division manages the health and safety risks to colleagues, tenants and shoppers through the establishment of an occupational health and safety management system, which is set up in accordance with ISO 45001 standard. Following the management system, the Division:

- identifies health and safety hazards which are in turn managed by operating procedures and safety devices;

- establishes Safety Committees which implement action plans and review effectiveness of the management system in order to achieve zero accident;

- uses checklists to inspect high risk activities such as construction work, working in confined space, installing electrical systems and manual handling; and

- provides training courses such as monthly safety induction training, first aid and AED certification training, and field demonstration to the frontline staff.

In the year, to further enhance health and safety at the properties, the Division implemented the following measures:

- promoted a warm-up exercise to colleagues to relieve stressful muscle and reduce occupational injury case via staff briefing and training video;

- installed protective barrier on the roof floor of Langham Place to provide a safe working environment to workers; and

- provided epidemic protective supply for frontline colleagues, e.g. surgical mask, medical gloves and goggles. Protective shields were installed at customer services centres, receptions at the management offices and control rooms to reduce risk of the pandemic infection.

Protective Barrier on Roof Floor

Protective Shield at Customer Services Centre

Work Related Fatalities & Lost Working Days Due To Injuries

	Hotel			Property & Others[1]		
	2018	2019	2020	2018	2019	2020
Total workforce hours (in thousands)	15,726	10,797	6,880	1,982	1,884	1,880
Number of fatalities	0	0	0	0	0	0
Lost working days due to injuries	4,594	4,907	4,463	641	1,131	939

Note:

1. Property & Others include businesses such as property development, property management, maintenance and property agency services, sales of building materials, restaurant operation and investment in securities.

Case Study – Pandemic Preventive Measures at Langham Place

During the spread of the pandemic, Langham Place geared up to speed on measures to keep the office tower and shopping mall safe in order to secure the health of tenants and customers. The Property Management Division reviewed the property circumstances and implemented pioneering pandemic infection prevention and control measures including:

- set up intelligent disinfection stations;
- applied Smart UV disinfection to handrails of escalators;
- frequently sanitised common areas and facilities with fogger;
- installed antimicrobial filters in the air conditioning system of tenants' premises when there were reported cases;
- daily disinfected filters of air handling units;
- applied Inorganic Metal Catalyst membrane in lift cars and buttons;
- installed plasma cluster ion generators in passenger lifts;
- disinfected water in flushing water tanks with Biological Stabilizer System; and
- arranged Intelligent Cleaning and Sanitizing Robot for additional cleaning sessions.

Intelligent Disinfection Stations

Smart UV disinfection


Inorganic Metal Catalyst Membrane


Intelligent Cleaning and Sanitizing Robot

Development and Training

Human Resources Department regularly provides corporate and vocational training to colleagues according to the Training and Development Policy (the Policy is posted on the corporate website). To adapt to the challenging pandemic situation we faced this year, the Department reduced the risk of colleagues contracting the disease by delivering training online and focusing on "wellness". Wellness programmes were conducted with emphasis not only on colleagues' well-being but also mental health. For example, colleagues were introduced the importance of planning their meal to boost immunity and the relationship between muscle strength and injury prevention. Colleagues could also practice different types of exercises including thinking process exercise to reduce stress. Core training, "The 7 Habits of Highly Effective People", was conducted by using videos and games to raise colleagues' awareness of applying this learning at work and daily life.

Our Hotel Division is committed to creating an environment for colleagues to achieve their career aspiration and at the same time, nurturing a competent and motivated team. To this end:

- the Division's learning and development programmes are made up of the First60 Certification programme, Langham Curriculum Certification (LCC), and Advanced Programme for Executives (APEX). These programmes enable the colleagues to gain new skills and experiences which would advance them in their current and future jobs;
- this year, the Division launched a series of online learning programmes to engage colleagues "Learning Anywhere, Anytime". They partnered with eCornell to offer leadership certificate courses and LinkedIn Learning for all colleagues. A total of 100 function heads around the world enrolled the eCornell online courses and over 3,000 LinkedIn Learning courses were viewed. Positive feedback were received from colleagues who had experienced the new format of learning; and
- an updated standard of new protocols to address the pandemic including hygiene and cleaning procedures throughout the hotel was established. These guidelines were required to be implemented immediately by colleagues and was discussed during a newly developed COVID-19 Safety Procedures Training. Other items on the agenda of the Training included Housekeeping Practice, Valet Policy, and Safety & Security Measures.

COVID-19 Safety Procedures Training

Performance Review assists colleagues to keep track of their performance and determine development needs. Our Performance Appraisal System provides a mechanism for colleagues to review together with their superiors about their performance, key objectives as well as training and development needs.

Average Training Hours Completed per Employee

	2018	2019	2020
Hotel	28	29	12
Property & Others[1]	14.1	9.6	5.8

Notes:

1. Property & Others include businesses such as property development, property management, maintenance and property agency services, sales of building materials, restaurant operation and investment in securities.

Work-life Balance

We recognise that productive employees are those who maintain a healthy work-life balance. To achieve this, our Recreation Committee regularly organises various interest classes and recreational events for colleagues to participate. Sports clubs such as basketball and running have also been established. The clubs would send their teams to participate in competitions and charity runs so as to foster teamwork. However, due to the pandemic, the Committee had to postpone all the planned interest classes and recreational events including Wellness Festival in the year.

OPERATING PRACTICES

Maintaining the highest ethical standards is one of the Group's core values. We strive to engage business partners who could fulfil our sustainability values and commitment. We also aspire to be the preferred choice of customers by providing excellent and reliable services.

Anti-corruption and Supply Chain Management

The Group is committed to adhering to the highest ethical standards both in employee and supplier level. We are complied with United Nations Convention "Against Corruption", Prevention of Bribery Ordinance of Hong Kong and relevant local laws and regulations in overseas business. Measures to ensure our commitment and compliance include:

- all colleagues are given the Code of Conduct which stipulates the requirements they should adhere to. Colleagues are briefed on the requirements during the company orientation. The Code explicitly prohibits colleagues from soliciting, accepting, or offering bribes or any other form of advantage. Extortion, fraud and money laundering are also strictly prohibited (the Code is posted on the corporate website);
- the Code outlines the Group's expectations on colleagues with regard to conflicts of interest as well as whistle-blowing procedure. Any colleagues who have engaged or considered engaging in activities that might have conflict with the Group's interests are required to make full disclosure. During the year, we did not receive any non-compliance or fines in this regard;
- the Group recognises that through leadership and monitoring along the supply chain we could promote adoption and support of sustainability practices. In order to manage the environmental and social risks along our supply chain systematically, the Supplier Code of Conduct is formulated. When drafting the Code, we duly considered potential environmental and social risks including business integrity, fair labour practices (including prevention of child and forced labour) and environmental protection. The Code is communicated to our suppliers through tendering documents (the Code is posted on the corporate website);
- to ensure further suppliers' commitment to adopt sustainability, the Group has enhanced the process by using a checklist. The checklist is transformed from the requirements as stated in the Supplier Code of Conduct to a Q&A format and sent to the suppliers along with the tendering documents. Response rate and scoring profile are analysed periodically for suppliers' compliance status monitoring and determining improvement actions. Suppliers are required to fill in the checklist periodically so as to keep us informed of their sustainability performance status; and
- to promote environmentally preferable products and services when selecting suppliers, we are establishing the Sustainable Procurement Policy which requires procurement personnel to consider environmental factors during procurement. Factors include minimising or eliminating toxic, environmentally harmful and biodiversity depletion products, avoiding single-use disposable items with reusables or recyclables and considering recyclability when purchasing.

Superior Quality Services

We are committed to offering superior quality services to our customers by satisfying their expectations and needs – whether they are guests at our hotels or tenant/shoppers at our properties. Our subsidiaries have established their own systems and policies on delivery of customer service and support, complaints handling as well as dispute resolution. Accurate information, fair and responsible marketing and contracts are provided to protect consumers according to Trade Descriptions Ordinance of Hong Kong and relevant local laws and regulations in overseas business. In addition, consumer data protection and privacy is of our utmost importance and our Privacy Policy which informs our customers that all of their personal data provided are controlled according to Personal Data (Privacy) Ordinance and other relevant local laws.

The Hotel Division is committed to increasing guest loyalty by continuously improving and delivering excellent services. They aim to anticipate even the guests' unspoken needs and provide genuine services in a timely and reliable manner. Colleagues are encouraged to take ownership of guest satisfaction, innovation, excellence as well as guests' data privacy. The following measures are taken to fulfil their pledge:

- the Division implements Mystery Shopper Programme and Online Guest Satisfaction Survey in order to help them to understand what their guests are experiencing, discover which colleague's behaviour should be acknowledged or rewarded, and find out where the sales or customer service journey could be improved;

- the Division also adopts Total Quality Management approach to engage every colleague in pursuit of excellence. In the spirit of continuous improvement through innovation, the Division is reviewing the current quality systems and programmes to simplify the processes. The new approach enables them to build a more resilient and more agile team;

- one of the improvement projects started in 2020 is building a consolidated platform 'SMARTSUITE' to ensure the company knowledge is well managed. The new system makes it easier for colleagues to find and use the most accurate and updated version of policies, standards and Standard Operating Procedures (SOP) than before. The platform offers a systematic approach in improving processes, products, and building a customer-centric service culture;

- Langham Logic is one of the Division's operations and business improvement initiatives. It enables colleagues to exercise improvement initiatives in a systematic, practical, and innovative way. This year, Langham Logic programme was under review in order to modernise the process by taking a more result-driven approach. To enable the hotels to share and discuss the best-proven way of operation for a better result, the Division is developing a brand new best practice-sharing platform. which will be introduced in 2021;

Superior Quality Services

- this year, the Division engaged an external consultancy firm to support the establishment and rollout of a new data protection process standard, which is based on General Data Protection Regulation (GDPR), for all of the hotels as well as the global and regional offices; and

- to mitigate the security risk resulting from the increased demand for remote access, additional measures were put in place to strengthen user authentication in systems and network security. Phishing exercises and a crisis simulation were performed to raise the information security awareness of all colleagues and the corporate management team.

Our Property Management Division implements ISO 9001 Quality Management System which ensures their services meet the needs of customers and enhance customer satisfaction. Requirements of the system include:

- establishing a Customer Feedback System to collect appreciations, complaints and general enquiries from the customers;

- annually sending questionnaires to tenants to obtain their feedback;

- timely giving feedback to customers and determining improvement actions; and

- enclosing personal data collection statement in all application forms. Keeping and disposing of collected personal data strictly comply with the government regulations.

Other than implementing the quality management system, the Division put in place other measures to strengthen the customer services during the year:

- attained WELL Building Standard Certification of Platinum Rating for Three Garden Road;

- joined "Breastfeeding Friendly Community Initiative" as launched by Faculty of Medicine of University of Hong Kong to promote breastfeeding friendliness ideas to colleagues and tenants;

- during the pandemic, offered free fogging sanitization treatment frequently to all F&B tenants;

- arranged cleaning attendants to regularly sanitize seating areas of all F&B tenants; and

- prepared tailor-made protective block covers for roadshow tenants.

Fogging Sanitization Treatment

Protective Block Cover

Case Study – Barrier Free Assess at Langham Place Shopping Mall

The accessibility needs of persons with disability and the elderly are sometimes overlooked as most building provisions tend to design for the fit and able-bodied who are most mobile and vocal. If access to a facility is not barrier free, it would prohibit these sectors from easy use. To facilitate these sectors when visiting Langham Place Shopping Mall, Property Management Division has integrated several facilities for barrier free access. Facilities include:

- Tactile guide paths throughout the mall
- Ramps for wheelchair users
- Accessible toilets at most floors
- Height modification of concierge suitable for wheelchair users
- Accessible parking spaces
- Induction loop system at the concierge for hearing aid users
- Non-slip nosing and handrails with braille plates at most staircases
- Movable ramp to facilitate wheelchair users to enter or leave the Mall

Ramps for Wheelchair

Height Modification of Concierge

Induction Loop System

Movable Ramp

COMMUNITY

Building a better community is our commitment and we seek to achieve this with our community partners through designing community-caring programmes. We aim to care for the community especially towards those vulnerable groups and the environment, creating communities not just properties.

Community Investment Policy

Our community investment policy focuses on three themes – ***Art, Children Education, and Environmental Protection***:

- we believe art is important to the community. Art could enrich the daily lives of people and promote social progress and cultural development;
- we believe that the world's future relies heavily on the next generation. Children in preschool education and kindergarten, in particular, are in their prime period to learn and acquire knowledge; and
- environmental protection is a subject which is essential to our organisational culture and it should be extended to the community at large.

Community Engagement

Based on the themes, we engage and partner with non-profit organisations to design a few deserving projects which would benefit the community. We believe by focusing all of our philanthropic resources – financial, volunteer, and in-kind – on these projects, we could engender greater social impact. The following projects were conducted in the community this year:

Art

We continued supporting "Great Eagle Music Children Ensemble", a successful project with Music Children Foundation. The project aimed to enhance the development of young talents from underprivileged background by providing them with attentive and intensive musical training as well as different forms of out-of-classroom exposures. Although the pandemic halted the planned face-face training and live performances this year, the ensemble did not stop their learning by attending online training classes and recorded a pandemic cheer-up video clip. The ensemble members would keep on developing music as a skill for life as well as creating social impacts by spreading the message of "music changes life".

Great Eagle Music Children Ensemble

Children Education

As pre-school students are not eligible to receive free local public dental services, we partnered with Department of Paediatrics & Adolescent Medicine of Hong Kong University to launch "Oral Health Services for Preschool Children". The project targeted to educate and improve dental health of pre-school children by organising interactive oral health workshops and in-school oral health assessments for children. Educational seminars for teachers and parents were also delivered at kindergartens. Dental leaflets and kits were prepared to teach and encourage pre-school children to properly brush their teeth and be aware of good dietary habits in order to prevent caries prevalence.

Oral Health Services for Preschool Children Project

Environmental Protection

Every day, millions of plastic bottles are being disposed into the landfill in which a substantial amount being plastic bottles. In order to reduce consumption of bottled drinks, the Group continued to partner with Water for Free to conduct "Say No to Plastic Project". The campaign provided free water dispensers and educational talks to schools and community centres, encouraging the general public to bring their own bottles. This year's project had expanded its service to cover secondary school students. An interesting "Urban Farming x Plastic Upcycling Workshop" was arranged at schools and our offices to deepen the community's and our colleagues' understanding of the importance to reduce disposal of plastics.

Say No to Plastic Project

Corporate Volunteering

Corporate volunteering forms another vital element of our community involvement. We encourage colleagues to explore the community and help people in need by joining volunteering services. This year, in response to the pandemic, Great Eagle Volunteer Team supported several charities by sourcing and packing surgical facemasks, hand sanitisers and staple foods. Beneficiaries included single parents from Hong Kong Single Parents Association who needed to stay home all the time to take care of their children as well as hospitalised children from Children's Cancer Foundation who urgently required small-size high level surgical face masks. The team hoped that the efforts could alleviate the pressures the needy were encountering.

Great Eagle Volunteer Team Pandemic Support

Overseas, to mark the 155th birthday of The Langham, London, their volunteers packed 155 Afternoon Tea gift boxes and hand-delivered to London's everyday heroes, including NHS workers, carers, bus drivers, and emergency services. In the U.S., The Langham, New York, Fifth Avenue offered 500 surgical masks, shampoos and dental kits to The Bowery Mission which provides food, shelter, and showers to the homeless. In China, The Langham, Shanghai, Xintiandi together with Great Eagle colleagues delivered their hand-made rice dumplings to the Huangpu Nursing Home Elderly.

The Langham, New York, Fifth Avenue Pandemic Support


Hand-made Rice Dumplings to Elderly

Aside from designing a few deserving projects with non-profit organisations, we endeavour to contribute to the development of art and local talents in Hong Kong. As such, our Marketing Division has introduced Musica del Cuore (an Italian term for "Music of the Heart") at Three Garden Road. Musica del Cuore is a free concert series which transforms the upper ground floor of Three Garden Road into a "community concert stage", presenting some of the finest Classical repertories to the general public. The concert series has provided a platform for local talents, well-established artists and chamber groups to showcase their artistry. In the midst of the pandemic this year, the Division took the show online to continue sharing musical joy during these trying times.


Musica del Cuore

AWARDS, MEMBERSHIPS & CHARTERS

Awards

Environment

Organiser	Award	Awarded Unit
Green Business UK	Green Tourism Gold Certificate	The Langham, London
Green Key Global	4 Green Key ECOmmodating Rating	Chelsea Hotel Toronto
Qualmark New Zealand	Qualmark Enviro Gold Rating	Cordis, Auckland
TripAdvisor	GreenLeader	
	Gold Level	The Langham, London
	Silver Level	The Langham, Melbourne
	Silver Level	Cordis, Auckland
	Bronze Level	The Langham, Boston
The Asset	ESG Corporate Awards – JADE Award (top honour)	ChampionREIT
Bloomberg Businessweek	ESG Leading Enterprises Award	ChampionREIT
	Leading Environmental Initiative Award	ChampionREIT
FinanceAsia	Asia's Best Companies – Best Environmental Stewardship – Most Committed to Social Causes	ChampionREIT
Environment Bureau	Outstanding RCx (Proposal) Award	Great Eagle Centre
	Peach Blossom Trees Recycling Programme	Great Eagle Centre
Environmental Protection Department	Computer and Communication Products Recycling Programme – Certificate of Appreciation	Great Eagle Centre
Federation of Hong Kong Industries	BOCHK Corporate Environmental Leadership Awards 2019 – EcoPartner	Great Eagle Centre
Electrical and Mechanical Services Department	Hong Kong Energy Efficiency Registration Scheme for Buildings (Existing Building)	Langham Place
Environmental Protection Department	Certificate of Registration for Waste Cooking Oils Collector	Langham Place
Environment Bureau	Energy Saving Championship Scheme- RCx Technical Approach Merit	Three Garden Road
Stevie Awards Inc.	2020 Asia-Pacific Stevie® Awards- Gold	Three Garden Road

Organiser	Award	Awarded Unit
The Business Intelligence Group	2020 BIG Innovation Awards	Three Garden Road
The Environmental Campaign Committee	Hong Kong Green Organization	Great Eagle Centre Langham Place Three Garden Road
	Energywi$e Certificates – Basic Level	Langham Place
	Energywi$e Certificates – Excellence Level	Three Garden Road
	Wastewi$e Certificate – Excellence Level	Three Garden Road

BOCHK Corporate
Environmental Leadership Awards

Social

Employment and Labour Practices		
Organiser	Award	Awarded Unit
Stevie Awards Inc.	Employer of the Year - Real Estate: Bronze Stevie® Winner	Great Eagle Group
Hotel Association of Canada	Award of Excellence – Human Resources	Chelsea Hotel Toronto
The Employees Retraining Board (ERB) Hong Kong	Super Manpower Developer Award	Langham Hospitality Group Langham Place
Corporate Governance Asia	Asian Excellence Awards – Asia's Best CSR	ChampionREIT

Employment and Labour Practices		
Organiser	Award	Awarded Unit
Hong Kong Quality Assurance Agency	Certificate of Hygiene Measures for CoV Prevention Certification Scheme	Langham Place Three Garden Road

Award of Excellence – Human Resources

Operating Practices		
Organiser	Award	Awarded Unit
Bloomberg Businessweek/ Chinese Edition	Listed Enterprises of the Year 2020	Great Eagle Group
International Awards Associate	2020 NYX Video Awards – Branded Content Category Grand Winner	Great Eagle Group
Condé Nast Traveller	2020 Reader's Choice Awards	
	No. 3 in Los Angeles No. 46 out of 50 Top Hotels in the World	The Langham, Huntington, Pasadena
	No. 3 in Hong Kong	The Langham, Hong Kong
	No. 4 in Boston	The Langham, Boston
	No. 5 in Australia and New Zealand	The Langham, Sydney
	No. 6 in Chicago	The Langham, Chicago
	No. 6 in China	The Langham Shanghai, Xintiandi
	No. 8 in the UK capital	The Langham, London
	No. 10 in Australia and New Zealand	The Langham, Melbourne
	No. 18 in New York City	The Langham, New York, Fifth Avenue

Operating Practices		
Organiser	Award	Awarded Unit
Forbes Travel Guide 2020	2020 Star Award	
	Five Star Hotel	The Langham, Chicago
	Five Star Hotel	The Langham, London
Hurun Report	Luxury Hotel Brand Star Performer	Langham Hotels and Resorts
Michelin Guide, Hong Kong	The 2021 Michelin Guide, Hong Kong and Macau	
	Three Michelin Stars Rating	T'ang Court at The Langham, Hong Kong
	One Michelin Stars Rating	Ming Court at Cordis, Hong Kong
	One Michelin Stars Rating	Yat Tung Heen at Eaton HK
Michelin Guide, Shanghai	The 2021 Michelin Guide, Shanghai	
	One Michelin Stars Rating	Ming Court at Cordis, Shanghai, Hongqiao
	One Michelin Stars Rating	T'ang Court at The Langham, Shanghai, Xintiandi
Travel + Leisure Magazine	Top 25 Hotel Brands in the World	Langham Hotels and Resorts
	2020 World's Best Awards	
	No. 2 Top 5 Australia and New Zealand City Hotels	The Langham, Sydney
	No. 4 Top 5 Australia and New Zealand City Hotels	The Langham, Melbourne
	No. 2 Top 10 Hotels in Chicago No. 8 Top 15 City Hotels in the U.S.	The Langham, Chicago
US News & World Report	2020 Best Hotels	
	No.2 in the USA No.1 in Chicago No.1 in Illinois	The Langham, Chicago
USA Today	Top 10 Best Luxury Hotel Brand	Langham Hotels and Resorts
	Top 10 Best Historic Hotel	The Langham, Huntington, Pasadena

Operating Practices		
Organiser	Award	Awarded Unit
Marketing Magazine	PR Awards – Best PR Campaign (Sustainability): Champion Our Wellness – Bronze Award	ChampionREIT
The Hong Kong Council of Social Service	Barrier-free Company/Organisation	Langham Place
The Hong Kong Police	2019 Kowloon West Best Security Services Award	Langham Place
The Hong Kong Police & VTC	2019 Security Services Best Training Award – Gold	Langham Place
The IAQ Information Centre	Indoor Air Quality Certificate – Excellent Class	Great Eagle Centre Langham Place Three Garden Road
Water Supplies Department	Quality Water Supply Scheme for Buildings – Fresh Water – Gold	Langham Place Three Garden Road

Community		
Organizer	Award	Awarded Unit
Labour and Welfare Bureau	Social Capital Builder Logo Awards	Great Eagle Group
The Hong Kong Council of Social Service	10 Years Plus Caring Company Logo	Great Eagle Group Langham Hospitality Group

Social Capital Builder Awards

10 Years Plus Caring Company Logo

Memberships

Organisation	Membership
Business Environment Council	Corporate Member
Hong Kong Green Building Council	Silver Patron Member
The Hong Kong Arts Festival	Bronze Patron

Charters

Organisation	Charter
Environment Bureau	Charter on External Lighting
Environment Bureau	Energy Saving Charter
Environmental Protection Department	Carbon Footprint Repository
Environmental Protection Department	Foodwise Charter
Environmental Protection Department	Peach Blossom Trees Recycling
Friends of the Earth	Toner & Ink Cartridges Recycling & Reuse Program
Fullness Social Enterprises Society	Tithe Ethical Consumption Movement
Green Sense	No Air-Con Night

Business Environment Council Corporate Member

Hong Kong Green Building Council Silver Patron

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	A1.3	Total hazardous waste produced and intensity	The only hazardous waste our business produces is mainly using cleaning detergent which is not material
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	B5.1	Number of suppliers by geographical region.	Materiality will be reviewed in 2021
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	48
B6 Product responsibility	B6	General disclosure	49
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Our products are mainly festive gifts from hotel restaurants which are not material
	B6.2	Number of products and service related complaints received and how they are dealt with	No major complaints received
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our practices relating to intellectual property are only prohibition of using unauthorised copyrighted software in the office which is not material
	B6.4	Description of quality assurance process and recall procedures	49-50
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	49-50
B7 Anti-corruption	B7	General disclosure	48
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issue or its employees during the reporting period and the outcomes of the cases	Zero
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	48
B8 Community investment	B8	General disclosure	52
	B8.1	Focus areas of contribution	52-53
	B8.2	Resources contributed to the focus area	52-54

CORPORATE GOVERNANCE REPORT

Great Eagle Holdings Limited is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost Shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our Shareholders. The Board of Directors of the Company will from time to time monitor and review the Company's corporate governance practices in light of the regulatory requirements and the needs of the Company to underpin our engrained value of integrity and accountability. The major activities since 1 January 2020 are set out below:

- **Increase in the Interests in LHI**
  For the purposes of meeting certain financial covenants and improving the financial position, LHI announced its proposal to raise up to approximately HK$1,019 million (before deducting professional fees and other related expenses) by rights issue ("LHI Rights Issue") on the basis of one rights share stapled unit for every two share stapled units on 16 July 2020. The Group supported the LHI Rights Issue and subscribed fully for all of our rights entitled as well as taken up additional rights. LHI Rights Issue was completed on 11 September 2020. Immediately after the completion of the LHI Rights Issue, the interests of the Group in LHI increased from 63.73% to 69.01%.

- **Grant of Share Options**
  It is the normal practice of the Company to grant share options to the eligible employees (including Executive Directors) each year after the publication of annual results announcement of the Company in the first quarter subject to the requirements of the Listing Rules. During the year ended 31 December 2020, an aggregate of 5,650,000 share options were granted to the eligible employees (including Executive Directors and their associates). Formal announcement was made on 18 March 2020.

- **General Mandates to Buy-back and Issue Shares of the Company**
  General mandates to buy-back no more than 10% of the issued shares and issue no more than 20% of the issued shares of the Company were granted by the Shareholders at the Annual General Meeting of the Company held on 5 May 2020 with 99.99% and 85.89% shares voted in favour of the respective resolutions. The Company did not buy back or issue any shares under the general mandates granted by the Shareholders in the 2020 Annual General Meeting. Although the general mandates granted may not be utilized during the valid period, this gives the Company the flexibility when needed without proposing second and subsequent refreshments of the general mandates in any one year. The Company will use the mandates sparingly and in the interest of the Shareholders.

CORPORATE GOVERNANCE POLICIES AND PRACTICES

The Board of Directors is responsible for reviewing the overall corporate governance arrangements, approving governance policies and reviewing disclosures in Corporate Governance Report. It plays a central supportive and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corporate Governance Practice of the Company. It serves as an ongoing guidance for the Directors to perform and fulfill their respective roles and obligations to the Company.

Corporate Governance Practice

The Company has in place a set of governance policies and procedures which constituted the core elements of the governance framework of the Group. They include:

- **Schedule of Matters Reserved for the Board**
  It sets out a list of major issues preserved for the decision of full Board, except when an appropriate board committee is set up for the matter pursuant to a resolution passed by the full Board.

- **Reporting and Monitoring Policy on Connected Transactions**
  The purpose of this policy is to set out the internal control systems and monitoring procedures of the Company in respect of executing, recording and reporting of all connected transactions and continuing connected transactions no matter they are exempted transactions or otherwise.

- **Policy on the Preservation and Prevention of Misuse of Inside Information**
  It sets out the Company's internal control systems and monitoring procedures to preserve and prevent the misuse of inside information and ensure all persons to whom the policy applies understand their obligations to preserve the confidentiality of unpublished inside information and assist them and the Company to comply with their obligations to disclose inside information.

- **Employee Code of Conduct**
  It sets out the basic standards of behaviour expected of all employees (including Executive Directors) and the Group's policy on matters like acceptance of advantages and declaration of conflict of interest by employees in connection with their official duties.

- **Code of Conduct regarding Securities Transactions by Directors and Relevant Employees**
  It sets out the required standards against which the Directors and relevant employees of the Company must measure their conduct regarding transactions in securities of the Company or any listed entities in which the Company has 20% or above interest in share capital and the Director or the relevant employee is in possession of unpublished inside information of such entities.

- **Whistleblowing Policy**
  It sets out the guideline for the employees or any relevant person on reporting channels and protection for whistleblower, and provides details of how reports of improprieties will be handled.

- **Shareholder Communication Policy**
  It reflects the current practice of the Company in communications with Shareholders with an aim to promote effective engagement with Shareholders, both individual and institutional investors, and other stakeholders.

- **Social Media Policy**
  It sets out the basic standards of behaviour expected of all employees and the procedures they must follow regarding the use of social media, both personally as well as in their capacity as representatives of the Group.

The Board regularly reviews these policies and procedures, and further enhancement will be made from time to time in light of the latest statutory and regulatory regime and applicable international best practices. Copies of the principal governance policies can be obtained from the Company's website at www.GreatEagle.com.hk.

Compliance with Corporate Governance Code

During the year, the Company complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the CG Code. Set out below are the details of the deviations from the code provisions:

CG Code Provision A.2.1 requires that the roles of Chairman and chief executive should be separate and should not be performed by the same individual

Dr. Lo Ka Shui is the Chairman of the Board and is holding the office of Managing Director of the Company. While this is a deviation from CG Code Provision A.2.1, dual role leadership has been in practice by the Company for decades and has withstood the test of time. The Board considers this arrangement to be appropriate for the Company as it can preserve the consistent leadership culture of the Company and allow efficient discharge of the executive functions of the chief executive. The Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high caliber individuals including five Independent Non-executive Directors and three Non-executive Directors who offer advices and views from different perspectives. Meanwhile, the day-to-day management and operation of the Group are delegated to divisional management under the leadership and supervision of Dr. Lo in the role of Managing Director who is supported by the Executive Directors and Senior Management.

CG Code Provision A.4.1 requires that Non-executive Directors should be appointed for a specific term, subject to re-election

While the Bye-laws requires that one-third of the Directors (other than the Executive Chairman and Managing Director) should retire by rotation, the Non-executive Directors (including the Independent Non-executive Directors) have no fixed term of office. The Board considers that the provisions in the Bye-laws and its corporate governance measures are no less exacting than those prescribed by CG Code Provision A.4.1 and therefore does not intend to take any steps in this regard.

CG Code Provision A.4.2 requires that every Director should be subject to retirement by rotation at least once every three years

Under the existing Bye-laws, the Executive Chairman and Managing Director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is the Executive Chairman and Managing Director of the Company. His interests in shares and underlying shares of the Company and associated corporations are set out in the Report of the Directors contained herein. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he has disclosed his biographical details in accordance with Rule 13.74 of the Listing Rules in the circular to the Shareholders in relation to, among other things, the re-election of retiring Directors, for Shareholders' information. A biography of Dr. Lo and details of his emoluments are also provided on page 90 of this Annual Report and in note 11 to the consolidated financial statements respectively.

CG Code Provision A.6.5 requires that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills

Madam Lo To Lee Kwan, a Non-executive Director of the Company, is the co-founder of the Group. She was involved in the early stage of development of the Group. Since she is relatively inactive in the Group's business in recent years, she has not participated in the 2020 Director Development Program provided by the Company.

CG Code Provision B.1.5 requires that details of any remuneration payable to members of Senior Management should be disclosed by band in annual reports

Remuneration details of Senior Management are highly sensitive and confidential. Over-disclosure of such information may induce inflationary spiral and undesirable competition which in turn is detrimental to the interests of the Shareholders. The Board considers that our current approach in disclosing the emoluments of Directors on named basis and that of the five highest paid individuals of the Group in the forms of aggregate amount and by bands in our annual reports is appropriate to maintain the equilibrium between transparency and privacy.

BOARD OF DIRECTORS

Board Responsibilities

The Board of Directors assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. The Board is responsible for overseeing the management and operation of the Group, and is ultimately accountable for the Group's activities, strategies and financial performance.

MEMBERS OF THE BOARD OF DIRECTORS

- The Board currently has fourteen members, six Executive Directors, three Non-executive Directors and five Independent Non-executive Directors.
- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors representing one-third of the Board) that can ensure there is adequate independent judgment for the running of the Company's business.
- The members of the Board comprise experts from various professions with extensive experience and have appropriate professional qualifications or accounting or related financial management expertise.
- Female directors held 21.4% of the Board seats of the Company.

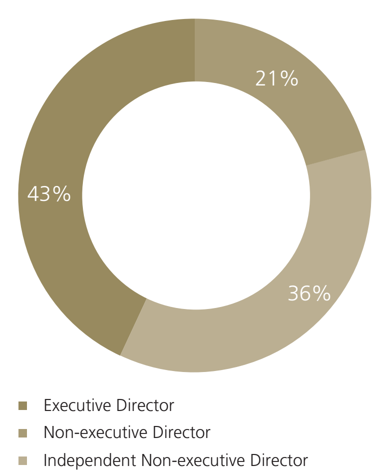
Board Composition

The composition of the Board is set out as follows:

Executive Directors
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. LO Chun Him, Alexander
Mr. KAN Tak Kwong *(General Manager)*
Mr. CHU Shik Pui

Non-executive Directors
Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. LEE Siu Kwong, Ambrose
Professor POON Ka Yeung, Larry



Madam Lo To Lee Kwan is the mother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and the grandma of Mr. Lo Chun Him, Alexander. Saved as disclosed above, there are no family or other material relationships among members of the Board.

The Bye-laws requires that one-third of the Directors (other than the Executive Chairman and Managing Director) should retire by rotation. The re-election of each retiring Director is voted by poll on an individual basis.

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 90 to 96 of this Annual Report and maintained on the Company's website at www.GreatEagle.com.hk.

Board Independence

The participation of Independent Non-executive Directors in the Board brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all Shareholders have been duly considered.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence, and considers that all Independent Non-executive Directors of the Company are independent and fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules. Re-election of all Directors will be subject to a separate resolution at the Annual General Meeting to be approved by Shareholders.

Three of the Independent Non-executive Directors, namely Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard and Mrs. Lee Pui Ling, Angelina have served on the Board for more than nine years. The Nomination Committee is fully satisfied that they demonstrate complete independence in character and judgement both in their designated roles and as Board members and is of the opinion that they continue to bring independent judgement and fresh perspectives on the Company's affairs to the Board notwithstanding their length of service. The Board believes that their in-depth knowledge of the Group's business and their extensive experience and expertise continue to provide invaluable contribution to the Board.

Directors Orientation and Continuing Development

The Company has established a Director Development Program that fosters the continuous education of Board members. The program has two components namely (1) New Director Orientation and (2) Ongoing Director Development.

Newly appointed Directors will receive a comprehensive induction package designed to provide a general understanding of the Group, its business, the operations of the Board and the main issues it faces. The induction package reviews the Board's policies and procedures; Bye-laws and current organisation structure; the most recent annual and interim reports and key business issues. In addition, a new Director will have a one-on-one meeting with the Company Secretary with the purpose of assisting the new Director in understanding the role of the Board and its committees, and the commitment expected of a Director.

To keep abreast of the responsibilities of the Directors and infuse them with new knowledge, information packages comprising the latest developments in the legislations, industry news and materials relevant to the roles, functions and duties as a director will be provided to each Director by the Company Secretary periodically. With regard to the Director Development Program in 2020, updates on the latest development and changes on the Listing Rules, SFO and other relevant legal and regulatory requirements and various reading materials regarding corporate governance, internal control, risk management, directors' duties and global trend were circulated to the Directors. All Directors, except Madam Lo To Lee Kwan, participated in the Program and/or other continuous professional development and had provided a record of at least 10 hours' training they received to the Company.

SUMMARY OF KEY MATTERS RESERVED FOR THE BOARD

Strategy

- Approval of the Group's long term objectives and corporate strategy
- Extension of the Group's activities into new business of material nature
- Any decision to cease to operate all or any material part of the Group's business
- Any change in the Company's domicile or listing status

Structure and Capital

- Recommendations to the Shareholders of proposals relating to General Mandates to buy-back existing shares and issue new shares
- Changes relating to the Group's capital structure
- Major changes to the Group's corporate structure, management and control structure

Financial and Corporate Governance

- Approval of the annual report, interim report and results announcements
- Declaration of interim dividend and recommendation of final dividend
- Approval of any significant changes in accounting policies or practice
- Approval of substantial acquisition or disposal
- Approval of material connected transactions
- Approval of major capital expenditures
- Approval of terms of reference of Board committees
- Review of the Group's overall corporate governance arrangements
- Approval of the Group's governance policies

Board Membership and Other Appointments

- Appointment of membership of Board Committees
- Appointment or removal of the Company Secretary
- Appointment, re-appointment or removal of the external auditor to be put to Shareholders for approval, if required

Supply and Access to Information

Directors are provided with monthly reports covering highlights of the Company's major businesses to keep abreast of the Group's business performance and enable them to bring informed decisions in the best interests of the Company and the Shareholders. More thorough and comprehensive management and financial updates were provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Company. The Directors are also kept updated of any material developments from time to time through notifications and circulars. Discussion sessions between the Board of Directors and the key members of management are held regularly twice a year. Directors also have access to Senior Management of the Company.

The Board Members may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the Company's expense upon reasonable request. The Company Secretary is responsible to make all necessary arrangement. The Directors also have access to the advice and services of the Company Secretary, who is responsible to ensure Board procedures and all applicable rules and regulations are followed.

As an employee of the Company, the Company Secretary supports the Board, ensures good information flow within the Board, and Board policy and procedures are followed, advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. She is a fellow of The Hong Kong Institute of Chartered Secretaries and attained not less than 15 hours of professional training each year to update her knowledge and skill. Her biography is set out in the Biographical Details of the Directors and Senior Management section of this Annual Report.

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals, to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters as set out in the Schedule of Matters Reserved for the Board. In response to government's call for maintaining social distancing and reducing gatherings in order to minimize the risk of spreading COVID-19, Board meetings held during the year were either by means of telephone conference or video conference.

PROCEEDINGS OF THE BOARD

- In accordance with the Bye-laws, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.

- At least 14 days' formal notice of a regular Board meeting will be given to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board Meeting. For special Board meeting, reasonable notice will be given.

- An agenda and accompanying Board papers will be sent to all Directors at least 3 days in advance of every regular Board meeting or Committee meeting. All Directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.

- A Director may participate in a meeting of the Board by means of telephone conference or video conference. Unless otherwise determined, two Directors shall be a quorum.

- Draft and final version of minutes are circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting. All Board and Board Committee minutes or resolutions shall be kept by the Company Secretary or the Committee Secretary and are available for Directors' inspection.

Directors' Attendance at Board Meetings

Four full physical Board meetings were held during the financial year ended 31 December 2020. The attendance of individual Directors at these Board meetings during the year ended 31 December 2020 is set out below:

Name of Directors	Number of Board Meetings Attended/Eligible to Attend for the year ended 31 December 2020
Executive Directors	
LO Ka Shui (Note 1)	4/4
LO Hong Sui, Antony	4/4
LAW Wai Duen	4/4
LO Chun Him, Alexander	4/4
KAN Tak Kwong (Note 2)	4/4
CHU Shik Pui	4/4
Attendance Rate:	100%
Non-executive Directors	
LO TO Lee Kwan	Note 3
LO Hong Sui, Vincent	4/4
LO Ying Sui	4/4
Attendance Rate:	100%
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	4/4
WONG Yue Chim, Richard	4/4
LEE Pui Ling, Angelina	4/4
LEE Siu Kwong, Ambrose	4/4
POON Ka Yeung, Larry	4/4
Attendance Rate:	100%
Overall Attendance Rate	**100%**

Notes:

(1) Chairman and Managing Director

(2) General Manager

(3) Madam Lo To Lee Kwan did not attend the Board meetings in the year 2020. Madam Lo has been long in office and is relatively inactive in the Group's business in recent years. However, as a co-founder of the Company, Madam Lo has an irreplaceable status in the Company, and in view of her history and contributions in the Group, the Board considered that it is fit and proper for Madam Lo to remain in the Board of the Company.

Directors' and Officers' Insurance

During the year ended 31 December 2020, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the SFO) as at 31 December 2020, are set out on pages 103 to 107 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2020.

DELEGATION BY THE BOARD

Management Functions

Under the leadership and supervision by the Board, day-to-day management and operation of the Group are delegated to divisional management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back. Apart from the above, the divisional management is also accountable for the execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

Board Committees

The Board of Directors has established four standing Board Committees with clear terms of reference to review specific issues or items. They are the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee. These Board Committees also adopted the same principles, procedures and proceedings of the Board of Directors. The Board Committees meet regularly during the year to make fruitful contribution by sharing views, advices and experiences on matters material to the Group's affairs.

In response to government's call for maintaining social distancing and reducing gatherings in order to minimize the risk of spreading COVID-19, Board Committees meetings held during the year were either by means of telephone conference or video conference.

Audit Committee

The Audit Committee of the Company was established in 1999. The written terms of reference of the Audit Committee are posted on the Company's website and the HKEXnews website.

The Audit Committee currently comprises five Independent Non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent (who is the chairman of the Audit Committee), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry.

The role of the Audit Committee is to review the reports and proposals from management and to make recommendations to the Board of Directors of the Company in respect of the financial reporting and other statutory obligations, risk management and internal control systems, audit process and corporate governance practices with a view to assist the Board to fulfill its duties in relation to internal control, risk management, financial management and corporate governance. The Audit Committee is advisory and not supervisory in nature and its principal duties are as follows:

(a) to review the Company's half-year and annual report and financial statements of the Company and provide comments and advices thereon to the Board;

(b) to discuss with the management the Company's statement on risk management and internal control systems, to review the internal audit programme and internal auditors' reports, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(c) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(d) to review the external auditor's management letter, any material queries from the auditor to management in respect of the accounting records, financial accounts or system of internal control and management's response to the points raised;

(e) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(f) to review the implementation and compliance of the Deed of Right of First Refusal dated 10 May 2013 entered into between the Group and LHI regarding the grant of a right of first refusal by the Group to LHI in relation to certain investment and disposal of hotel properties by the Group as more particularly described in the prospectus of LHI in order to maintain a clear delineation of the respective businesses of LHI and that of the Group.

AUDIT COMMITTEE MEETINGS HELD IN 2020

During the year ended 31 December 2020, two meetings of Audit Committee were held and all members were present at the meetings. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the risk management and internal control systems;
- reviewed the significant findings and recommendations from the internal auditor and monitored subsequent implementations;
- reviewed the external auditor reports for the year ended 31 December 2019 and for the six months ended 30 June 2020 respectively which summarise the principal matters of governance interest that had arisen from their audit;
- reviewed the Group's accounting, finance and reporting functions, legal and regulatory, and governance and compliance issues including but not limited to the Company's compliance with legal and regulatory requirements and the CG Code for the year ended 31 December 2019 and the six months ended 30 June 2020, and the disclosure in the Corporate Governance Report;
- reviewed the audited financial statements for the year ended 31 December 2019 and the unaudited financial statements for the six months ended 30 June 2020, with particular regard to major judgmental issues including:

  (1) the changes in fair value of the Group's investment properties, situated in Hong Kong, the United States and the People's Republic of China that resulted in deferred taxation liabilities;

  (2) the Group's control over the U.S. Fund that was accounted for as a subsidiary of the Company in accordance with the HKFRS;

  (3) the valuation of the investment properties situated in Hong Kong and the People's Republic of China and the fair value of non-quoted derivative financial instruments; and

  (4) the recoverable amount of hotel buildings and hotel buildings under development and the net realizable value of stocks of properties.

- reviewed and approved the draft 2019 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2020 Interim Report and interim results announcement of the Company; and
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration.

Remuneration Committee

The Company established the Remuneration Committee in 2004. The written terms of reference of the Remuneration Committee are posted on the Company's website and the HKEXnews website.

The Remuneration Committee currently comprises five Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairwoman of the Remuneration Committee), Mr. Cheng Hoi Chuen, Vincent, Professor Wong Yue Chim, Richard, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry.

The Remuneration Committee reviews and approves the remuneration packages for all Directors and Senior Management. It is also responsible for setting up formal and transparent procedures to formulate policy on Executive Directors' remuneration and to ensure remuneration levels are sufficient to attract and retain Directors to run the Company successfully without paying more than necessary. The principal duties of the Remuneration Committee are as follows:

(a) to have the delegated responsibility to determine the remuneration packages of the Company's employees including Executive Directors and Senior Management; and

(b) to decide on the grant of share options under such Share Option Scheme as may from time to time be adopted by the Company.

REMUNERATION COMMITTEE MEETING HELD IN 2020

During the year ended 31 December 2020, one physcial meeting of Remuneration Committee was held in January 2020 and all members were present at the meeting. The following is a summary of the major work done of the Remuneration Committee at the meeting:

- reviewed and approved the proposals for 2020 general salary revision of and discretionary bonus distribution to the employees of the Group;
- reviewed and approved the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group;
- reviewed and recommended the Directors' fee and remuneration for Non-executive Directors and Independent Non-executive Directors for the year 2020; and
- reviewed and approved the annual grant of share options of the Group.

All Executive Directors are under salaried employment in the Company. Review of the emoluments of Directors and Senior Management by the Remuneration Committee during the year was based on the skills and knowledge of the Directors and Senior Management, their job responsibilities and involvement in the Group's affairs, the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions.

No Director should be involved in deciding his/her own remuneration. The remunerations of individual Director and Senior Management are determined by the Remuneration Committee which comprises only Independent Non-executive Directors. The remuneration package offered to the Directors and Senior Management of the Company comprises core fixed elements (including base salary, retirement benefits scheme contributions and other benefits) as well as discretionary variable elements (including discretionary bonuses). Details of Directors' emoluments are provided in note 11 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee in 2005. To conform to the amendments to the Listing Rules, the terms of reference of the Nomination Committee of the Company has been updated in December 2018. The updated written terms of reference are posted on the Company's website and the HKEXnews website.

The Nomination Committee currently comprises five Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession. The principal duties of the Nomination Committee are as follows:

(a) to establish a policy concerning diversity of the Board taking into account the Group's business model and specific needs;

(b) to establish a policy for the nomination of directors of the Group;

(c) to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships;

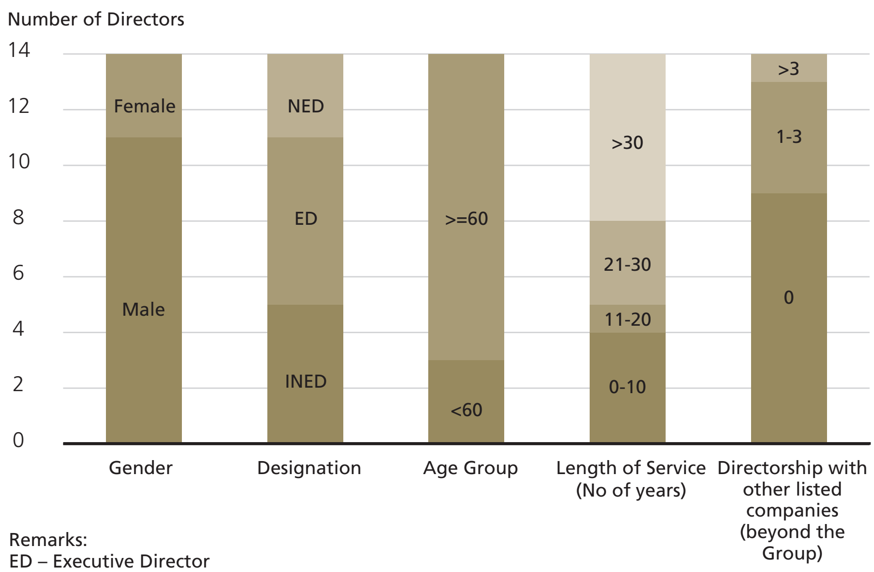
(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

(f) to assess the independence of Independent Non-executive Directors.

- **Board Diversity Policy**

  According to the board diversity policy (the "Board Diversity Policy") adopted by Nomination Committee, the Company recognises and embraces that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments to the Board shall be on merit, in the context of the skills and experience the Board as a whole requires to be effective, and against objective criteria and with due regard for the benefits of diversity. There are many considerations that factor into the Nomination Committee's nomination process including legal requirements, best practices, and skills required to complement the Board's skill set and the number of Directors needed to discharge the duties of the Board and its Committees. But it will not set any restrictions like gender, age, cultural or educational background when short-listing candidates. The Company believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background and other qualities of Directors. The Nomination Committee shall review the diversity of the Board at least annually taking into account the Group's business model and specific needs and shall monitor the implementation of the Board Diversity Policy and, if appropriate, make recommendations on proposed changes to the Board to complement the Company's corporate strategy.

The Board considers that the current Board composition has provided the Company with a balance of skills, experience and diversity of perspective appropriate to the requirements by its business. The following charts show the diversity profile of the Board as at 31 December 2020:



Remarks:
ED – Executive Director
NED – Non-executive Director
INED – Independent Non-executive Director

Further information on the biography of the Directors is set out in the section "Biograhical Details of Directors and Senior Management" of this Annual Report and the website of the Company.

- **Nomination Policy**
  The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates. The Nomination Committee was responsible to maintain the nomination policy of the Company (the "Nomination Policy") and review the same regularly. The objective of the Nomination Policy is to assist the Company in fulfilling its duties and responsibilities as provided in its terms of reference. This Nomination Policy sets out, inter alia, the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company.

  The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Committee by any Directors or Shareholders of the Company in accordance with the Bye-laws. The Nomination Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees. The Nomination Committee shall endeavour to find individuals of high integrity who possess the qualifications, qualities, skills, experience and independence (in case of Independent Non-executive Directors) to effectively represent the best interests of all Shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. The Nomination Committee may use any process it deems appropriate for the purpose of evaluating candidates including personal interviews, background checks, written submission by the candidates and third party references. As far as practicable, nominees for each election or appointment of Directors shall be evaluated using a substantially similar process. The Nomination Committee shall review the Nomination Policy from time to time.

The Committee believes that independence is an important part of fulfilling the Directors' duty to supervise the management of the business and affairs of the Company. Non-executive Directors and Executive Directors are required to disclose his/her competing businesses to the Company. Cross-directorships in Hong Kong or overseas between Directors are also reviewed annually. The Nomination Committee is accountable for assessing whether any competing businesses or interlocking directorships could materially interfere with the exercise of objective and unfettered judgement by relevant Directors or their ability to act in the best interests of the Group.

NOMINATION COMMITTEE MEETING HELD IN 2020

During the year ended 31 December 2020, one physcial meeting of Nomination Committee was held and all members were present at the meeting. The following is a summary of the major work done of Nomination Committee at the meeting:

- reviewed the structure, size and composition of the Board, and the contribution required from the Board members;

- reviewed the time commitment of Non-executive Directors to the affairs of the Company through, inter alia, their meeting attendance and other listed Company's directorships;

- reviewed the independence of Independent Non-executive Directors; and

- approved the nomination of retiring Directors to seek for re-election at the 2020 Annual General Meeting.

Finance Committee

The Company established the Finance Committee in 2003 which currently comprises four Executive Directors, namely Dr. Lo Ka Shui (who is the chairman of the Finance Committee), Mr. Kan Tak Kwong, Mr. Lo Chun Him, Alexander and Mr. Chu Shik Pui. Members of the Finance Committee meet regularly on a weekly basis. Matters considered by the Finance Committee and the decisions reached are reported to the Board at regular Board meetings.

The role of the Finance Committee is to assist the Board in overseeing its policies and fulfilling its responsibilities with respect to financial matters. Apart from the day-to-day interactions, the principal duties of the Finance Committee are as follows:

(a) to review the financial position of the Company including the present or future borrowings and/or other financial obligations and/or liabilities, actual, contingent or otherwise of the Group;

(b) to review, consider and approve the submission of bids for "Qualified Property Acquisition" (as defined under the Listing Rules);

(c) to approve the use of seal of the Company onto any instruments in relation to the provision of guarantee or indemnity by the Company to support any tender submissions to be made by any members of the Group for any government or public sector contracts of whatsoever nature on normal commercial terms; and

(d) to approve and authorise the opening and closing of and update the list of authorised signatories or signing arrangement in relation to any accounts maintained with any financial intermediates including banks and financial institutions in the name of the Company.

DIRECTOR'S FEE AND BOARD COMMITTEE REMUNERATION

A Director is entitled to receive a Director's fee of HK$220,000 for the year ended 31 December 2020. The Director's fee had been proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by Shareholders at the 2020 Annual General Meeting, and payable to each Director as ordinary remuneration.

The annual remunerations received by the chairman and the members of the Audit Committee, Remuneration Committee and Nomination Committee are set out below. These remunerations were determined by the Board with reference to the time and effort involved in his/her specific duties and services and the prevailing market conditions. No extra remuneration was paid to the chairman and members of the Finance Committee.

	2020	2019
	HK$	HK$
Audit Committee		
• Chairman	**220,000**	220,000
• Committee Member	**170,000**	170,000
Remuneration Committee		
• Chairman	**70,000**	70,000
• Committee Member	**60,000**	60,000
Nomination Committee		
• Chairman	**60,000**	60,000
• Committee Member	**50,000**	50,000

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the year ended 31 December 2020, certain transactions between the Group and parties regarded as "related parties" under the applicable accounting standards subsisted. Certain of these related party transactions also constituted connected transactions as defined under the Listing Rules. Details of related party transactions are disclosed in note 39 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the total fees in respect of audit and non-audit services provided to the Group by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

Services Rendered	2020 HK$'000	2019 HK$'000
Audit services	14,961	15,239
Non-audit services		
Taxation services	4,200	4,618
Interim review fee	1,586	1,552
Other review fees	2,289	375
	23,036	21,784

Note:

The total amount of Auditor's Remuneration as disclosed in note 10 to the consolidated financial statements is HK$15,331,000 which comprises audit services provided by other auditors in the total amount of HK$370,000, but does not include the fees in respect of non-audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is entrusted with the overall responsibility on an ongoing basis for ensuring that appropriate and effective risk management and internal control systems are established and maintained for the Group. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives. The following have been established and executed to ensure that there are appropriate and effective risk management and internal control systems within the Group:

(a) a good control environment including well defined organisational structure, limit of authority, reporting lines and responsibilities;

(b) Risk Management Self-Assessment and Internal Control Self-Assessment conducted at least annually by major business entities of the Group;

(c) appropriate risk mitigating activities including clear and written company policies and procedures that can manage risks to an acceptable level for the achievement of the business objectives;

(d) effective information platforms to facilitate internal and external information flow; and

(e) structural Internal Audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the Group's Internal Audit Department, the Board conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

With adoption of a risk-based approach, the Internal Audit Department takes the lead to evaluate the risk management and internal control systems of the Group by reviewing all its major operations on a cyclical basis. The audit reviews cover all material controls including financial, operational and compliance controls. The annual audit plan and the long-term strategy plan of the Internal Audit Department are approved by the Audit Committee. The Head of Internal Audit Department reports directly to the Managing Director and the Audit Committee. Results of the audit reviews in the form of internal audit reports are submitted to the members of the Audit Committee for discussion at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Based on the results of the internal audit reviews for the year ended 31 December 2020 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the Group has maintained appropriate and effective risk management and internal control systems for the year ended 31 December 2020.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Group for the year ended 31 December 2020.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on pages 116 and 121 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the importance of maintaining an on-going dialogue with the Shareholders. A Shareholder Communication Policy, which is reviewed by the Board on a regular basis, had been established to promote effective engagement with Shareholders, both individual and institutional investors, and other stakeholders, giving them ready access to balanced and understandable information about the Company and corporate proposals, and making it easy for Shareholders to participate in general meetings. The Chairman of the Board and the chairmen of the Audit, Remuneration, Nomination and Finance Committees would attend Annual General Meeting and be available to answer questions. The Auditor is also invited to attend Annual General Meeting to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

One of the principal channels of communication with the Shareholders is the Annual General Meeting. The Company ensures that Shareholders' views are communicated to the Board. Total voting rights of Shareholders present at the Annual General Meeting in person or by proxy in the past five years are as follows:

Total Voting Rights Present at the Annual General Meeting	Year of Annual General Meeting 2016	2017	2018	2019	2020
No. of shares represented	349,547,482	357,988,617	593,528,790	555,601,197	572,026,286
% of shares represented	52.45%	52.65%	85.93%	79.32%	80.75%
No. of issued shares as at the date of the Annual General Meeting	666,390,017	679,966,835	690,690,038	700,473,038	708,382,048

Proceedings of General Meetings are reviewed from time to time to ensure that the Company follows the best appropriate corporate governance practices.

PROCEEDINGS OF GENERAL MEETINGS

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Printed copies of the corporate communications including annual reports, circulars, explanatory statements and related documents or their respective notification letters of publication (as the case may be) will be despatched to Shareholders no less than 20 clear business days prior to the Annual General Meeting and general meeting where a special resolution is proposed for consideration or no less than 10 clear business days for other general meetings. Detailed information on each resolution to be proposed will also be provided.
- The Chairman of the Board and the respective Board Committees or their duly appointed delegates and other Board members will attend the Annual General Meeting to answer questions from Shareholders.
- The external auditor will attend Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions as may be raised by the Shareholders.
- All votes of Shareholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the Company's website and the HKEXnews website on the same day after the general meeting.

The Company is committed to protecting the privacy right on all personal data collected from Shareholders. When collecting personal data from the Shareholders, the Company will specify in the relevant documents the purpose of collection and the use of personal data etc. Contact details are also provided to the Shareholders for accessing and correcting their personal data.

The Board is committed to promote consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information about the Company to the market. Corporate communications of the Company, including but not limited to annual reports, interim reports, and notices of meetings, announcements, circulars and other relevant Company's information are available on the website of the Company at www.GreatEagle.com.hk. The Company Secretary is responsible for overseeing and coordinating disclosure of information to the regulators and Shareholders, and providing guidance to Directors and employees on disclosure requirements and procedures.

In order to reduce paper consumption for environmental reasons and to save printing and mailing costs for the benefit of Shareholders, the Company has provided registered Shareholders with a choice of receiving corporate communications (including documents issued or to be issued by or on behalf of the Company for the information or action of Shareholders as defined in Rule 1.01 of the Listing Rules) by electronic means through the Company's website or in printed form.

To ensure mutual and efficient communications, the Company meets institutional investors, financial analysts and media regularly at analyst briefings, investor meetings, one-on-one group meetings, local and overseas conference and roadshows. Investors and Shareholders may visit the Company's website for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Board through the Company's website or by email at enquiry@greateagle.com.hk. A financial calendar setting out the important dates is contained in this Annual Report on page 5.

General Meeting held in 2020

One General Meeting of the Company was held in 2020. Set out below are the details of the General Meeting held in 2020:

2020 Annual General Meeting

In light of the outbreak of COVID-19, the Company implemented a number of precautionary measures for the 2020 Annual General Meeting, including distant seat arrangement and restricting the number of attendees in the 2020 Annual General Meeting venue.

The 2020 Annual General Meeting was held on 5 May 2020 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui, Mr. Lo Chun Him, Alexander, Mr. Kan Tak Kwong, Mr. Chu Shik Pui, Mr. Cheng Hoi Chuen, Vincent, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose and Professor Poon Ka Yeung, Larry had attended the Annual General Meeting in 2020. The matters resolved thereat are listed below:

Ordinary Resolutions		Percentage* of Votes in favour of the Resolution
1.	Received the audited consolidated Financial Statements of the Group for the year ended 31 December 2019 together with the Reports of the Directors and Independent Auditor thereon.	99.99%
2.	Approved the payment of a Final Dividend of HK50 cents per share and a special final dividend of HK50 cents per share.	100%
3.	Re-elected Madam Lo To Lee Kwan as a Non-executive Director.	95.80%
4.	Re-elected Mr. Lo Hong Sui, Vincent as a Non-executive Director.	99.63%
5.	Re-elected Mr. Cheng Hoi Chuen, Vincent as an Independent Non-executive Director.	99.42%
6.	Re-elected Mrs. Lee Pui Ling, Angelina as an Independent Non-executive Director.	99.72%
7.	Re-elected Mr. Kan Tak Kwong as an Executive Director.	99.88%
8.	Fixed the ordinary remuneration of HK$220,000 payable to each Director for the year 2020.	99.99%
9.	Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorised the Board of Directors to fix their remuneration.	99.95%
10.	Approved the grant of a general mandate to the Directors to buy-back shares not exceeding 10% of the total number of issued shares.	99.99%
11.	Approved the grant of a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the total number of issued shares.	85.89%

* truncated to two decimal places.

Each of the general mandates to buy-back and to issue shares of the Company shall remain in effect until the conclusion of the next annual general meeting, or the expiration of the period within which such annual general meeting is required by laws or Bye-laws to be held or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first. Although the general mandates granted may not be utilized during the valid period as mentioned above, this gives the Company the flexibility when needed without proposing second and subsequent refreshments of the general mandates in any one year. The Company will use the mandates sparingly and in the interest of the Shareholders. The Company did not buy back or issue any shares under the general mandates granted by the Shareholders in the 2020 Annual General Meeting.

DIVIDEND POLICY

The Company has put in place a divided policy. Any declaration and payment of dividends shall be determined at the sole discretion of the Board with the long term objective of maximizing Shareholder value of the Company. The Company aims to provide its Shareholders with a target annual dividend payout of not less than 25% of the core profit after tax attributable to equity holders in any financial year subject to the following factors:

1. the Company's actual and expected cash flow positions and financial performance;

2. projected capital expenditure, future expansion plans and growth opportunities;

3. the Group's debts to equity ratio, return on equity and the relevant financial covenants;

4. general economic conditions, business cycle of the Group's core business;

5. general expectation of Shareholders and investors of the Company; and

6. any other factors that the Board deems appropriate.

The Board will declare dividends semi-annually. The payment of final dividend is subject to the approval of Shareholders and scrip dividend distribution option will be provided for the election of the Shareholders in relation to the payment of final dividend in any financial year. The Board may at its sole discretion declares the payment of special dividends to Shareholders as it deems appropriate.

This dividend policy and the declaration and/or payment of dividends under this policy are subject to the Board's continuing determination that this dividend policy and the declaration and/or payment of dividends would be in the best interests of the Group and the Shareholders, and are in compliance with all applicable laws and regulations.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or the obligation of the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

The Board and Senior Management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. The following rights of the Shareholders are set out in the Bye-laws and the Bermuda Companies Act 1981:

Convening a Special General Meeting by Shareholders

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company shall have the right, by written requisitions to the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisitions.

The written requisition must state the purposes of the meeting, and must be signed by the Shareholder(s) concerned and deposited at the principal office of the Company, for the attention of the Company Secretary. It may consist of several documents in like form each signed by one or more Shareholder(s) concerned.

The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting provided that the Shareholder(s) concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholder(s) concerned in accordance with the statutory requirements to all registered Shareholders. Such general meeting shall be held within 6 weeks after deposit of such requisition.

If, within 21 days from such deposit of the requisition, the Board do not proceed to convene such special general meeting, the Shareholder(s) concerned, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

A meeting so convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Directors duly to convene a meeting shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

Shareholder(s) holding not less than one-twentieth of the total voting rights of all the Shareholders or not less than 100 Shareholders, may:

(i) put forward proposals at general meetings; or

(ii) circulate to other Shareholders' written statement of not more than 1,000 words with respect to the matter to be dealt with at general meeting.

For further details on the Shareholders' qualifications, and the procedure and timeline in connection with the above, Shareholders are kindly requested to refer to Section 79 of the Bermuda Companies Act 1981.

Furthermore, a Shareholder may propose a person other than a retiring Director of the Company for election as a Director of the Company at the general meeting, by lodging a written notice of nomination with the consent of nominated person at the principal office of the Company at least 7 days before the date of the general meeting.

Putting Enquiries to the Board

Shareholders may send their enquiries requiring the attention of the Board to the principal office of the Company, for the attention of the Company Secretary. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be put to the Company Secretary by the same means.

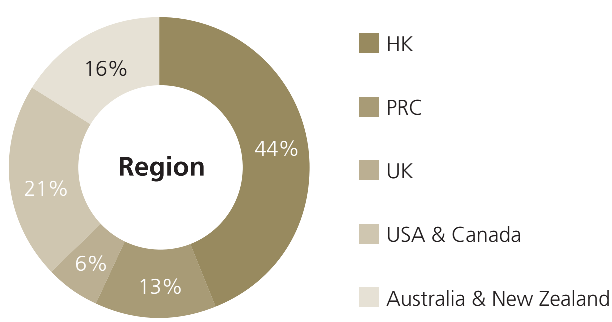
CONSTITUTIONAL DOCUMENTS

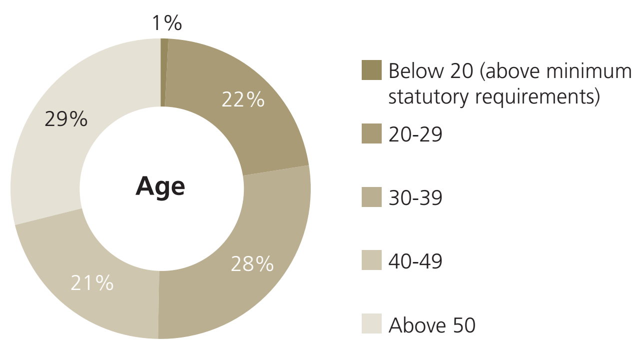
During the financial year 2020, there was no change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the HKEXnews website.

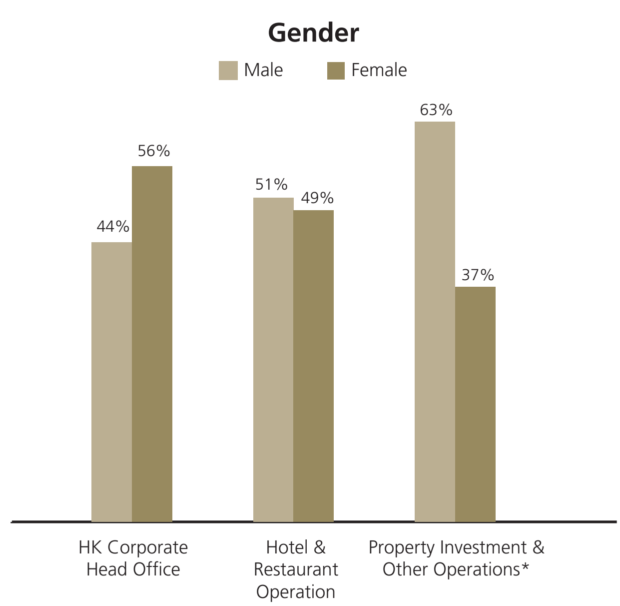
EMPLOYMENT AND LABOUR PRACTICES

Our human capital is the backbone to our sustainable success. The Group is committed to providing lawful and proper employment that signifies human development. We recognise the importance of workforce sustainability which is about retaining and attracting the right people to meet current and future business requirements. We offer competitive salaries to employees and discretionary bonuses are granted based on the performance of the Group as well as the performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including Executive Directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In line with our commitment to sustainability, staff wellness program (e.g. wellness festival, green workshop and mindfulness class), staff recreational activities as well as community involvement through volunteering projects are provided to employees.

As at 31 December 2020, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, decreased approximately 24.6% to 4,799 (2019: 6,366). The decrease was mainly attributable to the suspension of operation in many of our hotels, mainly overseas properties, due to the COVID-19 pandemic. The following charts show the composition and functional grouping of employees of the Group as at 31 December 2020:







* Other operations primarily include property development, operation of flexible workspace, asset management, project management, trading of building materials, securities investment, provision of property management, maintenance and property agency services and property leasing.

As a Group, we value communication and team spirit, and make continuous effort to promote dialogue, teamwork and a healthy work-life balance. Social events have been organised regularly to promote communication and cohesion across departments, business units and levels of seniority throughout the Group. These activities include:

(a) Senior staff meetings hosted by the Chairman, on recent business development of the Group;

(b) Departmental meetings with light refreshments, which enable every employee to enjoy a casual conversation with the Chairman; and

(c) Executives luncheons hosted by the Chairman and/or Executive Directors which facilitate ideas exchange among top management members of the Group in Hong Kong.

In addition, there is an iForum where employees could freely express themselves and share their ideas with others.

For development and training programmes conducted during the year, please refer to the section "Development and Training" in the Environmental, Social and Governance Report of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui
Chairman and Managing Director

Dr. LO Ka Shui, aged 74, has been a member of the Board since 1980. He is a substantial shareholder, the Chairman and Managing Director of the Company, the Chairman of the Finance Committee, and also a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of the Manager of the publicly listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is also a Vice President of The Real Estate Developers Association of Hong Kong and a member of the Board of Trustees of The Hong Kong Centre for Economic Research. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has over four decades of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and the father of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is the father of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Madam LO TO Lee Kwan
Non-executive Director

Madam LO TO Lee Kwan, aged 101, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late former chairman of the Company, and is the co-founder of the Group. She was involved in the early stage of development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and the grandma of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, she is the grandma of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Mr. CHENG Hoi Chuen, Vincent
Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 72, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheng is an Independent Non-executive Director of Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is also a former Independent Non-executive Director of China Minsheng Banking Corp., Ltd., MTR Corporation Limited and CLP Holdings Limited. Mr. Cheng is an Independent Non-executive Director of Airstar Bank Limited. He is also a Vice Patron of The Community Chest of Hong Kong and was a member of the Advisory Committee on Post-service Employment of Civil Servants. In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science Degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard
Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 68, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1995 and is the Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee of the Company. Professor Wong is Provost and Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region. He is a member of Research Council of Our Hong Kong Foundation. Professor Wong is an Independent Non-executive Director of Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited, both of which are companies whose shares are listed on the Stock Exchange. During the past three years, he was an Independent Non-executive Director of Orient Overseas (International) Limited.

Mrs. LEE Pui Ling, Angelina
Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 72, was appointed an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. She is a partner of the firm of solicitors, Woo Kwan Lee & Lo and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs. Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a Non-executive Director of the Securities and Futures Commission and a Non-executive Director of the Mandatory Provident Fund Schemes Authority. She is a Non-executive Director of CK Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited, all of which are listed companies.

Mr. LEE Siu Kwong, Ambrose
Independent Non-executive Director

Mr. LEE Siu Kwong, Ambrose, aged 72, was appointed as an Independent Non-executive Director of the Company in January 2016 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is currently an independent non-executive director of HSBC Bank (China) Company Limited and was a non-executive director of Digital Broadcasting Corporation Hong Kong Limited. Mr. Lee had served with the Hong Kong Government for 38 years and retired from it in 2012. He joined the Hong Kong Government as an Immigration Officer in 1974. He advanced through the ranks and in 1998, took charge of the Department as Director of Immigration. In 2002, Mr. Lee was appointed as Commissioner of the Independent Commission Against Corruption and one year later, he was appointed as Secretary for Security of the HKSAR Government. Throughout his years of service, Mr. Lee developed ample experience in government administration, executive management, law enforcement and crisis management. Mr. Lee was a Hong Kong deputy to the 12th National People's Congress and a Vice Chairman of the Council of Lifeline Express Hong Kong Foundation. He was awarded the Gold Bauhinia Star in 2009 and the Hong Kong Immigration Service Medal for Distinguished Service in 1998. Mr. Lee graduated from The University of Hong Kong with a Bachelor Degree of Science in Electrical Engineering and had also pursued administrative development and senior executive studies at Tsinghua University, University of Oxford, Harvard University and INSEAD.

Professor POON Ka Yeung, Larry

Independent Non-executive Director

Professor POON Ka Yeung, Larry, aged 53, was appointed as an Independent Non-executive Director of the Company in March 2016. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has been teaching marketing-related subjects for different Master Degree programs such as the Master's Degree in Science program, MBA program, EMBA program and Global Executive MBA program (OneMBA) of The Chinese University of Hong Kong. Since June 2008, he has been appointed as Adjunct Associate Professor in the Department of Marketing of The Chinese University of Hong Kong. Since June 2019, he has been appointed as a member of the External Advisory Group (EAG) of the MBA Strategic Plan of The Chinese University of Hong Kong. Professor Poon is an independent non-executive director of Shenzhen Neptunus Interlong Bio-Technique Company Limited. He has been appointed as an Honorary Institute Fellow of The Asia-Pacific Institute of Business of The Chinese University of Hong Kong since April 2002. He is also the Adviser of The Chinese Gold and Silver Exchange Society and an Independent Committee Member of the Registration Committee for the Practitioners' Registration Scheme of the Society. He has been appointed as the Humanitarian Education Advisor of Hong Kong Red Cross since April 2019. He obtained his Bachelor's Degree in Mathematics with Minor in Economics and Marketing from The Chinese University of Hong Kong in 1989 and was further admitted to the MBA Degree by the University of Hull, United Kingdom in 1996.

Mr. LO Hong Sui, Antony

Executive Director

Mr. LO Hong Sui, Antony, aged 79, is an Executive Director and a director of various subsidiaries of the Company. He has been a Director of the Group since 1967. Mr. Lo has been actively involved in property development, construction and investment for decades. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, a younger brother of Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Madam LAW Wai Duen

Executive Director

Madam LAW Wai Duen, aged 84, is an Executive Director and a director of various subsidiaries of the Company. She has been a Director of the Group since 1963. Madam Law graduated from The University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for decades. Madam Law is a daughter of Madam Lo To Lee Kwan, an elder sister of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and an aunt of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, she is an aunt of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Mr. LO Hong Sui, Vincent
Non-executive Director

Mr. LO Hong Sui, Vincent, aged 72, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is principally engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited and Shui On Land Limited, both are listed on the Stock Exchange. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a member of the Board of Directors of Boao Forum for Asia, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star in 1998 and was appointed a Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ying Sui, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Dr. LO Ying Sui
Non-executive Director

Dr. LO Ying Sui, aged 68, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine Degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. He is a son of Madam Lo To Lee Kwan, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Company. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Mr. LO Chun Him, Alexander
Executive Director

Mr. LO Chun Him, Alexander, aged 35, joined the Group in 2010 and was appointed as an Executive Director of the Company in December 2015. He is also a member of the Finance Committee. Mr. Lo holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, The Great Eagle Development and Project Management Limited, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation, Pacific Eagle China Orient (US) Real Estate GP, LLC and Rio dei Vetrai S.r.l.. He is also a Non-executive Director of Langham Hospitality Investments Limited and LHIL Manager Limited (Manager of the publicly listed Langham Hospitality Investments). Prior to joining the Group, he had worked at Citibank's investment banking division with a focus on Hong Kong's market. Mr. Lo is also a member of the Executive Committee of The Real Estate Developers Association of Hong Kong and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being a substantial shareholder, the Chairman and Managing Director of the Company. Also, he is a grandson of Madam Lo To Lee Kwan, a nephew of Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and a younger brother of Ms. Lo Bo Lun, Katherine, being senior management of the Company.

Mr. KAN Tak Kwong
Executive Director and General Manager

Mr. KAN Tak Kwong, aged 69, has been a Director of the Group since 1988. He is an Executive Director, the General Manager and a member of the Finance Committee of the Company. Mr. Kan also holds directorships in various principal subsidiaries of the Company, including The Great Eagle Company, Limited, Great Eagle (China) Investment Limited, Keysen Property Management Services Limited, Great Eagle Tokyo TMK, Eagle Property Management (CP) Limited, Langham Hospitality Group Limited, Langham Hotels International Limited, Pacific Eagle Holdings Corporation, Pacific Eagle China Orient (US) Real Estate GP, LLC and Rio dei Vetrai S.r.l.. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has decades of experience in finance, accounting, strategic development and corporate administration in the real estate, finance and construction industries.

Mr. CHU Shik Pui
Executive Director

Mr. CHU Shik Pui, aged 59, joined the Group in 1989 and was appointed as an Executive Director of the Company in December 2015. He is a member of the Finance Committee and also the Head of Tax and Investment primarily responsible for the Group's taxation, finance and investment matters. Mr. Chu is a fellow of The Chartered Association of Certified Accountants and an associate of The Hong Kong Institute of Certified Public Accountants. He is also a full member of the Society of Registered Financial Planners. Mr. Chu has over 30 years' aggregated experience in taxation, finance, accounting, legal, and acquisition and investment.

Directors' interests in the Group and/or in the substantial shareholders of the Company are set out in the Report of the Directors in this Annual Report.

SENIOR MANAGEMENT

HOTEL

Mr. Stefan LESER, aged 54, joined Langham Hospitality Group as chief executive officer in 2018. He oversees all aspects of management and brands for the Langham Hospitality Group's global portfolio of hotels, resorts and residences. He provides strategic guidance to achieve the company's vision, implementing organizational processes for all hotels, and leading the global expansion drive. With over 32 years of experience in the travel and hospitality industries, Mr. Leser was previously the group chief executive officer and a member of the board of directors at Jumeirah International. He also held senior roles for more than a decade at Kuoni Travel Holding Ltd., the leading Swiss travel services provider. As a member of Kuoni's executive board and executive vice president of the outbound and specialists division, he directed the company's travel businesses, and was also responsible for all inbound destination management businesses. Prior to joining Kuoni, Mr. Leser spent six years working in the information technology industry with Swissair and EDS Corporation. He holds a MBA from Augusta State University of Georgia (U.S.).

Ms. LO Bo Lun, Katherine, aged 39, joined the Hotels Division of Great Eagle Group in 2011 and acted as Executive Director of Langham Hospitality Group Limited. She is a hospitality industry professional. In 2014, she was appointed President of Eaton Hotels. As President, she is launching and overseeing the global rebranding of a new generation of Eaton. She leads the global Eaton team to execute the new Eaton vision in concept, innovation, design, programming, branding, development, project openings, operations, marketing, public relations, and strategic partnerships. She graduated from Yale University with a Bachelor of Arts with distinction in Sociocultural Anthropology, and subsequently earned her Master of Fine Arts Degree from the University of Southern California. She is a daughter of Dr. Lo Ka Shui, being a substantial shareholder, the Chairman and Managing Director of the Company. She is also a granddaughter of Madam Lo To Lee Kwan, a niece of Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and an elder sister of Mr. Lo Chun Him, Alexander, all being Directors of the Company.

Mr. LUK Chau Kwong, Eric, aged 61, is the Chief Financial Officer of the Group's Hotels Division who rejoined the Group in 2002. He first joined the Group in 1994 and had held previous positions including Vice President – Finance and Group Financial Controller for Langham Hospitality Group and various capacities at hotel properties under the Group. He has more than 30 years' hotel management experience and works extensively on the management, operations and acquisition of the Group's hotel projects globally.

ASSET MANAGEMENT AND BUSINESS DEVELOPMENT

Mr. Brett BUTCHER, aged 61, is the Chief Executive Officer of GE Hospitality Asset Management Limited. He held previous senior executive positions in Langham Hospitality Group between 2002 and 2013. Mr. Butcher holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 41 years and has covered assignments in Asia, the Pacific and North America.

Mr. LAM Kin Kwok, Sherman, aged 61, joined Great Eagle Group as Director – Strategy and Business Development in September 2013 and is the President of Pacific Eagle Holdings Corporation, overseeing Great Eagle's overseas property investment and development as well as real estate funds. Mr. Lam held senior roles in both privately held and publicly listed organisations in such sectors as real estate, electric power, telecommunication, infrastructure, transportation, oil & gas, etc.

CHINA

Mr. LU Ning, Michael, aged 47, Managing Director of the Group's China and Trading Divisions, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Mr. AU Ngai Ho, aged 62, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has about 40 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

PROJECT DEVELOPMENT

Mr. Richard GRANGER, aged 57, is the Head of Development and Project Management. As a Chartered Surveyor with 35 years of experience in real estate development and private equity investment, he oversees the project portfolio of the Group. Prior to joining in 2020, he was Head of Project & Business Development for Yoma Strategic Holdings, a Singapore-listed property developer involved with luxury hotels and high-rise condominium projects in Myanmar. He moved to Hong Kong in 2003 with EC Harris (now Arcadis) as Regional Managing Partner for Asia, to advise leading private equity funds and developers throughout Asia-Pacific. Notable clients include HSBC, HKAA, LaSalle Investment Management, Morgan Stanley and Goldman Sachs. His 25-year international career with EC Harris initially took Mr. Granger to Central Europe where he advised Fortune 500 clients across all property sectors including Procter & Gamble, Coca-Cola and Tesco. He graduated from the University of Reading with a Bachelor of Science Honours Degree in Quantity Surveying.

Mr. KWAN Chun Bon, James, aged 60, is the General Manager – Development of The Great Eagle Development and Project Management Limited. He has over 30 years extensive working experience in real estate fields which includes development projects and investment properties. Mr. Kwan has been serving the Group since September 1994. He holds a Professional Diploma in Estate Management (Hong Kong Polytechnic) and is a member of the Hong Kong Institute of Real Estate Administrators. He is now overseeing the Group's Development Department and handling prospective development projects and real estate investments and acquisition.

PROPERTY MANAGEMENT

Mr. LEUNG Tat Kai, Henry, aged 67, Director and the General Manager of Keysen Property Management Services Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung holds a Bachelor's Degree in Laws. He is a member of the Royal Institution of Chartered Surveyors. He has over 37 years' experience in the real estate industry and property management.

COMPLIANCE AND ADMINISTRATION

Ms. WONG Mei Ling, Marina, aged 54, is the Group Company Secretary and the Head of Administration. Ms. Wong is the Company Secretary of LHIL Manager Limited (Trustee-Manager of the publicly listed Langham Hospitality Investments) and Langham Hospitality Investments Limited. She is also a Non-executive Director and the officer in charge of the corporate secretary of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) principally responsible for the governance, compliance and corporate secretarial matters. Prior to joining the Company, she was a senior management of a red chip listed company in Hong Kong and served as the Company Secretary and a member of the Investment Appraisal Committee. With over 30 years solid working experience, her expertise lies in the development of governance and compliance policies and corporate secretarial and administration. Ms. Wong is a Fellow both of The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries. Ms. Wong received her Master Degree in Laws from The Chinese University of Hong Kong, her Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and her Bachelor Degree in Accountancy from City University of Hong Kong.

FINANCE

Mr. MOK Siu Bun, Terry, aged 67, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 39 years' experience in accounting and finance in the real estate industry.

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 58, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, a Master's Degree in Business Administration from The University of Hong Kong and a Postgraduate Diploma in IT Forensics. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. In addition, Mr. Ho has also earned the Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA), and the qualification of Certified in Risk and Information Systems Control (CRISC) from the Information Systems Audit and Control Association (ISACA). He has extensive experience in accounting, statutory auditing, IT auditing, internal auditing, risk management and corporate governance.

LEGAL

Mr. HUNG Ka Wai, aged 56, the Head of Legal of the Group, joined the Group in December 2011. Mr. Hung holds a Bachelor of Laws degree, a Postgraduate Certificate in Laws and a Master of Laws degree. Besides, he is also a graduate of the Law School of the University of New South Wales with a Master Degree in the Australian law. He is also a holder of the Master Degree in Laws specializing in compliance work from the Faculty of Law of the University of Hong Kong and also the diploma in arbitration awarded by the Royal Institution of Chartered Surveyors. He was admitted as a solicitor in Hong Kong in 1996 with more than 24 years of experience in corporate finance and compliance work in listed companies. He is also a member of the Chartered Institute of Arbitrators in the United Kingdom, the Hong Kong Institute of Construction Adjudicators, the Institute of Chartered Accountants in England and Wales, Chartered Accountants Australia and New Zealand and the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development and investment, operations of hotel, restaurant and flexible workspace, asset management, project management, trading of building materials, securities investment, provision of property management, maintenance and property agency services and property leasing.

The Group's operations are mainly located in Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan, Italy and others. An analysis of the Group's segment results for the year ended 31 December 2020 is set out in note 6 to the consolidated financial statements of this Annual Report.

Particulars of the Company's principal subsidiaries, interests in joint ventures and interests in associates as at 31 December 2020 are set out in notes 43, 16 and 17 to the consolidated financial statements of this Annual Report.

BUSINESS REVIEW

A fair review on the Group's business performance and the material factors underlying its financial position during the reporting period, as well as the development and likely future prospects of the Group's business are provided throughout this Annual Report and in particular under the following separate sections:

(a) Review of the Company's business and financial position using financial key performance indicators; and development and future prospects of the Company's business and important events affecting the Company that have occurred since the end of the year ended 31 December 2020 – Chairman's Statement comprising "Overview", "Business Review", "Financial Review" and "Outlook" on pages 7 to 25 of this Annual Report;

(b) The principal risks and uncertainties facing the Company – "Risks and Uncertainties" set out in the following section of this report; and

(c) Discussion on the Company's environmental policies and performance and an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends – "Environmental, Social and Governance Report" on pages 26 to 62 of this Annual Report.

The discussions referred to above form part of this Directors' Report.

The Group is committed to the preservation of its reputation and integrity through compliance with applicable laws, rules and regulations ("Laws"). Control procedures are in place to ensure compliance with the Laws which have a significant impact on the Group in conduct of its business including but not limited to the SFO, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, Residential Properties (First-hand Sales) Ordinance and those related to personal data privacy, copyrights and intellectual property, anti-money laundering, occupational safety and health, environmental protection, hotel operations, property sales and development, leasing and asset management in all jurisdictions in which the Group operates. The Group will not be obliged to do anything or omit to do anything if by doing so it would or might cause the Group to breach any applicable laws. The Group has also adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses. The risk factors set out below are those that could result in the Group's businesses, financial conditions, results of operations or growth prospects differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Outbreak of COVID-19

The outbreak of the COVID-19 pandemic has triggered a global economic downturn and global economic contraction. Governments around the world, including the places of businesses at which the Group operates, have introduced measures designed to slow the spread of COVID-19 pandemic, including lockdowns, social distancing requirements, quarantines, boarder controls and travel restrictions, with only limited exceptions. As a result, operations of the Group may be materially and adversely affected by potential delays in overall progress of property projects as well as reductions of business activities and commercial transactions.

The situation of the COVID-19 pandemic is still evolving. At the current time there is no clarity as to how long the domestic or the global economies will continue to be impacted by the effects of the COVID-19 pandemic or as to how severe the impact will be. While the recent arrival of various COVID-19 vaccines may provide the much-needed protection for kick-starting travelling again, it will take time to implement such a large-scale vaccination program. Meanwhile, there are renewed travel restrictions in many parts of the world in response to new coronavirus strains that are potentially more contagious. Even when restrictions are lifted, there might be a period of significantly reduced economic activity, potential increased unemployment, and reduced consumer spending and market liquidity.

A number of countries and areas (including Hong Kong) registered gross domestic product declines for 2020 as the COVID-19 pandemic dealt a heavy blow to global and local economic activities. It is possible that the outbreak of COVID-19 will cause an unprecedented impact on the global economy and a prolonged global economic crisis or recession. The outlook of the property market, economy slowdown and dampened business sentiment could potentially have an unfavourable impact on the real estate industry, global consumption, hospitality market and tourism related sectors. The heightened uncertainties surrounding the pandemic may disrupt the Group's business operations and consequently have a material adverse effect on the Group's financial conditions, results of operations and growth prospects.

To mitigate the situation, in addition to implementation of strict cost control measures as well as applying for and/or receiving various government subsidies for worldwide hotels in the Hotels Division, the Group has tried to increase its local market share in its hotel operations through staycation market and long stay packages. Numerous promotional packages with innovative ideas were launched to capture demand. Further, the Group has adopted enhanced precautionary measures in stepping up the hygiene standard at the workplace by updating business continuity and disaster recovery plan, accelerating the utilisation of video conferencing and implementing special work arrangement, including work from home, flexible working hours and split-team arrangements. The Group will continue to monitor the development of the COVID-19 pandemic closely and adjust the mitigation measures when necessary.

Risks pertaining to Property Development

Property development is the Group's core business, primarily in Hong Kong, the United States, Japan and Europe. Accordingly, this segment is concurrently exposing to the economic, political and legal developments, social stability, market conditions, environmental issues, the outbreak of epidemic diseases as well as changes in the government's policies and regulations in these regions. These inherent risks may give rise to delays in the completion of a project and result in cost overruns. This eventually affects the Group's investment strategy and business model as well as the performance in property development.

To mitigate the risks, the Group on one hand actively assesses the overall economic, political, social and legal developments, the latest development of epidemic diseases as well as the property markets in these regions and on the other hand, it continues to review and evaluate its investment strategy to ensure the Group responds to market changes appropriately. For each potential project, detailed feasibility studies and stress test with regard to all aspects will be carried out before an acquisition to minimise the commercial and legal risks.

Risks pertaining to Investment Properties

Investment properties segment is the Group's another core business with investment property assets accounted for over 65.41% of the Group's total assets. With the majority of the properties located in Hong Kong, the general economic climate, regulatory changes, government policies, the political and social conditions and the outbreak of epidemic diseases in Hong Kong may have a significant impact on the Group's overall financial results and positions. In this respect, the Group regularly assesses changes in economic, political and social environment and the latest development of epidemic diseases and keeps alert to market needs and competitors' reaction in order to maintain our competitiveness. Continuously upkeeping the quality of the assets and maintaining sufficient diversity in tenant-mix could also help growing revenue and resisting sluggish economy.

Furthermore, investment properties of the Group are stated at fair value in its financial statements based on valuations carried out by independent professional property valuers. The results of operations of the Group will include unrealised revaluation adjustments and therefore the future fair value of these investment properties is likely to fluctuate from time to time and may increase or decrease significantly. In the case of losses arising from changes in the fair value of these properties, this could have an adverse impact on our ability to comply with the financial covenants under the loan facility as well as any external borrowings we may incur in the future, and may also lead to an adverse market perception of the performance of our business, even though such losses are not realised. Nonetheless, fair value gains (or losses) will not change our cash position and therefore do not increase or decrease respectively our liquidity in spite of the increased or decreased profit. The Group will closely monitor its debt and cash position. Cash flow forecasts with sensitivity analysis will be prepared to ensure that all sources of liquidity risk are identified to evaluate the impact of different levels of business activity in relation to the existing loan facilities.

Risks pertaining to Hotel Operations

A substantial portion of the Group's revenue is derived from its hotel operations. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to both predictable and unpredictable factors including seasonality, social stability, natural hazards, epidemic diseases and economic condition as well as the nature of hotel business. The outlook of the hospitality industry is also challenged by the continued trade tensions and political uncertainty both domestically and abroad. In this respect, the Group regularly assesses the impact of the geopolitical outlook and economic development of different countries and keeps alert to market needs and competitors' reaction. The management will closely monitor hotels performance and booking pace. It also takes continual reviews of competition, market trends and the COVID-19 pandemic development for setting its business strategies including marketing, pricing and business operations to protect and drive profitability. Besides, the Group shall continue to improve its hotel services and facilities to ensure the provision of unforgettable experience for our customers.

Financial Risks

The major financial instruments of the Group include equity instruments at fair value through other comprehensive income, notes and loan receivables, debtors, financial assets at fair value through profit or loss, restricted cash, time deposits with original maturity over three months, bank balances and cash, creditors, rental deposits received, derivative financial instruments, distribution payable, medium term notes and borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out in note 41 to the consolidated financial statements of this Annual Report.

Operational Risks

The Group's operation is subject to a number of risk factors distinctive to the operation of property development, property investment, and property related businesses, such as default on the part of our buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems, inadequate responses to negative events which may have adverse impact on reputation, an outbreak of epidemic diseases or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation. Increased competition, cyclical over-supply of luxury hotels in some markets could also harm our business.

In this respect, the Group continuously monitors and analyses competitive and market information and the latest development of epidemic diseases in order to anticipate unfavourable changes, focuses on brand and communication initiatives to drive revenue growth and strengthen our brands' market position and also reinvests into our properties to ensure competitiveness. Furthermore, the Group has also arranged a business interruption insurance which covers the loss of income that a business suffers after a disaster.

Risk of Cyber-Attacks

The Group processes significant amount of data including personal information, customer data and other sensitive commercial data which are susceptible to cyber threats. Loss of data and leakage of confidential information are the largest costs from cyber-crime that the Group is facing. The cost of recovering from cyber attacks, including reputational damage, where the trust in a company decreases and its brand loses value, is considerable. The Group implements extensive measures to mitigate the occurrence and consequences of the risk of cyber-attacks. The vulnerabilities of the Group's IT infrastructure are regularly scanned and patched. Risky external IP addresses are blocked. All servers and user computers are equipped with antivirus or endpoint protection. Emails are filtered for spam and malware. Password control and user access to the systems and network elements are regularly updated and reviewed. System backup and DR facilities provide addition layers of protections. Staff trainings are conducted to enhance cybersecurity knowledge. All these measures increase the difficulty for a hacker. In addition, the respective business units have also acquired appropriate insurance which also help mitigating risk exposure by offsetting costs involved with recovery after a cyber-related security breach or similar event.

Human Resources Risks

Our success in business operations depends on our ability to attract, hire, retain and motivate suitable skilled employees, particularly in hotel management, property management and property development industries. Strong competition for talented staff and the tight labour markets in these industries, together with the added demands from new projects, posted a challenge to the Group's prospects in providing adequate resources to support the existing and growing business. Furthermore, the sudden loss of key qualified professionals could affect our ability to deliver on our projects and might have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. To mitigate the situation, careful attention is given to human resources of the Group with constant review on the human resources practices and contingency plans of human resources are in place to help reducing uncertainty and facilitating the Group's development.

Legal and Regulatory Compliance Risks

Whilst the Group has a diversified portfolio of business operations across Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan, Italy and others, any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group actively assesses the effect of relevant developments and engages closely with regulatory authorities and external advisors on new laws and regulations, and also trending legislation to ensure relevant requirements are properly complied in an effective manner. Details of the compliance with the applicable laws and regulations which have a significant impact on the Group are set out under section headed "Business Review" of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement of this Annual Report.

The Directors have recommended the payment of a final dividend of HK50 cents per share and a special final dividend of HK50 cents per share to the Shareholders whose names appear on the Registers of Members of the Company on Tuesday, 18 May 2021. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the payment of the final dividend and special final dividend will be made on 21 June 2021. Taken together with the interim dividend of HK33 cents per share and the special interim dividend of HK$1.50 per share paid in October 2020, the total dividend for the year 2020 is HK$2.83 per share.

MOVEMENTS IN RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 46 to the consolidated financial statements of this Annual Report.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in Appendix II to this Annual Report.

INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 14 to the consolidated financial statements of this Annual Report. All of the Group's investment properties were revalued by independent professional property valuers as at 31 December 2020 using the income capitalisation approach and the direct comparison method.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this Annual Report.

Details of the major properties of the Group as at 31 December 2020 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 11,538,064 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2019 final dividend. As at 31 December 2020, the authorised capital of the Company was HK$600,000,000.00 divided into 1,200,000,000 shares of HK$0.50 each, 719,920,112 shares of which were issued and credited as fully paid. Details of the movements of the share options during the year are disclosed hereinbelow. Changes in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

As at 31 December 2020, the Group employed 4,799 employees. Details of emolument policy and long-term incentive schemes of the Group are set out in "Corporate Governance Report – Employment and Labour Practices" on pages 88 to 89 of this Annual Report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. LO Chun Him, Alexander
Mr. KAN Tak Kwong *(General Manager)*
Mr. CHU Shik Pui

Non-executive Directors
Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. LEE Siu Kwong, Ambrose
Professor POON Ka Yeung, Larry

In accordance with Bye-law 109(A), Madam Law Wai Duen, Mr. Lo Chun Him, Alexander, Professor Wong Yue Chim, Richard, Mr. Lee Siu Kwong, Ambrose and Mr. Chu Shik Pui shall retire by rotation and, being eligible, have offered themselves for re-election at the 2021 Annual General Meeting of the Company.

The independence of Independent Non-executive Directors has been assessed by the Nomination Committee. The Company has also received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Board considers all the Independent Non-executive Directors of the Company to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management of the Company are set out on pages 90 to 96 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

DIRECTORS' EMOLUMENTS

Details of Directors' emoluments are set out in note 11 to the consolidated financial statements of this Annual Report.

PERMITTED INDEMNITY

The Bye-laws provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

Long positions in shares and underlying shares of the Company

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital [11]	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	59,336,775 [1]	8.24	
	Interests of Controlled Corporations	Corporate Interests	88,833,415 [2]	12.34	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 [3]	33.64	
	Founder of a Discretionary Trust	Trust Interests	63,223,699	8.78	63.00
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,275,671	0.17	
	Interests of Controlled Corporations	Corporate Interests	5,175,477 [4]	0.72	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 [3]	33.64	34.53
Cheng Hoi Chuen, Vincent	Interests of Spouse	Family Interests	10,000	0.00	0.00
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,000	0.00	0.00
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,270,995 [5]	0.17	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 [3]	33.64	33.81
Law Wai Duen	Beneficial Owner	Personal Interests	2,312,092 [6]	0.32	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 [3]	33.64	33.96
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293	0.00	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 [3]	33.64	33.64

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital (11)	Total
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000	0.20)	
	Interests of Controlled Corporations	Corporate Interests	35,846,206 (7)	4.98)	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	242,156,015 (3)	33.64)	38.82
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	1,014,000 (8)	0.14	0.14
Kan Tak Kwong	Beneficial Owner	Personal Interests	4,537,299 (9)	0.63	0.63
Chu Shik Pui	Beneficial Owner	Personal Interests	1,843,554 (10)	0.26	0.26

Notes:

(1) Among these interests, 2,066,000 were share options.

(2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies.

(3) These 242,156,015 shares were owned by a discretionary trust of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are among the discretionary beneficiaries.

(4) These 5,175,477 shares were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.

(5) Among these interests, 500,000 were share options.

(6) Among these interests, 400,000 were share options.

(7) These 35,846,206 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of such company.

(8) Among these interests, 988,000 were share options.

(9) Among these interests, 1,970,000 were share options.

(10) Among these interests, 1,560,000 were share options.

(11) This percentage has been compiled based on 719,920,112 shares of the Company in issue as at 31 December 2020.

Long positions in shares and underlying shares of associated corporations of the Company

Champion Real Estate Investment Trust ("Champion REIT")

Champion REIT (Stock Code: 2778), a Hong Kong collective investment scheme authorised under Section 104 of SFO, is accounted for as a subsidiary of the Company. As at 31 December 2020, the Group owned 67.22% interests in Champion REIT. While the definition of "associated corporation" under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of the Directors or chief executives of the Company in Champion REIT as at 31 December 2020 are disclosed as follows:

Name of Directors	Total Number of Units/Underlying Units Held	Percentage of Issued Units [(2)]
Lo Ka Shui	25,965,617 [(1)]	0.44
Lo Ying Sui	239,000	0.00
Chu Shik Pui	8,000	0.00

Notes:

(1) Among these 25,965,617 units:

- (i) 3,592,007 units were held by Dr. Lo Ka Shui personally;
- (ii) 3,258,610 units were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and
- (iii) 19,115,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

(2) This percentage has been compiled based on 5,906,142,701 units of Champion REIT in issue as at 31 December 2020.

Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHI")
LHI (Stock Code: 1270), the share stapled units (the "SSUs") of which are listed on the Stock Exchange. As at 31 December 2020, the Group owned 69.24% interests in LHI and is therefore a subsidiary of the Company. The holdings of the Directors or chief executives of the Company in LHI as at 31 December 2020 are disclosed as follows:

Name of Directors	Total Number of SSUs/Underlying SSUs Held	Percentage of Issued SSUs [3]
Lo Ka Shui	124,684,250 [1]	3.87
Lo To Lee Kwan	306,177 [2]	0.01
Wong Yue Chim, Richard	257,610	0.01
Law Wai Duen	3,888,421	0.12
Lo Ying Sui	932,194	0.03

Notes:

(1) Among these 124,684,250 SSUs:

(i) 31,584,000 SSUs were held by Dr. Lo Ka Shui personally;

(ii) 3,090,000 SSUs were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and

(iii) 90,010,250 SSUs were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

(2) These SSUs were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.

(3) This percentage has been compiled based on 3,225,166,738 SSUs of LHI in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

The interests of Directors (other than Independent Non-executive Directors) in a business apart from the Group's business, which competes or is likely to compete either directly or indirectly, with the Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

Mr. Lo Hong Sui, Vincent is the founder and Chairman of the Shui On Group which was established in 1971. He also holds key positions in the following subsidiaries of Shui On Group:

– Chairman of Shui On Land Limited ("SOL"), the Shui On Group's flagship property development company in the Chinese Mainland. SOL through its subsidiaries and associates develops large-scale, mixed-use city-core communities and integrated residential development projects.

– Chairman of SOCAM Development Limited ("SOCAM"). SOCAM through its subsidiaries, principally engages in property and construction businesses, and has business operations in Hong Kong, Macau, and the Chinese Mainland.

As the Board of Directors of the Company is independent of the Board of Directors of SOL and SOCAM Group, the Group has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

CONNECTED TRANSACTIONS

Connected transactions of the Company during the year are set out in note 39 to the consolidated financial statements of this Annual Report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 39 to the consolidated financial statements of this Annual Report, there was no transaction, arrangement or contract of significance subsisting during or at the end of the year in which a Director of the Company or an entity connected with a Director of the Company is or was materially interested, either directly or indirectly.

SHARE OPTION SCHEMES

In accordance with the 2019 Share Option Scheme, which was adopted pursuant to an ordinary resolution passed on 22 May 2019, the Board of Directors of the Company may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Upon the adoption of the 2019 Share Option Scheme on 22 May 2019, the 2009 Share Option Scheme was terminated. Options granted during the life of the 2009 Share Option Scheme and remain unexpired prior to the termination of the 2009 Share Option Scheme continue to be exercisable in accordance with their terms of issue after the termination of the 2009 Share Option Scheme.

Further details of the 2009 Share Option Scheme and the 2019 Share Option Scheme are set out in note 36 to the consolidated financial statements of this Annual Report.

Movements of the Share Options Granted to Employees (including Directors and their Associates)

Details of the movements in the share options granted to the Company's employees (including Directors and their Associates) under the 2009 Share Option Scheme and the 2019 Share Option Scheme during the year ended 31 December 2020 are as follows:

	Number of Share Options						
Date of grant	Outstanding as at 01/01/2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2020	Exercisable period	Exercise price per share (HK$)
11/03/2015 [(1)]	952,000	–	–	(952,000)	–	12/03/2017 – 11/03/2020	26.88
14/03/2016 [(1)]	1,439,000	–	–	(37,000)	1,402,000	15/03/2018 – 14/03/2021	25.70
14/03/2017 [(1)]	3,645,000	–	–	(410,000)	3,235,000	15/03/2019 – 14/03/2022	37.15
14/03/2018 [(1)]	4,621,000	–	–	(415,000)	4,206,000	15/03/2020 – 14/03/2023	42.40
08/05/2018 [(1)]	300,000	–	–	–	300,000	09/05/2020 – 08/05/2023	38.83
14/03/2019 [(1)]	5,358,000	–	–	(500,000)	4,858,000	15/03/2021 – 14/03/2024	39.05
18/03/2020 [(2)]	–	5,650,000 [(3)]	–	(338,000)	5,312,000	19/03/2022 – 18/03/2025	21.65
Total	**16,315,000**	**5,650,000**	**–**	**(2,652,000)**	**19,313,000**		

Notes:

(1) Share options were granted under the 2009 Share Option Scheme.

(2) Share options were granted under the 2019 Share Option Scheme.

(3) During the year ended 31 December 2020, 1,880,000 share options were granted to the Directors of the Company and their Associates, while 3,770,000 share options were granted to eligible employees of the Group. Please refer to the announcement of the Company dated 18 March 2020 for details.

(4) During the year ended 31 December 2020, no share option was cancelled.

(5) Consideration paid for acceptance of each grant of share options was HK$1.00.

(6) The vesting period for the share options granted is 24 months after the date of grant.

(7) The closing price of the shares of the Company immediately before the date of grant of 18 March 2020, i.e. 17 March 2020 was HK$21.30 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$20.834).

Movements of the Share Options Granted to Directors

During the year ended 31 December 2020, the details of the movements in the share options granted to Directors of the Company (some are also substantial Shareholders) under the 2009 Share Option Scheme and the 2019 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

		Number of Share Options						
Directors	Date of grant	Outstanding as at 01/01/2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2020	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Lo Ka Shui	14/03/2018 (1)	688,000	–	–	–	688,000	42.40	–
	14/03/2019 (1)	698,000	–	–	–	698,000	39.05	–
	18/03/2020 (2)	–	680,000	–	–	680,000	21.65	–
		1,386,000	680,000	–	–	2,066,000		
Lo Hong Sui, Antony	11/03/2015 (1)	100,000	–	–	(100,000)	–	26.88	–
	14/03/2016 (1)	100,000	–	–	–	100,000	25.70	–
	14/03/2017 (1)	100,000	–	–	–	100,000	37.15	–
	14/03/2018 (1)	100,000	–	–	–	100,000	42.40	–
	14/03/2019 (1)	100,000	–	–	–	100,000	39.05	–
	18/03/2020 (2)	–	100,000	–	–	100,000	21.65	–
		500,000	100,000	–	(100,000)	500,000		
Law Wai Duen	14/03/2017 (1)	100,000	–	–	–	100,000	37.15	–
	14/03/2018 (1)	100,000	–	–	–	100,000	42.40	–
	14/03/2019 (1)	100,000	–	–	–	100,000	39.05	–
	18/03/2020 (2)	–	100,000	–	–	100,000	21.65	–
		300,000	100,000	–	–	400,000		
Lo Chun Him, Alexander	11/03/2015 (1)	50,000	–	–	(50,000)	–	26.88	–
	14/03/2016 (1)	100,000	–	–	–	100,000	25.70	–
	14/03/2017 (1)	200,000	–	–	–	200,000	37.15	–
	14/03/2018 (1)	220,000	–	–	–	220,000	42.40	–
	14/03/2019 (1)	238,000	–	–	–	238,000	39.05	–
	18/03/2020 (2)	–	230,000	–	–	230,000	21.65	–
		808,000	230,000	–	(50,000)	988,000		

Directors	Date of grant	Number of Share Options: Outstanding as at 01/01/2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2020	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Kan Tak Kwong	11/03/2015 (1)	310,000	–	–	(310,000)	–	26.88	–
	14/03/2016 (1)	310,000	–	–	–	310,000	25.70	–
	14/03/2017 (1)	380,000	–	–	–	380,000	37.15	–
	14/03/2018 (1)	430,000	–	–	–	430,000	42.40	–
	14/03/2019 (1)	450,000	–	–	–	450,000	39.05	–
	18/03/2020 (2)	–	400,000	–	–	400,000	21.65	–
		1,880,000	400,000	–	(310,000)	1,970,000		
Chu Shik Pui	11/03/2015 (1)	120,000	–	–	(120,000)	–	26.88	–
	14/03/2016 (1)	200,000	–	–	–	200,000	25.70	–
	14/03/2017 (1)	300,000	–	–	–	300,000	37.15	–
	14/03/2018 (1)	350,000	–	–	–	350,000	42.40	–
	14/03/2019 (1)	380,000	–	–	–	380,000	39.05	–
	18/03/2020 (2)	–	330,000	–	–	330,000	21.65	–
		1,350,000	330,000	–	(120,000)	1,560,000		
Associates of Directors of the Company (7)	11/03/2015 (1)	170,000	–	–	(170,000)	–	26.88	–
	14/03/2016 (1)	152,000	–	–	–	152,000	25.70	–
	14/03/2017 (1)	230,000	–	–	–	230,000	37.15	–
	14/03/2018 (1)	40,000	–	–	–	40,000	42.40	–
	14/03/2019 (1)	60,000	–	–	–	60,000	39.05	–
	18/03/2020 (2)	–	40,000	–	–	40,000	21.65	–
		652,000	40,000	–	(170,000)	522,000		
Eligible Employees (other than Directors of the Company and their Associates)	11/03/2015 (1)	202,000	–	–	(202,000)	–	26.88	–
	14/03/2016 (1)	577,000	–	–	(37,000)	540,000	25.70	–
	14/03/2017 (1)	2,335,000	–	–	(410,000)	1,925,000	37.15	–
	14/03/2018 (1)	2,693,000	–	–	(415,000)	2,278,000	42.40	–
	08/05/2018 (1)	300,000	–	–	–	300,000	38.83	–
	14/03/2019 (1)	3,332,000	–	–	(500,000)	2,832,000	39.05	–
	18/03/2020 (2)	–	3,770,000	–	(338,000)	3,432,000	21.65	–
		9,439,000	3,770,000	–	(1,902,000)	11,307,000		

Notes:

(1) Share options were granted under the 2009 Share Option Scheme.
Share options granted on 11/03/2015 are exercisable during the period from 12/03/2017 to 11/03/2020.
Share options granted on 14/03/2016 are exercisable during the period from 15/03/2018 to 14/03/2021.
Share options granted on 14/03/2017 are exercisable during the period from 15/03/2019 to 14/03/2022.
Share options granted on 14/03/2018 are exercisable during the period from 15/03/2020 to 14/03/2023.
Share options granted on 08/05/2018 are exercisable during the period from 09/05/2020 to 08/05/2023.
Share options granted on 14/03/2019 are exercisable during the period from 15/03/2021 to 14/03/2024.

(2) Share options were granted under the 2019 Share Option Scheme.
Share options granted on 18/03/2020 are exercisable during the period from 19/03/2022 to 18/03/2025.

(3) During the year ended 31 December 2020, no share option was cancelled.

(4) Consideration paid for acceptance of each grant of share options was HK$1.00.

(5) The vesting period for the share options granted is 24 months after the date of grant.

(6) The closing price of the shares of the Company immediately before the date of grant of 18 March 2020, i.e. 17 March 2020 was HK$21.30 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$20.834).

(7) Being share options held by Mr. Lo Kai Shui, Ms. Lo Bo Lun, Katherine, Mr. Lo Chun Cheong and Mr. Lo Chun Lai, Andrew.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2020, the interests and short positions of persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

Long positions in shares of the Company

Name of Shareholders	Total Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital [(6)]
HSBC International Trustee Limited	301,572,709 [(1)]	41.89
Powermax Agents Limited	236,340,550 [(2)]	32.83
Mind Reader Limited	44,735,374 [(3)]	6.21
Surewit Finance Limited	42,079,519 [(4)]	5.85
Eagle Guardian Limited	39,712,066 [(5)]	5.52

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form (with the date of relevant event as at 17 April 2020) received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 31 December 2020:

(i) 242,156,015 shares representing 33.64% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, are among the discretionary beneficiaries.

(ii) 63,223,699 shares representing 8.78% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.

(2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 236,340,550 shares held by it were among the shares referred to in Note (1)(i) above.

(3) Mind Reader Limited is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.

(4) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 42,079,519 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is a director of this company.

(5) Eagle Guardian Limited is a company wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of this company.

(6) This percentage has been compiled based on 719,920,112 shares of the Company in issue as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, no person (other than the Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 103 to 107) of this report was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save and except the 2009 Share Option Scheme and the 2019 Share Option Scheme adopted by the Company as disclosed under section headed "Share Option Schemes" of this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save and except the 2009 Share Option Scheme and the 2019 Share Option Scheme adopted by the Company as disclosed under the section headed "Share Option Schemes" of this report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases respectively. Further details regarding trade debtors and prepayments are set out in note 24 to the consolidated financial statements of this Annual Report.

DONATIONS

The Group's charitable and other donations during the year amounted to HK$1,612,000 (2019: HK$1,608,000). In addition, the Group sponsored a few deserving projects in the community during the year. Details of our sponsorships are set out in "Environmental, Social and Governance Report – Community Engagement" on pages 52 to 53 of this Annual Report.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on Thursday, 6 May 2021.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the CG Code throughout the year under review, with the exception of a few deviations.

Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 63 to 89 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules. The "Environmental, Social and Governance Report" is set out on pages 26 to 62 of this Annual Report.

On behalf of the Board
LO Ka Shui
Chairman and Managing Director

Hong Kong, 26 February 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Members of Great Eagle Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 122 to 255, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK$73,111,626,000 as at 31 December 2020 represented 65.41% of the Group's total assets. The Group's investment properties are carried at fair value based on valuation performed by independent professional property valuers. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations are dependent on certain key inputs that involve the management's and independent professional property valuers' judgments, including capitalisation rate, market rent per square foot and market observable transactions of similar properties. A table showing the relationship of significant unobservable inputs to fair value is also disclosed in note 14. Fair value losses on investments properties of HK$14,252,703,000 were recognised in the consolidated income statement for the year then ended.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent professional property valuers; • Obtaining an understanding from the independent professional property valuers about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuations; • Evaluating the reasonableness of the key inputs used in the valuations by comparing the rentals, capitalisation rate and market observable transactions for valuation with other similar properties, and make reference with historical data, market trend and comparable data of companies within the same industry; and • Assessing the integrity of information provided by the management to the independent professional property valuers by comparing details of rentals on a sample basis to the respective underlying existing lease agreements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimation uncertainty in value in use calculation of impairment assessment of hotel properties	
We identified the estimation uncertainty in value in use calculation of impairment assessment of hotel properties as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole and the use of judgement, estimates and assumptions associated with the value in use calculations. The impact of Covid-19 pandemic on the Group's hotel operation segment result has been considered as an indicator for impairment testing of hotel properties. As disclosed in note 15 of the consolidated financial statements, the impairment of the Group's hotel properties with carrying amount of HK$10,171,637,000 as at 31 December 2020 was assessed based on value in use calculations (the "Hotel Properties"). The Group assesses the Hotel Properties for impairment using valuation techniques involving judgements, estimates and assumptions. The key assumptions used in the cash flow forecasts for impairment assessments prepared by the management are mainly driven by occupancy rates, discount rates and terminal capitalisation rates (if applicable). During the year ended 31 December 2020, an impairment loss of HK$271,467,000 is recognised. Details of the Hotel Properties are set out in note 15.	Our procedures in relation to the estimation uncertainty in value in use calculation for impairment assessment of Hotel Properties included: • Obtaining an understanding of the management control processes over impairment assessment; • Understanding the Group's impairment assessment process, including the impairment methodology and the preparation of the cash flow projections of Hotel Properties; • Discussing with the management about the impact of COVID-19 pandemic especially in the key assumptions used in the value in use calculation, such as recovery period of the hotel operations; • Evaluating the appropriateness of key inputs used by the management in cash flow forecasts by comparing the occupancy rates and terminal capitalisation rates with available industry data; and • Engaging our internal valuation specialists, on a sample basis, to assist us in assessing whether the discount rates and terminal capitalisation rates applied in value in use calculation were within an acceptable range.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 February 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5	**10,305,287**	9,236,830
Cost of goods and services		**(6,348,396)**	(5,194,954)
Operating profit before depreciation		**3,956,891**	4,041,876
Depreciation		**(831,868)**	(768,529)
Operating profit		**3,125,023**	3,273,347
Fair value changes on investment properties	14	**(14,252,703)**	(2,146,787)
Fair value changes on derivative financial instruments		**(194,050)**	(51,303)
Fair value changes on financial assets at fair value through profit or loss		**40,908**	24,837
Other income	7	**534,387**	232,036
Administrative and other expenses		**(489,189)**	(639,038)
Impairment loss on property, plant and equipment		**(347,898)**	–
Finance costs	8	**(802,927)**	(884,426)
Share of results of joint ventures		**(16,972)**	43,860
Share of results of associates		**5,147**	1,191
Loss before tax		**(12,398,274)**	(146,283)
Income taxes	9	**(403,811)**	(429,789)
Loss for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	10	**(12,802,085)**	(576,072)
Loss for the year attributable to:			
Owners of the Company		**(8,540,252)**	(337,790)
Non-controlling interests		**(113,487)**	(49,451)
		(8,653,739)	(387,241)
Non-controlling unitholders of Champion REIT		**(4,148,346)**	(188,831)
		(12,802,085)	(576,072)
Loss per share:	13		
Basic		**(HK$11.94)**	(HK$0.48)
Diluted		**(HK$11.94)**	(HK$0.48)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTE	**2020 HK$'000**	2019 HK$'000
Loss for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		**(12,802,085)**	(576,072)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		**(23,267)**	67,875
Share of other comprehensive expense of an associate		**(5,206)**	(8,312)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**348,719**	(13,303)
Share of other comprehensive income of a joint venture		**–**	11,366
Cash flow hedges:			
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	21	**(212,655)**	57,113
Reclassification of fair value adjustments to profit or loss	21	**43,724**	2,668
Other comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**151,315**	117,407
Total comprehensive expense for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**(12,650,770)**	(458,665)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(8,341,484)**	(237,343)
Non-controlling interests		**(112,003)**	(52,720)
		(8,453,487)	(290,063)
Non-controlling unitholders of Champion REIT		**(4,197,283)**	(168,602)
		(12,650,770)	(458,665)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	**2020 HK$'000**	2019 HK$'000
Non-current assets			
Investment properties	14	**73,111,626**	87,322,962
Property, plant and equipment	15	**21,565,777**	20,201,239
Interests in joint ventures	16	**94,767**	112,116
Interests in associates	17	**53,268**	55,700
Equity instruments at fair value through other comprehensive income	18	**1,065,589**	1,034,736
Notes and loan receivables	19	**995,203**	755,421
Derivative financial instruments	20, 21	**–**	65,652
		96,886,230	109,547,826
Current assets			
Stock of properties	22	**3,430,283**	6,096,557
Inventories	23	**105,886**	126,821
Debtors, deposits and prepayments	24	**734,060**	853,885
Notes and loan receivables	19	**2,318,802**	15,613
Financial assets at fair value through profit or loss	25	**463,846**	234,665
Derivative financial instruments	20	**20,954**	11,562
Tax recoverable		**78,189**	608
Restricted cash	26	**171,745**	166,405
Time deposits with original maturity over three months	26	**191,485**	200,000
Bank balances and cash	26	**7,378,111**	10,706,504
		14,893,361	18,412,620
Current liabilities			
Creditors, deposits and accruals	27	**5,035,056**	4,534,943
Derivative financial instruments	20, 21	**49,980**	4,198
Provision for taxation		**459,097**	526,998
Distribution payable		**246,761**	264,668
Borrowings due within one year	28	**4,659,429**	4,146,215
Medium term notes	29	**–**	199,929
Lease liabilities	30	**9,267**	11,513
		10,459,590	9,688,464
Net current assets		**4,433,771**	8,724,156
Total assets less current liabilities		**101,320,001**	118,271,982

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Derivative financial instruments	20, 21	**394,657**	115,007
Borrowings due after one year	28	**17,147,860**	21,523,056
Medium term notes	29	**7,608,548**	5,326,277
Deferred taxation	31	**1,282,957**	1,379,636
Lease liabilities	30	**11,114**	18,232
		26,445,136	28,362,208
NET ASSETS		**74,874,865**	89,909,774
Equity attributable to:			
Owners of the Company			
Share capital	32	**359,960**	354,191
Share premium and reserves		**58,451,432**	68,568,106
		58,811,392	68,922,297
Non-controlling interests		**(607,648)**	(913,557)
		58,203,744	68,008,740
Net assets attributable to non-controlling unitholders of Champion REIT		**16,671,121**	21,901,034
		74,874,865	89,909,774

The consolidated financial statements on pages 122 to 255 were approved and authorised for issue by the Board of Directors on 26 February 2021 and are signed on its behalf by:

Lo Ka Shui
DIRECTOR

Kan Tak Kwong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note a)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Total HK$'000
At 31 December 2018	349,324	5,967,374	(91,607)	23,109	3,054	400,965	(725,379)	60,710	(10,054)	8,158,132	55,217,184	69,352,812	(547,961)	68,804,851	22,705,392	91,510,243
Adjustments on adoption of HKFRS 16	–	–	–	–	–	–	–	–	–	–	2,862	2,862	–	2,862	–	2,862
At 1 January 2019 (restated)	349,324	5,967,374	(91,607)	23,109	3,054	400,965	(725,379)	60,710	(10,054)	8,158,132	55,220,046	69,355,674	(547,961)	68,807,713	22,705,392	91,513,105
Loss for the year	–	–	–	–	–	–	–	–	–	–	(337,790)	(337,790)	(49,451)	(387,241)	(188,831)	(576,072)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	67,875	–	–	–	–	–	–	–	–	67,875	–	67,875	–	67,875
Share of other comprehensive expense of an associate	–	–	(8,312)	–	–	–	–	–	–	–	–	(8,312)	–	(8,312)	–	(8,312)
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	39,552	–	–	39,552	–	39,552	20,229	59,781
Exchange differences arising on translation of foreign operations	–	–	(177)	–	–	–	(10,193)	–	–	336	–	(10,034)	(3,269)	(13,303)	–	(13,303)
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	11,366	–	–	–	–	11,366	–	11,366	–	11,366
Total comprehensive income (expense) for the year	–	–	59,386	–	–	–	1,173	–	39,552	336	(337,790)	(237,343)	(52,720)	(290,063)	(168,602)	(458,665)
Transaction with non-controlling unitholders of Champion REIT:																
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(529,776)	(529,776)
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(529,776)	(529,776)
Transactions with owners:																
Dividend paid	–	–	–	–	–	–	–	–	–	–	(584,053)	(584,053)	–	(584,053)	–	(584,053)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	–	–	15,036	–	–	–	–	–	–	–	(15,036)	–	–	–	–	–
Shares issued at premium	4,867	325,983	–	–	–	–	–	(11,862)	–	–	–	318,988	–	318,988	–	318,988
Share issue expenses	–	(107)	–	–	–	–	–	–	–	–	–	(107)	–	(107)	–	(107)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	31,506	–	–	–	31,506	–	31,506	–	31,506
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	37,632	–	37,632	44,476	82,108	(105,980)	(23,872)
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(185,176)	(185,176)	–	(185,176)
Recognised on acquisition of interests in subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(172,176)	(172,176)	–	(172,176)
At 31 December 2019	354,191	6,293,250	(17,185)	23,109	3,054	400,965	(724,206)	80,354	29,498	8,196,100	54,283,167	68,922,297	(913,557)	68,008,740	21,901,034	89,909,774

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note a)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Total HK$'000
At 31 December 2019	354,191	6,293,250	(17,185)	23,109	3,054	400,965	(724,206)	80,354	29,498	8,196,100	54,283,167	68,922,297	(913,557)	68,008,740	21,901,034	89,909,774
Loss for the year	–	–	–	–	–	–	–	–	–	–	(8,540,252)	(8,540,252)	(113,487)	(8,653,739)	(4,148,346)	(12,802,085)
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(30,151)	–	–	–	–	–	–	–	–	(30,151)	–	(30,151)	6,884	(23,267)
Share of other comprehensive expense of an associate	–	–	(5,206)	–	–	–	–	–	–	–	–	(5,206)	–	(5,206)	–	(5,206)
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	(113,110)	–	–	(113,110)	–	(113,110)	(55,821)	(168,931)
Exchange differences arising on translation of foreign operations	–	–	115	–	–	–	346,834	–	–	286	–	347,235	1,484	348,719	–	348,719
Total comprehensive (expense) income for the year	–	–	(35,242)	–	–	–	346,834	–	(113,110)	286	(8,540,252)	(8,341,484)	(112,003)	(8,453,487)	(4,197,283)	(12,650,770)
Transaction with non-controlling unitholders of Champion REIT:																
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(488,393)	(488,393)
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(488,393)	(488,393)
Transactions with owners:																
Dividend paid	–	–	–	–	–	–	–	–	–	–	(2,025,835)	(2,025,835)	–	(2,025,835)	–	(2,025,835)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	–	–	223	–	–	–	–	–	–	–	(223)	–	–	–	–	–
Shares issued at premium	5,769	228,684	–	–	–	–	–	–	–	–	–	234,453	–	234,453	–	234,453
Share issue expenses	–	(4)	–	–	–	–	–	–	–	–	–	(4)	–	(4)	–	(4)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	13,308	–	–	–	13,308	–	13,308	–	13,308
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	8,657	–	8,657	545,427	554,084	(544,237)	9,847
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(127,515)	(127,515)	–	(127,515)
At 31 December 2020	359,960	6,521,930	(52,204)	23,109	3,054	400,965	(377,372)	93,662	(83,612)	8,205,043	43,716,857	58,811,392	(607,648)	58,203,744	16,671,121	74,874,865

Notes:

(a) Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.

(b) It mainly represents the effect from the Group's increase in interests in Champion REIT and Langham (both defined in note 6) upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Operating activities		
Loss before tax	(12,398,274)	(146,283)
Adjustments for:		
Dividends received from equity securities held for trading	(3,571)	(6,711)
Dividends received from equity instruments at fair value through other comprehensive income	(4,657)	(14,659)
Fitting-out works of hotel buildings written off	700	47,558
Other income	(2,595)	–
Interest income	(245,221)	(223,818)
Fair value changes on investment properties	14,252,703	2,146,787
Fair value changes on derivative financial instruments	194,050	51,303
Fair value changes on financial assets at fair value through profit or loss	(40,908)	(24,837)
Write-down of properties held for sales	–	32,525
Impairment loss on property, plant and equipment	347,898	–
Allowance for doubtful debts	607	507
Depreciation	831,868	768,529
Recognition of share-based payments	13,308	31,506
Interest expense	802,927	884,426
Share of results of joint ventures	16,972	(43,860)
Share of results of associates	(5,147)	(1,191)
Exchange differences	4,302	3,679
Operating cash flows before movements in working capital	3,764,962	3,505,461
Decrease in debtors, deposits and prepayments	70,215	177,448
Decrease in inventories	20,935	19,169
(Decrease) increase in creditors, deposits and accruals	(720,796)	661,061
Decrease (increase) in stock of properties	2,361,763	(1,383,197)
Decrease (increase) in equity securities held for trading	70,057	(8,547)
Cash generated from operations	5,567,136	2,971,395
Hong Kong Profits Tax paid	(621,237)	(24,522)
Other jurisdictions tax paid	(37,257)	(87,059)
Hong Kong Profits Tax refunded	–	1
Other jurisdictions tax refunded	3,122	90,060
Net cash from operating activities	4,911,764	2,949,875

	2020 HK$'000	2019 HK$'000
Investing activities		
Additions of equity instruments at fair value through other comprehensive income	**(3,111)**	(120,968)
Additions of financial assets at fair value through profit or loss	**(658,566)**	(25,000)
Additions of investment properties	**(26,251)**	(66,601)
Advance of loan and mortgage loan receivables	**(392,663)**	(3,112)
Additions of property, plant and equipment	**(1,316,470)**	(1,356,875)
Additions of notes receivables	**(1,680,090)**	(435,821)
Dividends received from associates	**2,373**	5,933
Dividends received from		
– equity instruments at fair value through other comprehensive income	**3,207**	14,659
– equity securities held for trading	**2,223**	3,715
Distribution and repayment from a joint venture	**–**	1,295,673
Interest received	**295,182**	190,732
Withdrawal of restricted cash	**44,546**	48,712
Placement of restricted cash	**(41,049)**	(46,836)
Proceeds on disposal of		
– equity instruments at fair value through other comprehensive income	**4,622**	51,383
– financial assets at fair value through profit or loss	**400,000**	45,000
Proceeds on redemption of loan receivables	**51,092**	–
Proceeds on redemption of notes receivable	**248,377**	–
Proceeds on disposal of property, plant and equipment	**465**	2,908
Proceeds on disposal of asset classified as held for sale	**–**	1,176,139
Placement of time deposits with original maturity over three months	**(191,485)**	–
Withdrawal of time deposits with original maturity over three months	**200,000**	502,833
Net cash (used in) from investing activities	**(3,057,598)**	1,282,474
Financing activities		
Bank loans origination fees	**(17,160)**	(99,121)
Change of interests in subsidiaries	**(394,763)**	(196,045)
Distribution paid to non-controlling unitholders of Champion REIT	**(505,847)**	(537,159)
Distribution paid to non-controlling interests	**(27,301)**	(185,175)
Dividends paid to shareholders	**(1,791,382)**	(327,195)
Interest paid	**(804,690)**	(895,702)
Issue of shares	**–**	62,025
New bank loans raised	**973,642**	14,554,208
Proceeds from issuance of medium term notes	**2,325,450**	–
Repayments of bank loans	**(5,047,671)**	(14,466,094)
Repayments of lease liabilities	**(12,450)**	(12,171)
Interest paid for leases	**(1,043)**	(1,372)
Transaction costs for issuance of medium term notes	**(37,684)**	–
Contribution from non-controlling interests	**207,623**	–
Redemption of medium term notes	**(200,000)**	–
Net cash used in financing activities	**(5,333,276)**	(2,103,801)

	2020 HK$'000	2019 HK$'000
Net (decrease) increase in cash and cash equivalents	(3,479,110)	2,128,548
Bank balance designated to settle consideration payable for note receivables (note 27)	(775,350)	–
Effect of foreign exchange rates changes	150,717	33,739
Cash and cash equivalents at the beginning of the year	10,706,504	8,544,217
Cash and cash equivalents at the end of the year	6,602,761	10,706,504
Bank balance designated to settle consideration payable for note receivables (note 27)	775,350	–
Bank balance and cash	7,378,111	10,706,504

1. GENERAL INFORMATION

Great Eagle Holdings Limited (the "Company") is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development and investment, operations of hotel, restaurant and flexible workspace, asset management, project management, trading of building materials, securities investment, provision of property management, maintenance and property agency services and property leasing.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, Great Eagle Holdings Limited and its subsidiaries (collectively referred to as the "Group") has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKAS 1 and HKAS 8 "*Definition of Material*"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 "*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  i. the classification should not be affected by management intentions or expectations to settle the liabilities within 12 months; and

  ii. if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "*Financial Instruments: Presentation*".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The Group will further assess whether application of the amendments will have an impact on the classification of the Group's borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "*Interest Rate Benchmark Reform – Phase 2*"

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "*Interest Rate Benchmark Reform – Phase 2*" relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 "*Financial Instrument: Disclosures to accompany the amendments regarding modifications and hedge accounting*".

- Modification of financial assets, financial liabilities and lease liabilities – A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- Hedge accounting requirements – Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- Disclosures – The amendments require disclosures in order to allow users to understand the nature and extent of risk arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") borrowings, medium term notes and interest rate swaps and cross currency swaps which may be subject to interest rate benchmark reform. The Group expects no significant modification gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Except for the amendments to HKFRSs mentioned above, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group temporarily closed some of its hotels in an effort to contain the spread of the pandemic. On the other hand, governments in different countries have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including decrease in fair value of investment properties, reduction in revenue, impairment losses of property, plant and equipment including hotel properties and furniture, fixtures and equipment of flexible workspace operation, decrease in operating profit due to fixed overheads remain constant during close-down period, and receipt of government grants in respect of COVID-19-related subsidies as disclosed in the relevant note.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "*Share-based Payment*" ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 "*Leases*" ("HKFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "*Inventories*" or value in use in HKAS 36 "*Impairment of Assets*".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holding of other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportional interest. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional and included in retention money receivables. It is assessed for impairment in accordance with HKFRS 9 "*Financial Instruments*" ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer and included in customer deposits and other deferred revenue.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts of management fee in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties, including those held for sale, are measured at fair value using the fair value model adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including owner occupied land and buildings held for use in the supply of services, or for administrative purposes (other than properties under construction and freehold land as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Freehold land is stated at cost less accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than properties under construction and freehold land) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the medium-term lease period
Owner occupied properties and hotel buildings	Over the shorter of the term of the lease or 50 years
Furniture, fixtures and equipment	
Hotel machinery	4%
Fine art	4%
Hotel renovation	10%
Other furniture and fixtures	10% – 20%
Plant and machinery	10% – 20%
Motor vehicles	20%

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent that the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use leasehold land" under property, plant and equipment. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as "hotel buildings" under property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as "right-of-use leasehold land") at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

When an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, the property, plant and equipment would be recognised at the fair value at the date of transfer. The fair value at the date of the transfer becomes the deemed cost for subsequent measurement and disclosure purposes.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments during the construction period is included as part of costs of buildings under construction.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Interests in associates and joint ventures

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Interests in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a gain or loss being recognised in profit or loss. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and any proceeds from disposing of the interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Impairment losses on property, plant and equipment, right-of-use assets and tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and tangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment losses on property, plant and equipment, right-of-use assets and tangible assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Properties under development for sale and properties held for sale

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development for sale and properties held for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties held for sale upon completion.

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases for offices and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group represents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Classification and measurement of leases (continued)

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve) (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal of interest in a joint arrangement or an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered the service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised in respect for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, but will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in "fair value changes on financial assets at fair value through profit or loss" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade debtors, other receivables and deposits, retention money receivables, notes and loan receivables, amount due from a joint venture, restricted cash, time deposits with original maturity over three months and bank balances and cash), and other item (representing lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of debtors where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including creditors, distribution payable, borrowings and medium term notes) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The Group uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated under the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated income statement as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For fair value hedge of debt instruments at amortised cost or debt instrument at FVTOCI, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting condition. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have been in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale. As a result, the Group has not recognised any deferred taxation on changes in fair value of investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the investment properties situated in the United States of America ("USA") and the People's Republic of China ("PRC"), the Group has recognised the deferred taxation on changes in fair value of investment properties as the Group is subject to income taxes, capital gain taxes and land appreciation tax on disposal of its investment properties as appropriate.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional property valuers.

In determining the fair value of investment properties situated in Hong Kong, the PRC and USA, the valuers have used income capitalisation approach which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period or direct comparison method which involves estimates of the fair value to similar properties adjusted to reflect current market conditions as of the end of the reporting period.

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of the COVID-19 pandemic. Note 14 provides detailed information about carrying amounts of the investment properties, the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

Estimated impairment of hotel properties and hotel properties under development

As explained in note 3, included in property, plant and equipment are the Group's hotel buildings which are stated at cost less subsequent accumulated depreciation and accumulated impairment losses; and hotel buildings under development which are stated at cost less accumulated impairment losses.

At the end of the reporting period, the Group reviews the carrying amounts of its hotel buildings and hotel buildings under development to determine whether there is any indication that those properties have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant property is estimated in order to determine the extent of the impairment loss (if any). The impact of the COVID-19 pandemic on the Group's hotel operation segment result has been considered as an indicator for impairment testing of hotel buildings and hotel buildings under development. In determining whether hotel buildings and hotel buildings under development would be impaired, the Group has to exercise judgement and make estimation, in assessing whether the carrying value of these assets can be supported by the recoverable amount.

For the purpose of impairment assessment of hotel properties, the Group has considered the relevant freehold land, right-of-use leasehold land, hotel buildings, hotel buildings under development and furniture, fixtures and equipment of each hotel property as one cash-generating unit ("CGU"). In the case of value in use, the recoverable amounts are calculated based on the net present value of future cash flows which are estimated based on the continued use of the assets and the appropriate key assumptions.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of hotel properties and hotel properties under development (continued)

For the purpose of impairment assessment of hotel properties under development, the Group has considered the relevant hotel buildings under development and freehold land as one CGU. In the case of value in use, the recoverable amounts are calculated based on the forecasted future operating cash flows of the properties and the anticipated costs to completion of the hotel properties under development by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend.

In the impairment assessment, changes in the assumptions and estimates, including the occupancy rates, discount rates or the terminal capitalisation rates in the cash flow projections, could materially affect the recoverable amount. Furthermore, these key assumptions are subject to greater uncertainties in the current year due to the COVID-19 pandemic may progress and evolve and cause disruptions in the Group's hotel operations. Details are set out in note 15.

5. REVENUE

Revenue represents the aggregate of income from hotel operation, gross rental income, building management service income, income from sale of properties, proceeds from sale of building materials, dividend income from investments and income from other operations (including property management and maintenance income and property agency commission).

	2020 HK$'000	2019 HK$'000
Hotel income	**1,799,294**	5,545,524
Rental income from investment properties	**2,717,328**	2,918,917
Building management service income	**305,578**	321,697
Sales of properties	**5,178,149**	45,947
Sales of goods	**104,660**	213,728
Dividend income	**8,228**	21,370
Others	**192,050**	169,647
	10,305,287	9,236,830

5. REVENUE (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

2020

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations/ reclassifications HK$'000	Consolidated HK$'000
Hotel income	1,815,187	–	–	–	1,815,187	–	206,341	–	(222,234)	1,799,294
Building management service income	–	26,346	–	–	26,346	287,063	–	–	(7,831)	305,578
Sales of properties	–	–	5,107,869	–	5,107,869	–	–	70,280	–	5,178,149
Sales of goods	–	–	–	104,880	104,880	–	–	–	(220)	104,660
Others	–	–	–	570,070	570,070	–	–	–	(378,020)	192,050
Revenue from contracts with customers	1,815,187	26,346	5,107,869	674,950	7,624,352	287,063	206,341	70,280	(608,305)	7,579,731
Rental income from investment properties	–	156,963	–	–	156,963	2,633,257	1,915	14,026	(88,833)	2,717,328
Dividend income	–	–	–	7,582	7,582	–	–	–	646	8,228
	1,815,187	183,309	5,107,869	682,532	7,788,897	2,920,320	208,256	84,306	(696,492)	10,305,287

2019

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
Hotel income	5,600,175	–	–	–	5,600,175	–	482,224	–	(536,875)	5,545,524
Building management service income	–	25,560	–	–	25,560	302,528	–	–	(6,391)	321,697
Sales of properties	–	–	–	–	–	–	–	45,947	–	45,947
Sales of goods	–	–	–	213,863	213,863	–	–	–	(135)	213,728
Others	–	–	–	594,393	594,393	–	–	–	(424,746)	169,647
Revenue from contracts with customers	5,600,175	25,560	–	808,256	6,433,991	302,528	482,224	45,947	(968,147)	6,296,543
Rental income from investment properties	–	193,073	–	–	193,073	2,778,142	1,659	1,099	(55,056)	2,918,917
Dividend income	–	–	–	21,370	21,370	–	–	–	–	21,370
	5,600,175	218,633	–	829,626	6,648,434	3,080,670	483,883	47,046	(1,023,203)	9,236,830

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers:

– by source of revenue:

2020

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	834,003	834,003
– food & beverage revenue	788,716	–	788,716
– others	89,613	86,962	176,575
Building management service income	–	305,578	305,578
Sales of properties	5,178,149	–	5,178,149
Sales of goods	98,819	5,841	104,660
Others	–	192,050	192,050
Revenue from contracts with customers	6,155,297	1,424,434	7,579,731
Rental income from investment properties			2,717,328
Dividend income			8,228
			10,305,287

2019

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	3,221,844	3,221,844
– food & beverage revenue	1,930,870	–	1,930,870
– others	239,343	153,467	392,810
Building management service income	–	321,697	321,697
Sales of properties	45,947	–	45,947
Sales of goods	206,503	7,225	213,728
Others	–	169,647	169,647
Revenue from contracts with customers	2,422,663	3,873,880	6,296,543
Rental income from investment properties			2,918,917
Dividend income			21,370
			9,236,830

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers: (continued)

– by geographical locations:

2020

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	5,607,699	650,425	6,258,124
The USA	224,165	253,164	477,329
The PRC	117,679	179,987	297,666
Canada	15,774	94,978	110,752
The United Kingdom	49,207	88,766	137,973
Australia	65,885	90,310	156,195
New Zealand	74,177	65,724	139,901
Others	711	1,080	1,791
Revenue from contracts with customers	6,155,297	1,424,434	7,579,731
Rental income from investment properties			2,717,328
Dividend income			8,228
			10,305,287

2019

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	866,659	1,202,367	2,069,026
The USA	677,133	1,005,026	1,682,159
The PRC	226,801	338,828	565,629
Canada	99,223	466,013	565,236
The United Kingdom	209,966	437,506	647,472
Australia	188,667	282,782	471,449
New Zealand	146,652	140,266	286,918
Others	7,562	1,092	8,654
Revenue from contracts with customers	2,422,663	3,873,880	6,296,543
Rental income from investment properties			2,918,917
Dividend income			21,370
			9,236,830

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers:

Hotel room revenue is recognised over the stay of guests. The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals. The Group allows an average credit period of 30 – 60 days to its trade customers.

Food & beverage revenue is recognised at a point in time when control of the goods and services is transferred to customers.

Other hotel income mainly comprises ancillary service income which is recognised at a point in time when control of the services is transferred to customers or over the service period, depending on the terms of the contracts.

Building management service income is recognised over the service period. The Group receives monthly building management service payments from customers one month in advance under the contracts.

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals.

Sale of goods is mainly recognised at a point in time when control of the goods is transferred to customers. The Group allows an average credit period of 30 – 60 days to its trade customers.

Others represent flexible workspace income, property maintenance and property management service income which are recognised over the service period. The Group receives a portion of service payments from customers in advance under the contracts.

5. REVENUE (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers:

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

2020

	Within one year HK$'000	More than one year but not more than two years HK$'000	More than two years HK$'000	Total HK$'000
Hotel income	**246,958**	**26,198**	**948**	**274,104**
Sales of properties	**792,474**	**–**	**–**	**792,474**
Sales of goods	**132,793**	**86,794**	**41,800**	**261,387**
Others	**14,863**	**–**	**–**	**14,863**
	1,187,088	**112,992**	**42,748**	**1,342,828**

2019

	Within one year HK$'000	More than one year but not more than two years HK$'000	More than two years HK$'000	Total HK$'000
Hotel income	417,029	24,564	2,452	444,045
Sales of properties	4,437,626	–	–	4,437,626
Sales of goods	110,246	46,883	–	157,129
Others	34,670	–	–	34,670
	4,999,571	71,447	2,452	5,073,470

6. SEGMENT INFORMATION

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of the US Real Estate Fund and each listed group, including Great Eagle Holdings Limited, Champion Real Estate Investment Trust ("Champion REIT") and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham").

The Group's operating and reportable segments under HKFRS 8 "*Operating Segments*" are as follows:

Hotel operation	–	hotel accommodation, food and banquet operations as well as hotel management.
Property investment	–	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Property development	–	income from selling of properties held for sale.
Other operations	–	sale of building materials, flexible workspace operation, investment in securities, provision of property management, maintenance and property agency services.
Results from Champion REIT	–	based on published financial information of Champion REIT.
Results from Langham	–	based on financial information of Langham.
US Real Estate Fund	–	based on income from sale of properties, rental income and related expenses of the properties owned by the US Real Estate Fund.

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments (hereinafter referred to as the "Great Eagle Operations") represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors' salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at FVTPL, other income, finance costs and income taxes. The hotel operation segment result has been arrived at after reversing intra-group HKFRS 16 impact for its role as a lessee to the three hotel properties owned by Langham. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (continued)

The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

Segment revenue and results

2020

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations/ reclassification HK$'000	Consolidated HK$'000
REVENUE										
External revenue	1,799,294	181,936	5,107,869	304,292	7,393,391	2,825,029	1,915	84,306	646	10,305,287
Inter-segment revenue	15,893	1,373	–	378,240	395,506	95,291	206,341	–	(697,138)	–
Total	1,815,187	183,309	5,107,869	682,532	7,788,897	2,920,320	208,256	84,306	(696,492)	10,305,287

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations/ reclassification HK$'000	Consolidated HK$'000
RESULTS										
Segment results	(625,774)	134,533	2,055,379	351,600	1,915,738	2,065,451	179,887	(15)	40,467	4,201,528
Depreciation					(664,818)	–	(229,259)	(358)	62,567	(831,868)
Operating profit (loss) after depreciation					1,250,920	2,065,451	(49,372)	(373)	103,034	3,369,660
Fair value changes on investment properties					(406,544)	(13,847,194)	–	(4,665)	5,700	(14,252,703)
Fair value changes on derivative financial instruments					(103,619)	(70)	(90,361)	–	–	(194,050)
Fair value changes on financial assets at FVTPL					40,908	–	–	–	–	40,908
Other income					43,672	2,158	1,441	58	(2,800)	44,529
Administrative and other expenses					(443,816)	(24,939)	(19,527)	(4,192)	3,285	(489,189)
Impairment loss on property, plant and equipment					(347,898)	–	–	–	–	(347,898)
Net finance costs					32,809	(421,605)	(174,063)	(3,906)	9,059	(557,706)
Share of results of joint ventures					(16,972)	–	–	–	–	(16,972)
Share of results of associates					5,147	–	–	–	–	5,147
Loss before tax					54,607	(12,226,199)	(331,882)	(13,078)	118,278	(12,398,274)
Income taxes					(157,805)	(270,890)	23,157	–	1,727	(403,811)
Loss for the year					(103,198)	(12,497,089)	(308,725)	(13,078)	120,005	(12,802,085)
Less: Loss attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(1,047)	4,148,346	107,991	6,543	–	4,261,833
Loss attributable to owners of the Company					(104,245)	(8,348,743)	(200,734)	(6,535)	120,005	(8,540,252)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2019

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,545,524	217,951	–	404,745	6,168,220	3,019,905	1,659	47,046	–	9,236,830
Inter-segment revenue	54,651	682	–	424,881	480,214	60,765	482,224	–	(1,023,203)	–
Total	5,600,175	218,633	–	829,626	6,648,434	3,080,670	483,883	47,046	(1,023,203)	9,236,830

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	779,817	168,204	–	562,284	1,510,305	2,182,965	448,300	(43,074)	(56,620)	4,041,876
Depreciation					(599,135)	–	(226,071)	–	56,677	(768,529)
Operating profit (loss) after depreciation					911,170	2,182,965	222,229	(43,074)	57	3,273,347
Fair value changes on investment properties					(152,851)	(1,994,379)	–	(357)	800	(2,146,787)
Fair value changes on derivative financial instruments					(36,412)	–	(14,891)	–	–	(51,303)
Fair value changes on financial assets at FVTPL					24,837	–	–	–	–	24,837
Other income					9,178	–	69	–	(1,029)	8,218
Administrative and other expenses					(596,610)	(23,896)	(13,328)	(8,881)	3,677	(639,038)
Net finance costs					9,882	(444,153)	(220,147)	(11,951)	5,761	(660,608)
Share of results of joint ventures					43,860	–	–	–	–	43,860
Share of results of associates					1,191	–	–	–	–	1,191
Loss before tax					214,245	(279,463)	(26,068)	(64,263)	9,266	(146,283)
Income taxes					(119,453)	(290,859)	(19,612)	–	135	(429,789)
Loss for the year					94,792	(570,322)	(45,680)	(64,263)	9,401	(576,072)
Less: Loss attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(3,328)	188,831	16,546	36,233	–	238,282
Loss attributable to owners of the Company					91,464	(381,491)	(29,134)	(28,030)	9,401	(337,790)

Notes:

1. There were no revenue and segment result recognised during the year ended 31 December 2019 as the properties directly held were under development.
2. The inter-segment revenue of Langham mainly includes the rental income of three hotel properties receivable from Great Eagle.
3. During the year, income from sale of properties and rental income of HK$70,280,000 (2019: HK$45,947,000) and HK$14,026,000 (2019: HK$1,099,000) respectively, were recognised by the US Real Estate Fund.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

31 December 2020

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	**18,987,264**	**5,750,353**	**13,236,911**
Property investment (note a)	**6,103,423**	**63,150**	**6,040,273**
Property development (note a)	**3,951,305**	**1,218,326**	**2,732,979**
Other operations (note a)	**565,799**	**219,885**	**345,914**
Unallocated	**5,817,490**	**2,429,874**	**3,387,616**
Great Eagle Operations (note b)	**35,425,281**	**9,681,588**	**25,743,693**
Champion REIT (note c)	**48,192,191**	**13,499,694**	**34,692,497**
Langham (note d)	**10,441,100**	**4,812,167**	**5,628,933**
US Real Estate Fund (note e)	**450,714**	**180,996**	**269,718**

31 December 2019

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	18,395,259	7,519,156	10,876,103
Property investment (note a)	6,556,581	77,658	6,478,923
Property development (note a)	5,990,775	3,781,058	2,209,717
Other operations (note a)	679,175	301,298	377,877
Unallocated	7,769,617	480,358	7,289,259
Great Eagle Operations (note b)	39,391,407	12,159,528	27,231,879
Champion REIT (note c)	55,412,331	11,960,205	43,452,126
Langham (note d)	11,174,843	4,836,323	6,338,520
US Real Estate Fund (note e)	541,146	166,393	374,753

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, right-of-use assets, equity instruments at FVTOCI, stock of properties, inventories, notes and loan receivables, financial assets at FVTPL, time deposits with original maturity over three months, bank balances and cash and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, borrowings, lease liabilities, provision for taxation and deferred taxation attributable to respective operating segments.

(b) Included in the assets and liabilities are bank deposits and restricted cash of HK$5,555,339,000 (2019: HK$8,574,823,000) and borrowings of HK$6,374,503,000 (2019: HK$8,866,610,000), representing net debt of HK$819,164,000 as at 31 December 2020 (2019: HK$291,787,000).

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Notes: (continued)

(c) Assets and liabilities of Champion REIT are based on published financial information of Champion REIT, at the effective interest held by Great Eagle Holdings Limited, being 67.22% (2019: 66.22%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK$506,019,000 (2019: HK$518,838,000).

(d) Assets and liabilities of Langham are based on published financial information of Langham, at the effective interest held by Great Eagle Holdings Limited, being 69.24% (2019: 63.45%). It includes three hotel properties with appraised value of HK$14,802,000,000 as at 31 December 2020 (2019: HK$17,500,000,000). The three hotel properties are self-operated by Great Eagle and accordingly recognised as property, plant and equipment with corresponding carrying amount (at cost less accumulated depreciation) of HK$3,743,680,000 (2019: HK$3,953,649,000) in the Group's consolidated statement of financial position.

(e) Assets and liabilities of the US Real Estate Fund are based on results of the fund at the 49.97% (2019: 49.97%) interest held by Great Eagle Holdings Limited.

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan, Italy and others.

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers, except for property investment and hotel operations which are based on the geographical location of the properties, and information about the carrying amount of non-current assets excluding financial instruments, interests in associates and joint ventures by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Hong Kong	**8,967,662**	5,004,052	**77,094,626**	91,608,749
The USA	**493,345**	1,687,421	**8,100,936**	7,167,205
The PRC	**297,667**	565,630	**3,043,054**	2,972,001
Canada	**110,752**	565,236	**603,338**	605,361
The United Kingdom	**137,974**	647,471	**1,654,864**	1,678,579
Australia	**156,195**	471,450	**838,465**	806,249
New Zealand	**139,902**	286,918	**1,035,523**	582,154
Japan	**–**	–	**1,962,804**	1,812,858
Italy	**–**	–	**343,793**	291,045
Others	**1,790**	8,652	**–**	–
	10,305,287	9,236,830	**94,677,403**	107,524,201

6. SEGMENT INFORMATION (continued)

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for both years.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income on:		
Bank deposits	149,358	164,903
Financial assets at FVTPL	11,124	975
Notes receivable	61,091	33,052
Others	23,648	24,888
	245,221	223,818
Government subsidy (Note)	261,468	–
Recovery of bad debts	–	148
Sundry income	11,801	8,070
Net exchange gain	15,897	–
	534,387	232,036

Note:

During the current year, the Group recognised government grants of HK$261,468,000 in respect of COVID-19-related subsidies.

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings	562,623	689,433
Interest on medium term notes	225,188	196,555
Interest on lease liabilities	1,043	1,372
Other borrowing costs	56,775	79,912
	845,629	967,272
Less: amount capitalised (note)	(42,702)	(82,846)
	802,927	884,426

Note:

Interest were capitalised at an average annual rate of 0.97% (2019: 1.79%) to property development projects.

9. INCOME TAXES

	2020 HK$'000	2019 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**592,455**	356,196
Other jurisdictions	**2,203**	92,574
	594,658	448,770
Overprovision in prior years:		
Hong Kong Profits Tax	**(2,897)**	(628)
Other jurisdictions	**(6,785)**	(4,695)
	(9,682)	(5,323)
	584,976	443,447
Deferred tax (note 31):		
Current year	**(165,436)**	(10,600)
Overprovision in prior years	**(15,729)**	(3,058)
	(181,165)	(13,658)
	403,811	429,789

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Corporate tax rate in the USA is calculated at the effective rate of 28% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	2020 HK$'000	2019 HK$'000
Loss before tax	**(12,398,274)**	(146,283)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**(2,045,715)**	(24,136)
Tax effect of expenses that are not deductible for tax purpose	**2,424,664**	426,404
Tax effect of income that is not taxable for tax purpose	**(50,679)**	(35,490)
Overprovision in prior years	**(25,411)**	(8,381)
Tax effect of share of results of associates	**(849)**	(196)
Tax effect of share of results of joint ventures	**2,800**	(7,237)
Tax effect of tax losses not recognised	**149,844**	54,459
Utilisation of tax losses previously not recognised	**(4,356)**	(10,126)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(71,173)**	16,933
Others	**24,686**	17,559
Tax charge for the year	**403,811**	429,789

10. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,746,906	2,570,669
Share-based payments (including Directors' emoluments)	13,308	31,506
	1,760,214	2,602,175
Depreciation	831,868	768,529
Auditor's remuneration	15,331	15,735
Trustee's remuneration	12,852	14,685
Cost of inventories recognised as an expense	3,267,544	689,790
Write-down of properties held for sale (included in cost of goods and services)	–	32,525
Net exchange loss (included in administrative and other expenses)	–	15,205
Fitting-out works of hotel buildings written off	700	47,558
Allowance for doubtful debts	607	507
Share of tax of a joint venture (included in the share of results of joint ventures)	–	146
Share of tax of associates (included in the share of results of associates)	11	–
and after crediting:		
Net exchange gain (included in other income)	15,897	–
Share of tax credit of associates (included in the share of results of associates)	–	6
Recovery of bad debts	–	148
Dividend income from		
– equity instruments at FVTOCI	4,657	14,659
– financial assets at FVTPL	3,571	6,711
Rental income from investment properties less related outgoings of HK$243,731,000 (2019: HK$204,556,000)	2,473,597	2,714,361

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2019: fourteen) Directors were as follows:

	2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	220	14,122	1,021	3,302	612	19,277
Mr. LO Hong Sui, Antony	220	1,618	141	477	85	2,541
Madam LAW Wai Duen	220	659	57	477	35	1,448
Mr. KAN Tak Kwong	220	6,738	587	2,080	352	9,977
Mr. CHU Shik Pui	220	4,788	417	1,741	250	7,416
Mr. LO Alexander Chun Him	220	2,696	220	1,115	132	4,383
Sub-total	1,320	30,621	2,443	9,192	1,466	45,042

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) NON-EXECUTIVE DIRECTORS						
Madam LO TO Lee Kwan	220	–	–	–	–	220
Mr. LO Hong Sui, Vincent	220	–	–	–	–	220
Dr. LO Ying Sui	220	–	–	–	–	220
Sub-total	660	–	–	–	–	660

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent	550	–	–	–	–	550
Professor WONG Yue Chim, Richard	510	–	–	–	–	510
Mrs. LEE Pui Ling, Angelina	510	–	–	–	–	510
Mr. LEE Siu Kwong, Ambrose	500	–	–	–	–	500
Mr. POON Ka Yeung, Larry	500	–	–	–	–	500
Sub-total	2,570	–	–	–	–	2,570

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	48,272

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	220	14,391	2,049	4,636	603	21,899
Mr. LO Hong Sui, Antony	220	1,674	190	672	84	2,840
Madam LAW Wai Duen	220	682	77	672	34	1,685
Mr. KAN Tak Kwong	220	6,930	1,178	2,908	346	11,582
Mr. CHU Shik Pui	220	4,925	837	2,397	246	8,625
Mr. LO Alexander Chun Him	220	2,481	393	1,512	115	4,721
Sub-total	1,320	31,083	4,724	12,797	1,428	51,352

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) NON-EXECUTIVE DIRECTORS						
Madam LO TO Lee Kwan	220	–	–	–	–	220
Mr. LO Hong Sui, Vincent	220	–	–	–	–	220
Dr. LO Ying Sui	220	–	–	–	–	220
Sub-total	660	–	–	–	–	660

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent	550	–	–	–	–	550
Professor WONG Yue Chim, Richard	510	–	–	–	–	510
Mrs. LEE Pui Ling, Angelina	510	–	–	–	–	510
Mr. LEE Siu Kwong, Ambrose	500	–	–	–	–	500
Mr. POON Ka Yeung, Larry	500	–	–	–	–	500
Sub-total	2,570	–	–	–	–	2,570

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	54,582

Dr. LO Ka Shui performs the function of the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.

None of the Directors waived any emoluments in the years ended 31 December 2020 and 31 December 2019.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2019: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2019: two) individuals were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**13,156**	14,760
Discretionary bonuses	**274**	4,698
Share options	**1,414**	1,925
Retirement benefits scheme contributions	**1,208**	1,228
	16,052	22,611

	2020 Number of employees	2019 Number of employees
Bands:		
HK$6,500,001 – HK$7,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–
HK$14,500,001 – HK$15,000,000	**–**	1
	2	2

No emoluments were paid by the Group to any of the five individuals with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

12. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends paid:		
– Final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2019: HK50 cents in respect of the financial year ended 31 December 2018) per ordinary share	354,190	350,289
– Special final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2019: nil) per ordinary share	354,191	–
	708,381	350,289
– Interim dividend of HK33 cents in respect of the financial year ended 31 December 2020 (2019: HK33 cents in respect of the financial year ended 31 December 2019) per ordinary share	237,574	233,764
– Special interim dividend of HK$1.5 in respect of the financial year ended 31 December 2020 (2019: nil) per ordinary share	1,079,880	–
	1,317,454	233,764
	2,025,835	584,053

On 17 June 2020, a final dividend of HK50 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, and a special final dividend of HK50 cents per ordinary share were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2019.

On 8 July 2019, a final dividend of HK50 cents per ordinary share, which included scrip dividend alternatives offered to shareholders was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2018.

The scrip dividend alternatives were accepted by the shareholders as follows:

	2020 HK$'000	2019 HK$'000
Dividends:		
Cash	119,737	93,431
Share alternative (note 34)	234,453	256,858
	354,190	350,289

12. DIVIDENDS (continued)

	2020 HK$'000	2019 HK$'000
Dividends proposed:		
– Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2020 (2019: HK50 cents in respect of the financial year ended 31 December 2019) per ordinary share	**359,960**	354,191
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2020 (2019: HK50 cents in respect of the financial year ended 31 December 2019) per ordinary share	**359,960**	354,191
	719,920	708,382

The proposed final dividends in respect of the financial year ended 31 December 2020 is subject to approval by the shareholders in the forthcoming annual general meeting.

13. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(8,540,252)**	(337,790)

	2020	2019
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**714,970,724**	707,927,393
Effect of dilutive potential shares:		
Share options	**–**	499,038
Weighted average number of shares for the purpose of diluted loss per share	**714,970,724**	708,426,431

For the year ended 31 December 2020, the diluted loss per share was the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options because it will otherwise result in a decrease in loss per share.

14. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At 1 January	**87,322,962**	89,408,450
Exchange adjustments	**16,043**	(5,302)
Additions	**25,727**	66,601
Transfer from stock of properties (note 22)	**550,449**	–
Transfer to property, plant and equipment (note 15)	**(550,852)**	–
Decrease in fair value recognised in the consolidated income statement	**(14,252,703)**	(2,146,787)
At 31 December	**73,111,626**	87,322,962

(a) The Group's property interests situated in Hong Kong of HK$72,304,224,000 (2019: HK$87,079,800,000), in the US of HK$550,449,000 (2019: nil) and in the PRC of HK$256,953,000 (2019: HK$243,162,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model, and are classified and accounted for as investment properties.

(b) In determining the fair value of the relevant investment properties, the Group engages in independent professional property valuers to perform the valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. The assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of the ongoing COVID-19 pandemic. The management reports the valuation report and findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

(c) Included in the fair value of investment properties as at 31 December 2020 is HK$73,014,926,000 (2019: HK$87,223,762,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At 1 January	**87,223,762**	89,308,050
Exchange adjustments	**16,043**	(5,302)
Additions	**25,727**	66,601
Transfer from stock of properties	**550,449**	–
Transfer to property, plant and equipment	**(550,852)**	–
Decrease in fair value recognised in the consolidated income statement	**(14,250,203)**	(2,145,587)
At 31 December	**73,014,926**	87,223,762

Unrealised loss on property revaluation included in profit or loss amounted to HK$14,250,203,000 (2019: HK$2,145,230,000). There were no transfers into or out of Level 3 during the year.

(d) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside Hong Kong is as follows:

	2020 HK$'000	2019 HK$'000
Leases in Hong Kong	**72,304,224**	87,079,800
Leases outside Hong Kong	**807,402**	243,162
	73,111,626	87,322,962

(e) The fair value of the Group's investment properties at 31 December 2020 and 2019 has been arrived at on a basis of valuation performed by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Colliers International (Hong Kong) Limited and Savills Valuation and Professional Services Limited

Investment properties in the PRC – Knight Frank Petty Limited

Investment properties in the USA – Cushman & Wakefield Western, Inc.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The Group leases out properties under operating leases. Details are set out in note 38.

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2020						
Commercial property in Wan Chai, Hong Kong	3,932,524	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	41,132,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.70% for office and 4.35% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	26,186,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.10% for office and 4.00% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished apartments in Hong Kong	957,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.00% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2020 (continued)						
Commercial properties in Shanghai, the PRC	256,953	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Condominiums in the USA	550,449	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 4.00%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparable within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	96,700	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2019						
Commercial property in Wan Chai, Hong Kong	4,804,600	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparable within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	48,530,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	32,648,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for office and 3.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished apartments in Hong Kong	998,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.20% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2019 (continued)						
Commercial properties in Shanghai, the PRC	243,162	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	99,200	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

Notes:

(i) A significant percentage change in the unobservable inputs would result in a significant percentage change in fair value measurement.

(ii) A significant percentage change in the unobservable inputs would result in a less significant percentage change in fair value measurement.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Right-of-use leasehold land HK$'000	Right-of-use properties HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST										
At 31 December 2018	3,847,531	2,349,418	–	15,527,784	724,874	533,681	3,810,720	4,355	97	26,798,460
Adjustment upon application of HKFRS 16	–	–	42,285	–	–	–	–	–	–	42,285
At 1 January 2019 (restated)	3,847,531	2,349,418	42,285	15,527,784	724,874	533,681	3,810,720	4,355	97	26,840,745
Exchange adjustments	20,250	–	(370)	(41,068)	(3,129)	–	20,960	(9)	–	(3,366)
Acquisitions	286,705	–	–	–	–	–	–	–	–	286,705
Additions	–	–	–	91,939	688,920	–	299,517	1,023	57	1,081,456
Transfer in (out)	(7,639)	–	–	5,347	101,960	–	(99,668)	–	–	–
Disposals/written off	–	–	–	(57,805)	–	(18)	(157,095)	(248)	–	(215,166)
At 31 December 2019	4,146,847	2,349,418	41,915	15,526,197	1,512,625	533,663	3,874,434	5,121	154	27,990,374
Exchange adjustments	138,759	–	622	347,660	8,000	–	95,812	28	3	590,884
Additions	–	–	2,763	1,167	1,109,252	–	218,356	–	9	1,331,547
Transfer in (out)	–	–	–	48,687	235,671	512,100	(7,963)	–	–	788,495
Disposals/written off	–	–	–	–	–	–	(10,122)	(437)	–	(10,559)
At 31 December 2020	4,285,606	2,349,418	45,300	15,923,711	2,865,548	1,045,763	4,170,517	4,712	166	30,690,741
DEPRECIATION AND IMPAIRMENT										
At 1 January 2019	114,953	1,046,679	–	4,054,474	–	129,794	1,818,450	3,305	97	7,167,752
Exchange adjustments	(530)	–	(143)	8,389	–	–	9,846	(8)	–	17,554
Charge for the year	–	44,764	13,187	369,475	–	26,809	313,888	405	1	768,529
Eliminated on disposals/ written off	–	–	–	(12,455)	–	(6)	(151,992)	(247)	–	(164,700)
At 31 December 2019	114,423	1,091,443	13,044	4,419,883	–	156,597	1,990,192	3,455	98	7,789,135
Exchange adjustments	1,000	–	518	103,183	–	–	60,728	25	3	165,457
Charge for the year	–	44,764	12,540	366,919	–	64,052	343,125	456	12	831,868
Eliminated on disposals/ written off	–	–	–	–	–	–	(9,299)	(95)	–	(9,394)
Impairment loss	–	–	13,407	271,467	–	–	63,024	–	–	347,898
At 31 December 2020	115,423	1,136,207	39,509	5,161,452	–	220,649	2,447,770	3,841	113	9,124,964
CARRYING AMOUNTS										
At 31 December 2020	4,170,183	1,213,211	5,791	10,762,259	2,865,548	825,114	1,722,747	871	53	21,565,777
At 31 December 2019	4,032,424	1,257,975	28,871	11,106,314	1,512,625	377,066	1,884,242	1,666	56	20,201,239

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$218,356,000 (2019: HK$299,517,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$37,005,000 (2019: HK$47,627,000), HK$266,000 (2019: HK$27,985,000) and HK$2,237,000 (2019: HK$3,591,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2020, the leasehold land with carrying amounts of HK$1,213,211,000 (2019: HK$1,257,975,000) are situated in Hong Kong. Freehold land is situated outside Hong Kong. Owner occupied properties situated in Hong Kong are land and buildings.

During the year ended 31 December 2020, investment properties with fair value of HK$550,852,000 (2019: nil) at the date of transfer were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation and use.

During the year ended 31 December 2020, stock of properties with carrying value of US$30,653,000 (equivalent to approximately HK$237,643,000) (2019: nil) were transferred to property, plant and equipment mainly due to change in use from development of property for sale to construction of hotel for operation.

During the year, the COVID-19 pandemic led to disruptions in the Group's hotel operation and flexible workspace operation. Segment losses were recorded for hotel operation segment and flexible workspace operation (as included in other operations segment). The management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment with aggregate carrying amount of HK$20,863,032,000.

For the purpose of impairment assessment of hotel properties, the relevant freehold land, right-of-use leasehold land, hotel buildings, hotel buildings under development and furniture, fixtures and equipment of each hotel property have been allocated into individual CGU. For the purpose of impairment assessment of hotel properties under development, the relevant hotel buildings under development and freehold land have been allocated into individual CGU. For the purpose of impairment assessment of flexible workspace operation, all furniture, fixtures and equipment of flexible workspace operation have been allocated to individual CGU. The recoverable amount of each CGU is defined as the higher of the fair value less costs of disposal and its value in use. If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount and an impairment loss is recognised.

For a number of CGUs of hotel properties with carrying amounts of HK$7,135,692,000, in determining the fair value less costs of disposal, the Group engages independent professional property valuers to perform valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. The discounted cash flow analysis for these CGUs are individually established based on analysis of historical data and assumptions about future market conditions, taking into consideration of the impact of the COVID-19 pandemic.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

For other CGUs of hotel properties with carrying amounts of HK$10,171,637,000, given that there is no independent professional property valuers to perform valuation, the management believes that it is more appropriate to adopt value in use approach for calculating the recoverable amounts of these CGUs individually for the impairment test. The calculation is based on cash flow projections covering the following 5 years with the assumptions of (i) the occupancy rates, which are subject to a higher degree of estimation uncertainties in the current year, would be resumed to pre-COVID-19 pandemic level in 2022-2023; (ii) the use of pre-tax discount rates from 6.25% to 12% as at 31 December 2020; and (iii) the use of terminal capitalisation rates from 5% to 8.37% to estimate return of the hotel properties beyond 5 years. In estimating the recovery period of the hotel operations, the impact of the COVID-19 pandemic has also been considered. Based on the result of the assessment, the recoverable amount of a hotel property in Boston, USA ("The Langham, Boston") with carrying amount of HK$1,462,063,000 is determined at HK$1,190,596,000 and an impairment loss of HK$271,467,000 is recognised. The Langham, Boston was closed for major renovation since 2019 and with the impact of COVID-19 pandemic, the cash flow projections has been adjusted downwards when determining its recoverable amount. The impairment amount has been allocated to hotel buildings such that the carrying amount of each category of assets in The Langham, Boston is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. There is no impairment recognised for the Group of other CGUs that include allocation of corporate assets. Management assesses that any reasonably possible change in any of these assumptions would not result in recognition of impairment or future impairment.

For hotel properties under development with carrying amounts of HK$3,473,669,000, the management adopts value in use approach for calculating the recoverable amount by reference to the forecasted future operating cash flows of the properties and the anticipated costs to completion of the hotel buildings under development by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend. Alternatively, the management adopts fair value less costs of disposal by relying on the valuation report.

For flexible workspace operation in Hong Kong with carrying amounts of HK$82,034,000, the recoverable amount as at 31 December 2020 is determined at HK$19,010,000 based on a value in use calculation using cash flows projections covering the following 5 years with a pre-tax discount rate of 10%. As a result, the carrying amounts of these assets are written down to their recoverable amounts and, accordingly, an impairment loss of HK$63,024,000 is recognised. There is no impairment recognised for the Group of other CGUs that include allocation of corporate assets.

16. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Cost of investments in joint ventures	241,201	241,201
Share of post-acquisition results and other comprehensive income	(146,726)	(129,377)
	94,475	111,824
Amount due from a joint venture	292	292
	94,767	112,116

Details of the material interests in joint ventures are as follows:

The Group's interests in joint ventures amounting to HK$94,475,000 as at 31 December 2020 (2019: HK$111,824,000) are accounted for using the equity method in these consolidated financial statements.

Pursuant to the agreements signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "8701 Investor") in 2016, the relevant activities of 8701 Associates 2, LLC ("8701") that significantly affect the return of 8701 require unanimous consent from the Group and the 8701 Investor, accordingly 8701 is accounted for as a joint venture.

8701 has interest in 8701 Collins Avenue, LLC ("8701 Collins"), a joint venture with an independent third party investor (the "8701 Collins Investor") which is principally engaged in residential development projects in Miami, Florida, the USA.

16. INTERESTS IN JOINT VENTURES (continued)

During the year, the 8701 Investor has fully redeemed its partnership interest in 8701 so that 8701 became an indirect wholly-owned subsidiary of the Company. Despite the Group's interest in 8701 Collins was increased to 53.8% at 31 December 2020 following exit of the 8701 Investor, the relevant activities 8701 Collins that significantly affect the return of 8701, require unanimous consent from the Group and the 8701 Collins Investor, accordingly 8701 Collins is accounted for as a joint venture.

Particulars regarding the joint ventures are set out in note 44.

At 31 December 2020, the Group's investment in joint ventures are not material to the Group.

Aggregate information of joint ventures that are not individually material

	2020 **HK$'000**	2019 HK$'000
The Group's share of results for the year	**(16,972)**	43,860
The Group's share of other comprehensive income	**–**	11,366
The Group's share of total comprehensive (expense) income	**(16,972)**	55,226
Aggregate carrying amount of the Group's interests in the joint ventures	**94,767**	112,116

17. INTERESTS IN ASSOCIATES

	2020 **HK$'000**	2019 HK$'000
Cost of investment in associates	**108**	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	**53,160**	55,592
	53,268	55,700

In determining whether there exists any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

Particulars regarding the associates are set out in note 45.

At 31 December 2020 and 2019, the Group's investment in associates are not individually material to the Group.

17. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of profit for the year	**5,147**	1,191
The Group's share of other comprehensive expense	**(5,206)**	(8,312)
The Group's share of total comprehensive expense	**(59)**	(7,121)
Dividends received from associates during the year	**2,373**	5,933
Aggregate carrying amount of the Group's interests in these associates	**53,268**	55,700

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI comprised:

	2020 HK$'000	2019 HK$'000
Listed equity securities in Hong Kong	**214,596**	190,375
Listed equity securities outside Hong Kong	**1,278**	5,887
Unlisted equity securities in Hong Kong	**114,615**	106,071
Unlisted equity securities outside Hong Kong	**735,100**	732,403
	1,065,589	1,034,736

At 31 December 2020 and 2019, all the listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets. Details of fair value measurement of the unlisted equity securities are set out in note 41(f).

19. NOTES AND LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Notes receivables	**2,881,577**	679,767
Loan receivables	**253,730**	88,154
Mortgage loan receivables	**178,698**	3,113
	3,314,005	771,034
Less: Amounts due within one year shown under current assets	**(2,318,802)**	(15,613)
Amounts due after one year	**995,203**	755,421

Notes receivables

At 31 December 2020, the Group held secured bonds with principal amount of HK$476,542,000 (2019: HK$237,046,000) and unsecured bonds with principal amounts of HK$2,405,035,000 (2019: HK$442,721,000) denominated in US$ with nominal values ranging from US$200,000 to US$100,000,000 (2019: US$500,000 to US$7,640,000), bears interest at fixed interest rates ranging from 3.75% to 11.50% (2019: fixed interest rates ranging from 3.75% to 9.125% per annum or variable interest rate of 3-month LIBOR plus 4.85%) per annum and has maturity dates ranging from January 2021 to October 2025 (2019: May 2020 to May 2025).

Loan receivables

Pacific Miami Corporation, a wholly-owned subsidiary of the Company, entered into unsecured promissory notes from 2015 to 2017 with an investee classified as a joint venture for a loan receivable of US$4,728,000 (equivalent to approximately HK$36,652,000) (2019: US$11,318,000 (equivalent to approximately HK$88,154,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

During the year ended 31 December 2020, the US Real Estate Fund entered into unsecured promissory note for a loan receivable of US$28,000,000 (equivalent to approximately HK$217,078,000), which bears interest at 1.69% per annum and has a maturity date on 31 January 2025.

Mortgage loan receivables

Mortgage loan receivables are secured by second mortgages on properties and repayable by monthly instalments with tenors not more than 25 years at the year end date and carry interest at rates with reference to banks' lending rates.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	–	161,771	12,788	63,267
Cross currency swaps	–	138,313	–	51,740
Foreign currency derivative contracts	20,954	21,266	–	4,198
	20,954	321,350	12,788	119,205
Less: Would be matured within one year shown under current assets/liabilities	(20,954)	(26,276)	(8,143)	(4,198)
Would be matured after one year	–	295,074	4,645	115,007

The Group entered into interest rate swaps with aggregate notional amount of HK$5,700,000,000 (2019: HK$4,000,000,000) to manage the exposure to the interest rate risk on the Group's floating-rate borrowings by swapping a proportion of those borrowings from floating rate of HIBOR to fixed rate ranging from 0.83% to 2.545% (2019: 1.035% to 2.545%). The Group also entered into interest rate swaps and cross currency swaps to manage the exposure to the interest rates and floating rate loans denominated in other currencies. In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements.

The fair values of foreign currency derivative contracts, interest rate swaps and cross currency swaps at the end of the reporting periods are provided by counterparty banks. The foreign currency derivative contracts, interest rate swaps and cross currency swaps will be due in January 2021 to April 2021, January 2021 to December 2023 and June 2022, respectively.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2020 HK$'000	2019 HK$'000
Non-current assets		
Cash flow hedges – interest rate swaps (note i)	–	34,344
Cash flow hedge – cross currency swap (note ii)	–	26,663
	–	61,007
Current asset		
Fair value hedge – interest rate swap (note i)	–	3,419
Non-current liabilities		
Cash flow hedge – cross currency swaps (note ii)	**1,172**	–
Cash flow hedge – interest rate swaps (note i)	**98,411**	–
	99,583	–
Current liability		
Cash flow hedge – interest rate swaps (note i)	**23,704**	–

Notes:

(i) Interest rate swap

Cash flow hedge
As at 31 December 2020, the Group entered into interest rate swap contracts to minimise its exposure to fluctuations in interest rates of its bank borrowings which bear interest at a floating rate of HIBOR plus 0.95% (2019: HIBOR plus 0.95%) per annum. The critical terms of the interest rate swaps and the corresponding bank borrowings are identical and the Directors considered that the interest rate swap contracts were highly effective hedging instruments and qualified as cash flow hedges.

	2020	2019
Carrying amount – (liabilities)/assets (HK$'000)	**(122,115)**	37,763
Notional amount (HK$'000)	**6,350,000**	4,950,000
Maturity date	**28 June 2021 to 28 June 2024**	28 June 2021 to 28 June 2024
Change in fair value of hedging instruments during the year (HK$'000)	**(184,977)**	12,243
Change in value of hedged item used to determine hedge effectiveness during the year (HK$'000)	**184,977**	(12,243)
Weighted average swap rate (before interest margin)	**1.42%**	1.54%

Fair value hedge
As at 31 December 2019, the Group had an interest rate swap contract of a notional amount of HK$200,000,000 to convert the fixed rate under its medium term notes to a floating rate of 1-month HIBOR plus 0.67% per annum. The interest rate swap qualifying as fair value hedge had a maturity date in May 2020, the same maturity date as the corresponding medium term notes.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

Notes: (continued)

(ii) Cross currency swap

As at 31 December 2020, the Group entered into cross currency swap contracts to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of certain of its medium term notes denominated in US$. The critical terms of the cross currency swaps and the corresponding medium term notes are identical and the Directors considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

	2020	2019
Carrying amount – (liabilities)/assets (HK$'000)	**(1,172)**	26,663
Notional amount (US$'000)	**386,400**	386,400
Maturity date	**17 January 2023**	17 January 2023
Change in fair value of hedging instruments during the year (HK$'000)	**(27,678)**	44,870
Change in value of hedged item used to determine hedge effectiveness during the year (HK$'000)	**27,678**	(44,870)
Weighted average exchange rate (US$: HK$)	**7.7595**	7.7595

(iii) Hedging reserve

	Cross currency swap HK$'000	**Interest rate swaps** HK$'000	**Total hedge reserves** HK$'000
As at 1 January 2019	(33,284)	23,230	(10,054)
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	44,870	12,243	57,113
Reclassification of fair value adjustment to profit or loss	16,422	(13,754)	2,668
Reclassification of amount attributable to non-controlling unitholders of Champion REIT	(20,821)	592	(20,229)
As at 31 December 2019	7,187	22,311	29,498
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	**(27,678)**	**(184,977)**	**(212,655)**
Reclassification of fair value adjustment to profit or loss	**13,988**	**29,736**	**43,724**
Reclassification of amount attributable to non-controlling unitholders of Champion REIT	**4,596**	**51,225**	**55,821**
As at 31 December 2020	**(1,907)**	**(81,705)**	**(83,612)**

The fair values of the above derivatives are based on the valuations provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

22. STOCK OF PROPERTIES

	2020 HK$'000	2019 HK$'000
Properties under development for sale	–	5,466,838
Properties held for sale	3,430,283	629,719
	3,430,283	6,096,557

Stock of properties mainly comprised of the following:

(i) A site in Pine Street, San Francisco, the USA with a consideration of US$21,000,000 (equivalent to approximately HK$162,771,000) acquired in 2015. The development of residential properties is completed and available for sale to customers.

(ii) A residential site in Pak Shek Kok, Tai Po at the land premium of HK$2,412,000,000 acquired in 2014. Occupation permit of the development was obtained in June 2020.

(iii) An apartment building in Malibu, Los Angeles, the USA with a consideration of US$62,000,000 (equivalent to approximately HK$480,522,000) acquired in 2015. The property was held for sale while renovation works were carried out to convert the apartments into condominiums until 2019. During the year ended 31 December 2020, the property with carrying value of US$71,000,000 (equivalent to approximately HK$550,449,000) were transferred to investments properties due to change in use to earning rental from outsiders. The remaining amount of US$255,000 (equivalent to approximately HK$1,972,000) were transferred to property, plant and equipment.

(iv) A site in Howard Street, San Francisco, the USA acquired in 2015 with carrying value of US$30,398,000 (equivalent to approximately HK$235,671,000) at the year end date were transferred to property, plant and equipment due to change in use from development of property for sale to construction of hotel for operation.

As at the end of the reporting period, the Directors assessed whether there exists any objective evidence of impairment of the stock of properties held. No recognition of write-down of stock of properties is required as at 31 December 2020. Taking into consideration of the market conditions in the USA at 31 December 2019, the carrying amount exceeded the estimated amount to be recovered through sale of the property and, accordingly, a write-down of US$4,151,000 (equivalent to approximately HK$32,525,000) was recognised in profit or loss.

At 31 December 2019, the properties under development for sale with carrying amount of HK$236,771,000 were expected to be completed more than twelve months from the end of the reporting period.

23. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	7,890	18,614
Trading goods	2,252	1,420
Provisions and beverages	41,150	43,314
Work-in-progress	54,594	63,473
	105,886	126,821

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade debtors, net of allowance for doubtful debts	114,923	182,037
Deferred lease receivables	169,381	168,585
Retention money receivables	11,079	14,731
Other receivables	188,875	233,095
Deposits and prepayments	249,802	255,437
	734,060	853,885

Included in the balance of debtors, deposits and prepayments are trade debtors (net of allowance of doubtful debts) of HK$114,923,000 (2019: HK$182,037,000). For hotel income and sales of goods, the Group allows an average credit period of 30 – 60 days to certain trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices.

The trade receivables from contracts with customers and retention money receivables are as follows:

	2020 HK$'000	2019 HK$'000
Trade receivables from contracts with customers	55,697	163,359
Retention money receivables	11,079	14,731
Amount due within one year	(4,915)	(9,500)
Amount due after one year	6,164	5,231

As at 1 January 2019, trade receivables from contracts with customers and retention money receivables amounted to HK$217,837,000 and HK$11,368,000, respectively.

Deposits and prepayments mainly consist of rental deposit paid, prepaid agency commissions of property sales and prepaid expenses for hotel operations.

24. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an analysis of trade debtors by age, presented based on the invoice date, net of allowance for doubtful debts:

	2020 HK$'000	2019 HK$'000
Within 3 months	72,033	170,481
More than 3 months but within 6 months	20,955	5,510
Over 6 months	21,935	6,046
	114,923	182,037

As at 31 December 2020, included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK$15,102,000 (2019: HK$13,898,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 are set out in note 41.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Equity linked notes	**97,449**	–
Currency linked notes	**161,221**	–
Listed equity securities held for trading	**205,176**	234,665
	463,846	234,665

At the end of the reporting period, all the listed equity securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets. The Group had entered into equity and currency linked notes with banks and are detailed as follows:

(i) US$ equity linked notes with nominal values ranging from US$200,000 to US$500,000 (2019: nil) have maturity period of three to six months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(ii) HK$ equity linked notes with nominal values ranging from HK$5,000,000 to HK$20,000,000 (2019: nil) have maturity period of four to six months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(iii) HK$ currency linked notes with notional values ranging from HK$20,000,000 to HK$80,000,000 (2019: nil) have maturity of three to six months. Redemption amount and exchange rates vary depending on various conditioning terms and different strike prices.

26. RESTRICTED CASH, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

Restricted cash

Restricted cash represented an amount equivalent to HK$171,745,000 (2019: HK$166,405,000) carried market interest rates ranging from 0% to 1.495% (2019: 0% to 1.495%) per annum was placed in designated bank account pursuant to applicable loan facilities requirements.

Time deposits with original maturity over three months

The amount represented time deposits carried market interest rate of 1.05% (2019: 2.505%) per annum with original maturity over three months but not exceeding one year.

Bank balances and cash

The bank balances include time deposits with original maturity of three months or less. Bank balances carry interest at market rates which range from 0.0005% to 3.255% (2019: 0.05% to 3.29%) per annum.

27. CREDITORS, DEPOSITS AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade creditors	203,987	269,948
Deposits received	789,414	852,764
Customer deposits and other deferred revenue	451,150	898,412
Construction fee payable and retention money payable	850,484	389,426
Accruals, interest payable and other payables	2,740,021	2,124,393
	5,035,056	4,534,943

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (2019: 4.25%) on the stated consideration of HK$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

Apart from the above, accruals, interest payable and other payables mainly consist of accrued operating expenses for the hotels. Included in the accruals, interest payable and other payables is HK$775,350,000 (2019: Nil) consideration payable in relation to notes receivable purchased in December 2020. The consideration payable has been fully settled subsequently to the end of the reporting period.

The following is an analysis of trade creditors by age, presented based on the invoice date:

	2020 HK$'000	2019 HK$'000
Within 3 months	188,423	253,058
More than 3 months but within 6 months	2,280	3,099
Over 6 months	13,284	13,791
	203,987	269,948

Customer deposits and other deferred revenue comprised:

	2020 HK$'000	2019 HK$'000
Hotel operations	269,523	240,545
Sales of properties	168,144	615,574
Sales of goods	1,325	3,261
Others	12,158	39,032
	451,150	898,412

As at 1 January 2019, customer deposits and other deferred revenue amounted to HK$245,370,000.

Timing of satisfying the performance obligations of hotel operations and sales of goods and typical timing of payment are set out in note 5(ii). During the year, revenue from sales of properties is recognised.

27. CREDITORS, DEPOSITS AND ACCRUALS (continued)

The following table shows how much of the revenue recognised in the current year that are included in the customer deposits and other deferred revenue balance at the beginning of the year.

	2020 HK$'000	2019 HK$'000
Hotel operations	120,048	194,465
Sales of properties	610,961	–
Sales of goods	3,025	3,707
Others	34,670	812
	768,704	198,984

28. BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank loans and revolving loans	21,905,486	25,789,860
Loan front-end fee	(98,197)	(120,589)
	21,807,289	25,669,271

The maturity of the above loans based on scheduled repayment terms is as follows:

	2020 HK$'000	2019 HK$'000
Within one year	4,659,429	4,146,215
More than one year but not exceeding two years	3,719,780	4,433,556
More than two years but not exceeding five years	13,428,080	17,089,500
	21,807,289	25,669,271
Less: Amounts due within one year shown under current liabilities	(4,659,429)	(4,146,215)
Amounts due after one year shown under non-current liabilities	17,147,860	21,523,056

Borrowings amounting to HK$14,696,243,000 (2019: HK$18,230,995,000) were secured by way of legal charges over certain of the Group's assets and business undertakings.

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2020 HK$'000	2019 HK$'000
More than one year but not exceeding two years	39,343	–
More than four years but not exceeding five years	34,569	–
	73,912	–

28. BORROWINGS (continued)

The exposure of the Group's floating-rate borrowings and the contractual maturity dates are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	4,659,429	4,146,215
More than one year but not exceeding two years	3,680,437	4,433,556
More than two years but not exceeding three years	6,884,465	3,592,124
More than three years but not exceeding four years	6,090,065	7,688,716
More than four years but not exceeding five years	418,981	5,808,660
	21,733,377	25,669,271

The ranges of effective interest rates (which approximate to contracted interest rates) on the Group's borrowings are as follows:

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	2.55%	N/A
Variable-rate borrowings	0.33% to 4.87%	0.33% to 5.01%

The Group entered into interest rate swaps and currency swaps to manage the exposure to the floating-rate borrowings as disclosed in notes 20 and 21.

29. MEDIUM TERM NOTES

	2020 HK$'000	2019 HK$'000
Medium term notes	7,664,522	5,552,670
Origination fees	(55,974)	(26,464)
	7,608,548	5,526,206

	2020 HK$'000	2019 HK$'000
The maturity of the medium term notes is as follows:		
Within one year	–	199,929
More than one year but not exceeding two years	643,000	–
More than two years but not exceeding five years	4,400,905	3,839,407
Over five years	2,564,643	1,486,870
	7,608,548	5,526,206
Less: Amount due within one year shown under current liabilities	–	(199,929)
Amount due after one year shown under non-current liabilities	7,608,548	5,326,277

With effective from 12 May 2020, the programme limit under the Group's US$1 billion guarantee medium term note programme was increased to US$2 billion.

The major terms of the issued medium term notes are set out below:

As at 31 December 2020

Principal amount	**Coupon rate (per annum)**
US$686,400,000	2.95% to 3.75%
HK$2,343,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

As at 31 December 2019

Principal amount	**Coupon rate (per annum)**
US$386,400,000	3.75%
HK$2,543,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

The Group also entered into interest rate swaps and cross currency swaps, details of which are set out in note 21.

30. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**9,267**	11,513
More than one year but not exceeding two years	**7,787**	8,182
More than two years but not exceeding five years	**3,327**	10,050
	20,381	29,745
Less: Amount due within one year shown under current liabilities	**(9,267)**	(11,513)
Amount due after one year shown under non-current liabilities	**11,114**	18,232

The weighted average incremental borrowing rates applied to lease liabilities range from 3.29% to 5.00% (2019: from 3.29% to 5.00%) per annum.

Lease obligations that are denominated in currencies other than the functional currencies of the Group are set out below:

	2020 HK$'000	2019 HK$'000
US$	**14,310**	19,448
RMB	**4,129**	6,266

31. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Investment properties and property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019	1,444,806	(46,261)	(3,203)	1,395,342
Exchange differences	(2,475)	270	157	(2,048)
Charge (credit) to profit or loss for the year	33,965	(23,882)	(23,741)	(13,658)
At 31 December 2019	1,476,296	(69,873)	(26,787)	1,379,636
Exchange differences	**10,083**	**(1,700)**	**108**	**8,491**
(Credit) charge to profit or loss for the year	**(36,023)**	**(203,342)**	**58,200**	**(181,165)**
Recoverable of deferred tax asset recognised in prior years	–	**75,995**	–	**75,995**
At 31 December 2020	**1,450,356**	**(198,920)**	**31,521**	**1,282,957**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the end of the reporting period, the Group has unutilised tax losses of HK$4,587,520,000 (2019: HK$2,967,035,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$997,984,000 (2019: HK$376,895,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$3,589,536,000 (2019: HK$2,590,140,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$608,249,000 (2019: HK$336,782,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$608,249,000 (2019: HK$336,782,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$1,822,501,000 (2019: HK$2,243,474,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	2020 Number of shares '000	2020 Nominal value HK$'000	2019 Number of shares '000	2019 Nominal value HK$'000
(a) Authorised:				
Shares of HK$0.50 each				
Balance brought forward and carried forward	**1,200,000**	**600,000**	1,200,000	600,000
(b) Issued and fully paid:				
Shares of HK$0.50 each				
Balance brought forward	**708,382**	**354,191**	698,647	349,324
Issued upon exercise of share options under the share option schemes	**–**	**–**	1,989	994
Issued as scrip dividends	**11,538**	**5,769**	7,746	3,873
Balance carried forward	**719,920**	**359,960**	708,382	354,191

During the year ended 31 December 2020, 11,538,064 (2019: 7,746,010) shares of HK$0.50 each in the Company were issued at HK$20.32 (2019: HK$33.16) per share as scrip dividends.

33. RETIREMENT BENEFIT SCHEMES

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administrative Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the scheme, subject to minimum and maximum relevant income levels.

33. RETIREMENT BENEFIT SCHEMES (continued)

Forfeited contributions to retirement schemes for the year ended 31 December 2020 amounting to HK$2,733,000 (2019: HK$608,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2020 charged to the consolidated income statement amounted to HK$65,963,000 (2019: HK$91,051,000). As at 31 December 2020, contributions of HK$3,657,000 (2019: HK$3,694,000) due in respect of the year had not been paid over to the schemes.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, 11,538,064 (2019: 7,746,010) shares of HK$0.50 each in the Company were issued at HK$20.32 (2019: HK$33.16) per share as scrip dividends.

During the year ended 31 December 2020, a tenant issued 8,078,927 and 4,805,410 of its shares at prevailing market prices of HK$4.20 each and HK$4.79 each respectively as settlement of trade receivables in an aggregate amount of HK$54,354,000. The shares are classified as equity instruments at FVTOCI.

35. PLEDGE OF ASSETS

At 31 December 2020, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$21,786,903,000 (2019: HK$25,104,522,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property; and

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$11,791,242,000 (2019: HK$10,941,820,000).

During the year ended 31 December 2020, the Group's stock of properties with a total carrying value of HK$5,785,423,000 as at 31 December 2019 was released from the pledge for credit facility granted to its subsidiary.

36. SHARE OPTIONS

In accordance with a share option scheme of the Company (formerly Executive Share Option Scheme), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001 (the "1999 Share Option Scheme"), the Board of Directors of the Company may grant options to eligible officers, employees, associates, agents and contractors, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At the 2009 Annual General Meeting of the Company held on 27 May 2009, ordinary resolutions were proposed to approve the adoption of a new share option scheme (the "2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2009 Share Option Scheme became effective for a period of 10 years, commencing on 27 May 2009.

36. SHARE OPTIONS (continued)

Since the 2009 Share Option Scheme was due to expire on 26 May 2019, at the 2019 Annual General Meeting of the Company held on 22 May 2019, ordinary resolutions were proposed to approve the adoption of a new share option scheme (the "2019 Share Option Scheme") and termination of the operation of the 2009 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2019 Share Option Scheme became effective for a period of 10 years, commencing on 22 May 2019.

Further details of the 2009 Share Option Scheme

a. The purpose of the 2009 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any of its subsidiaries (the "Participant(s) of the 2009 Share Option Scheme") and to allow them to participate in the growth of the Company.

b. A Participant of the 2009 Share Option Scheme as determined by the Board of Directors of the Company include any person the Board of Directors of the Company may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any of its subsidiaries, any executive or non-executive directors of the Company or any of its subsidiaries and any associate, agent or contractor of the Company or any of its subsidiaries.

c. The total number of ordinary shares of HK$0.50 each in the share capital of the Company (the "Shares") which may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the 2009 Share Option Scheme.

d. The total number of Shares issued and to be issued upon exercise of the options granted to each Participant under the 2009 Share Option Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36-month period.

f. Any Participant of the 2009 Share Option Scheme who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the Participant ("Date of Grant").

g. The subscription price shall be determined by the Board of Directors of the Company and notified to a Participant of the 2009 Share Option Scheme and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day ("Business Day") (as defined in the Listing Rules); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant, and as subsequently adjusted pursuant to the terms of the 2009 Share Option Scheme, if relevant.

h. The 2009 Share Option Scheme has a life of 10 years commenced on 27 May 2009.

36. SHARE OPTIONS (continued)

Further details of the 2019 Share Option Scheme

a. The purpose of the 2019 Share Option Scheme is to motivate officers, employees, business associates, agents, contractors, business partners, consultants, advisers, suppliers, customers, subcontractors, joint venture partners or business alliances (the "Participant(s) of the 2019 Share Option Scheme") of the Company or any subsidiaries, associated companies and/or joint ventures of the Company ("Member(s) of the Group") and to allow them to participate in the growth of the Company.

b. A Participant of the 2019 Share Option Scheme as determined by the Board of Directors of the Company include any person the Board of Directors of the Company may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any Member of the Group, any executive or non-executive directors of the Company or any Member of the Group and any business associate, agent, contractor, business partner, consultant, adviser, supplier, customer, subcontractor, joint venture partner or business alliance of the Company or any Member of the Group.

c. The total number of Shares available for issue under the 2019 Share Option Scheme is 70,047,303, representing 9.73% of the issued shares of the Company as at the date of this Annual Report.

d. The total number of Shares which may be issued upon exercise of all options to be granted under the 2019 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the 2019 Share Option Scheme.

e. The total number of Shares issued and to be issued upon exercise of the options granted to each Participant under the 2019 Share Option Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.

f. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36-month period.

g. Any Participant of the 2019 Share Option Scheme who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the Participant.

h. The subscription price shall be determined by the Board of Directors of the Company and notified to a Participant of the 2019 Share Option Scheme and shall be at least the higher of (i) the closing price of the Shares of the Company as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a Business Day (as defined in the Listing Rules); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant, and as subsequently adjusted pursuant to the terms of the 2019 Share Option Scheme, if relevant.

i. The 2019 Share Option Scheme has a life of 10 years commenced on 22 May 2019.

36. SHARE OPTIONS (continued)

The following tables disclose details of the Company's share options held by employees, including Directors, and movements in such holdings under the 2009 Share Option Scheme and 2019 Share Option Scheme during the year:

2009 Share Option Scheme

In 2020 Year of grant of options	Number of shares Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
2015	952,000	–	–	(952,000)	–
2016	1,439,000	–	–	(37,000)	1,402,000
2017	3,645,000	–	–	(410,000)	3,235,000
2018	4,921,000	–	–	(415,000)	4,506,000
2019	5,358,000	–	–	(500,000)	4,858,000
	16,315,000	–	–	(2,314,000)	14,001,000
Exercisable at end of the year					9,143,000
Weighted average exercise price	HK$37.68	N/A	N/A	HK$34.09	HK$38.28

In 2019 Year of grant of options	Number of shares Outstanding options at 1 January 2019	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2019
2014	729,000	–	(729,000)	–	–
2015	980,000	–	(16,000)	(12,000)	952,000
2016	1,758,000	–	(306,000)	(13,000)	1,439,000
2017	4,781,000	–	(938,000)	(198,000)	3,645,000
2018	5,227,000	–	–	(306,000)	4,921,000
2019	–	5,673,000	–	(315,000)	5,358,000
	13,475,000	5,673,000	(1,989,000)	(844,000)	16,315,000
Exercisable at end of the year					6,036,000
Weighted average exercise price	HK$36.27	HK$39.05	HK$31.24	HK$39.44	HK$37.68

36. SHARE OPTIONS (continued)

2019 Share Option Scheme

In 2020 Year of grant of options	Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
	Number of shares				
2020	–	5,650,000	–	(338,000)	5,312,000
Exercisable at end of the year					–
Weighted average exercise price	N/A	HK$21.65	N/A	HK$21.65	HK$21.65

Details of the share options held by the Directors under the 2009 Share Option Scheme and 2019 Share Option Scheme included in the above table are as follows:

2009 Share Option Scheme

In 2020 Year of grant of options	Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
	Number of shares				
2015 – 2019	6,224,000	–	–	(580,000)	5,644,000

In 2019 Year of grant of options	Outstanding options at 1 January 2019	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2019
	Number of shares				
2014 – 2019	5,448,000	1,966,000	(1,190,000)	–	6,224,000

2019 Share Option Scheme

In 2020 Year of grant of options	Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
	Number of shares				
2020	–	1,840,000	–	–	1,840,000

The weighted average price of the shares on the date the options exercised was HK$37.55 under the 2009 Share Option Scheme for the year ended 31 December 2019.

36. SHARE OPTIONS (continued)

No option has been exercised under the 2009 Share Option Scheme and 2019 Share Option Scheme for the year ended 31 December 2020.

Details of options granted under the 2009 Share Option Scheme and the 2019 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
2009 Share Option Scheme			
2014	27.2.2014	28.2.2016 – 27.2.2019	26.05
2014	17.3.2014	18.3.2016 – 17.3.2019	27.55
2015	11.3.2015	12.3.2017 – 11.3.2020	26.88
2015	10.4.2015	11.4.2017 – 10.4.2020	28.25
2016	14.3.2016	15.3.2018 – 14.3.2021	25.70
2017	14.3.2017	15.3.2019 – 14.3.2022	37.15
2018	14.3.2018	15.3.2020 – 14.3.2023	42.40
2018	8.5.2018	9.5.2020 – 8.5.2023	38.83
2019	14.3.2019	15.3.2021 – 14.3.2024	39.05
2019 Share Option Scheme			
2020	18.3.2020	19.3.2022 – 18.3.2025	21.65

36. SHARE OPTIONS (continued)

Notes:

(i) Consideration paid for each acceptance of grant of options was HK$1.00.

(ii) The vesting period for the option grant is 24 months from date of grant.

(iii) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	Closing price per share as at the date of grant HK$	Exercise price HK$	Expected volatility (note a)	Expected dividend yield (note b)	Expected life from grant date	Rick free interest rate (note c)	Fair value per option HK$
27.2.2014	26.05	26.05	27.76%	2.89%	5 years	1.71%	5.06
17.3.2014	27.55	27.55	27.69%	2.70%	5 years	1.74%	5.46
11.3.2015	26.45	26.88	19.33%	3.58%	5 years	1.66%	3.22
10.4.2015	28.25	28.25	18.19%	3.34%	5 years	1.46%	3.36
14.3.2016	24.08	25.70	18.84%	3.83%	5 years	1.50%	3.09
14.3.2017	37.15	37.15	25.21%	2.12%	5 years	2.20%	7.65
14.3.2018	41.87	42.40	18.63%	1.87%	5 years	2.49%	6.96
8.5.2018	37.75	38.83	18.79%	2.07%	5 years	2.76%	6.18
14.3.2019	39.05	39.05	19.23%	2.31%	5 years	2.24%	6.24
18.3.2020	20.80	21.65	22.48%	5.13%	5 years	1.50%	2.56

Notes:

(a) The expected volatility was based on 5-year historical volatility of the Company's shares.

(b) The expected dividend yield was based on 5-year historical dividends of the Company.

(c) Risk free interest rate was approximated the yield of 5-year Exchange Fund Note on the date of grant.

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Change in variables and assumptions may result in changes in fair value of the options.

The Group recognised the total expense of HK$13,308,000 for the year ended 31 December 2020 (2019: HK$31,506,000) in relation to share options granted by the Company.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

37. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2020, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$9,410,227,000 (2019: HK$7,840,771,000) in aggregate of which HK$774,219,000 (2019: HK$1,467,366,000) was contracted for.

Other than that, the Group did not have any significant commitments and contingent liabilities at the end of the reporting period.

38. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,717,328,000 (2019: HK$2,918,917,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Included in property rental income is contingent rental income earned during the year ended 31 December 2020 amounted to HK$18,834,000 (2019: HK$144,654,000).

Minimum lease payments receivable on leases are as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**2,291,327**	2,462,780
In the second year	**1,661,843**	1,750,400
In the third year	**875,176**	1,130,037
In the fourth year	**356,667**	577,918
In the fifth year	**91,744**	324,029
After five years	**9,318**	121,638
	5,286,075	6,366,802

Where leases are negotiated at a fixed rate for the first few years, but subject to renegotiation for the remaining contracted lease terms, the minimum lease payments are calculated based on the latest negotiated rent, if any.

The Group as lessee

At the end of reporting period, the Group has lease commitments of HK$1,984,000 (2019: HK$476,000) for short-term leases which fall due within one year.

39. CONNECTED AND RELATED PARTY DISCLOSURES

The Group had the following significant related party balances and transactions during the year. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties. Dr. Lo Ka Shui is the chairman and managing director of the Company. Transactions with the Group were disclosed as related party transactions.

	2020 HK$'000	2019 HK$'000
Transaction with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee income	1,344	1,356
Repair and maintenance income	–	37

	2020 HK$'000	2019 HK$'000
Transactions with related companies for the year ended 31 December		
SFK Construction Holdings Limited and its subsidiaries[1]		
Rental income	–	1,790
Building management fee income	–	295
Carpark income	–	42
Income from reinstatement work	–	229
Shui On Land Limited and its subsidiaries[2]		
Lease payment	1,771	1,774
Hotel income	340	344
Management fee expenses	3,583	3,613
Trading income	–	136
Shui Sing Holdings Limited and its subsidiaries[3]		
Management fee income	264	264
Repair and maintenance income	104	341
Agency fee income	13	27
Haining Haixing Hotel Company Limited[5]		
Hotel income	–	931
Healthy Seed Limited[4]		
Management fee income	143	135
Rental income	401	334
Building management fee income	166	166
Repair and maintenance income	136	–
Oasis Rainbow Limited[5]		
Procurement income	–	145

39. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

Transactions with related companies are also connected transactions as defined in the chapter 14A of the Listing Rules.

	2020 HK$'000	2019 HK$'000
Balances with related companies as at 31 December		
Amounts due from related companies (included in debtors, deposits and prepayments)		
SOCAM Development Limited and its subsidiaries[2]	141	147
Shui On Land Limited and its subsidiaries[2]	1,906	1,779
Shui Sing Holdings Limited and its subsidiaries[3]	406	289
Haining Haixing Hotel Company Limited[5]	–	244
	2,453	2,459
Amounts due from related parties (included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	112	118
Mr. Lo Kai Shui	664	664
	776	782
Amounts due to related companies (included in creditors, deposits and accruals and lease liabilities)		
SFK Construction Holdings Limited and its subsidiaries[1]	598	598
Shui On Land Limited and its subsidiaries[2]	2,724	4,560
Healthy Seed Limited[4]	147	147
Shui Sing Holdings Limited and its subsidiaries[3]	339	–
	3,808	5,305

Balances with related companies are unsecured, interest-free and repayable on demand. Other than the above balances and amount due from a joint venture as disclosed in note 16, the Group has no other related company balances.

Notes:

1 Mr. Lo Kai Shui, being a controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company.

2 Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company, and Mr. Lo Kai Shui.

39. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

Notes: (continued)

[3] Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and Mr. Lo Kai Shui, are among the discretionary beneficiaries under a discretionary trust, being a substantial shareholder of this company, holding 33.64% (2019: 33.36%) interest of the Company.

[4] Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, are directors of this company.

[5] The company is also a connected party of the Company in which a director of a subsidiary has controlling interest.

The remuneration of the Directors and other members of key management during the year were disclosed in note 11. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include borrowings and medium term notes disclosed in notes 28 and 29 respectively, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instruments at FVTOCI, notes and loan receivables, debtors, financial assets at FVTPL, restricted cash, time deposits with original maturity over three months, bank balances and cash, creditors, rental deposits received, derivative financial instruments, distribution payable, medium term notes, and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and lease liabilities and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits, time deposits with original maturity over three months, restricted cash, notes and loan receivables, and certain medium term notes and lease liabilities.

The Group's exposure to cash flow interest rate risk is resulted primarily from adverse change in interest rates of HIBOR and LIBOR arising from variable rate borrowings and certain medium term notes.

The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

The interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments for variable rate borrowings, medium term notes, and bank balances at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2020 would increase/decrease by HK$44,358,000 (2019: HK$80,659,000).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group has certain bank deposits, medium term notes, financial assets at FVTPL, equity instruments at FVTOCI, notes and loan receivables that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign currency derivative contracts.

The Group's medium term note of US$686,400,000 (2019: US$386,400,000) is denominated in a foreign currency (i.e. US$) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on part of its medium term note amounted to US$386,400,000 (2019: US$386,400,000). The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
US$	**5,246,795**	1,795,933	**2,290,427**	604
RMB	**107,245**	75,993	**–**	–
Pound Sterling	**1,853**	1,981	**–**	–
Euro dollars	**46,125**	93,131	**2,700**	2,415
Australian dollars	**23,349**	10,430	**–**	–
New Zealand dollars	**67**	40	**–**	–
Canadian dollars	**20**	20	**–**	–
Macau pataca	**2,563**	10,209	**–**	–
Singapore dollars	**93,761**	92,039	**–**	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US$, no material currency risk exposure is expected on US$ denominated monetary assets and monetary liabilities and the cross currency swaps. Therefore they are excluded from the sensitivity analysis below. 10% (2019: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2019: 10%) change in foreign currency rate. A positive number below indicates a decrease in loss before tax where Hong Kong dollars weaken 10% (2019: 10%) against the relevant currency. For a 10% (2019: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the loss before tax for the year, and the balances below would be negative.

	2020 **HK$'000**	2019 HK$'000
RMB	**10,725**	7,599
Pound Sterling	**185**	198
Euro dollars	**4,343**	9,072
Australian dollars	**2,335**	1,043
New Zealand dollars	**7**	4
Canadian dollars	**2**	2
Macau pataca	**256**	1,021
Singapore dollars	**9,376**	9,204

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group's listed and certain unlisted equity instruments at FVTOCI, listed equity securities held for trading, and equity linked notes at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed and unlisted equity instruments at FVTOCI measured at fair value had been 10% (2019: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$106,559,000 (2019: HK$103,474,000) for the Group as a result of the changes in fair value of listed and unlisted equity instruments at FVTOCI.

If the prices of the listed equity securities held for trading measured at fair value had been 10% (2019: 10%) higher/lower, fair value changes on financial assets at FVTPL would increase/decrease by HK$20,518,000 (2019: HK$23,466,000) for the Group as a result of the changes in fair value of listed equity securities held for trading.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, maintain sufficient availability of banking facilities and ensure compliance with loan covenants as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK$7,378,111,000 as at 31 December 2020 (2019: HK$10,706,504,000). In addition to the cash resources, the Group has available borrowing facilities of which undrawn committed facility in the form of revolving bank loans amounted to HK$4,812,182,000 as at 31 December 2020 (2019: HK$6,253,684,000).

The Group established a US$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. The Group issued an aggregate principal amounts of HK$2,343,000,000 and US$686,400,000 as at 31 December 2020 (2019: HK$2,543,000,000 and US$386,400,000).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on effective interest rate at the end of the reporting period.

	Interest rate	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	3 to 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
2020								
Rental deposit received	–	183,251	182,856	198,424	72,348	39,141	676,020	676,020
Non-interest bearing	–	2,764,380	–	–	–	–	2,764,380	2,764,380
Fixed interest rate instruments	1.00% to 4.00%	237,533	276,484	3,120,485	124,630	4,513,765	8,272,897	7,039,460
Variable interest rate instruments	0.33% to 4.87%	5,018,427	3,916,462	7,668,275	6,154,190	439,877	23,197,231	22,376,377
Lease liabilities	3.29% to 5.00%	9,921	8,088	3,367	–	–	21,376	20,381
		8,213,512	4,383,890	10,990,551	6,351,168	4,992,783	34,931,904	32,876,618
2019								
Rental deposit received	–	275,406	161,635	171,422	50,354	71,467	730,284	730,284
Non-interest bearing	–	1,355,377	–	–	–	–	1,355,377	1,355,377
Fixed interest rate instruments	2.75% to 4.00%	171,558	368,708	168,708	3,121,945	1,831,833	5,662,752	4,883,206
Variable interest rate instruments	0.33% to 5.01%	4,877,277	4,997,687	4,654,072	7,857,595	5,906,846	28,293,477	26,312,271
Lease liabilities	3.29% to 5.00%	12,497	8,764	7,258	3,101	–	31,620	29,745
		6,692,115	5,536,794	5,001,460	11,032,995	7,810,146	36,073,510	33,310,883

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments based on their contractual maturities. For derivative financial instruments settled on a net basis, undiscounted net cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Within 1 year HK$'000	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**	**Total amount HK$'000**	**Total carrying amount HK$'000**
2020					
Derivatives net settlement					
Interest rate swaps	**(73,158)**	**(62,128)**	**(36,087)**	**(171,373)**	**(283,886)**
Cross currency swaps	**13,092**	**(144,306)**	**(9,505)**	**(140,719)**	**(139,485)**
Currency forward contracts	**(312)**	**–**	**–**	**(312)**	**(312)**

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total amount HK$'000	Total carrying amount HK$'000
2019					
Derivatives net settlement					
Interest rate swaps	29,002	7,086	12,613	48,701	(12,716)
Cross currency swaps	36,003	32,516	(84,395)	(15,876)	(25,077)
Currency forward contracts	(4,198)	–	–	(4,198)	(4,198)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2020 and 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group measures the loss allowance on liquid funds equal to 12m ECL. The credit risk on liquid funds is limited because most of the cash and deposits are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on derivative financial instrument is limited because most of the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on notes receivable and equity linked notes is limited because most of the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – credit-impaired	12m ECL
Watch list	Debtor repays by frequent instalments and usually makes full settlement after due date.	Lifetime ECL – credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – credit-impaired	Lifetime ECL – non-credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment (continued)

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9.

Based on the ECL assessment, the credit exposures for trade and other receivables, loan receivables, amount due from a joint venture are considered as low risk of internal credit rating because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2020, loss allowance provision of HK$20,173,000 (2019: HK$19,566,000) for trade debtors was recognised.

The following table shows the movement in lifetime ECL that has been recognised as trade debtors under the simplified approach.

	Lifetime ECL (non-credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	1,162	17,897	19,059
Increase in allowance recognised in profit or loss	507	–	507
As at 31 December 2019	1,669	17,897	19,566
Increase in allowance recognised in profit or loss	607	–	607
As at 31 December 2020	**2,276**	**17,897**	**20,173**

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade debtors	114,923	182,037
Other receivables	106,101	173,806
Notes receivable	2,881,577	679,767
Loan receivables	253,730	88,154
Mortgage loan receivables	178,698	3,113
Amount due from a joint venture	292	292
Restricted cash	171,745	166,405
Time deposits with original maturity over three months	191,485	200,000
Bank balances and cash	7,378,111	10,706,504
	11,276,662	12,200,078
Financial assets mandatorily measured at FVTPL		
Equity and currency linked notes	258,670	–
Financial assets held for trading	205,176	234,665
	463,846	234,665
Equity instruments at FVTOCI		
Equity instruments at FVTOCI	1,065,589	1,034,736
Derivative financial instruments	20,954	12,788
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	–	64,426
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	203,987	269,948
Other payables	1,463,148	431,335
Rental deposits received	676,020	730,284
Construction fee payable and retention money payable	850,484	389,426
Distribution payable	246,761	264,668
Borrowings	21,807,289	25,669,271
Medium term notes	7,608,548	5,526,206
	32,856,237	33,281,138
Derivative financial instruments	321,350	119,205
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	123,287	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value

The fair values of financial assets and financial liabilities, including equity instruments at FVTOCI, derivative financial instruments and financial assets at FVTPL are determined as detailed in note 41(f). The fair value of other financial assets and financial liabilities which are at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

(f) Fair value measurements recognised in the consolidated statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages in third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2020				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Equity and currency linked notes	–	–	258,670	258,670
Derivative financial instruments	–	20,954	–	20,954
Listed equity securities held for trading	205,176	–	–	205,176
Equity investments at FVTOCI				
Listed equity securities	215,874	–	–	215,874
Unlisted equity securities	768,586	–	81,129	849,715
Total	1,189,636	20,954	339,799	1,550,389
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	321,350	–	321,350
Derivative financial instruments under hedge accounting	–	123,287	–	123,287
Total	–	444,637	–	444,637

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2019				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Derivative financial instruments	–	12,788	–	12,788
Derivative financial instruments under hedge accounting	–	64,426	–	64,426
Listed equity securities held for trading	234,665	–	–	234,665
Equity investments at FVTOCI				
Listed equity securities	196,262	–	–	196,262
Unlisted equity securities	682,277	–	156,197	838,474
Total	1,113,204	77,214	156,197	1,346,615
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	119,205	–	119,205
Total	–	119,205	–	119,205

There were no transfers between Level 1 and 2 in the current year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)	Fair value as at 31 December 2020 HK$'000	Fair value as at 31 December 2019 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Listed equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**215,874**	196,262	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the consolidated statement of financial position.	**205,176**	234,665	Level 1	Quoted market bid prices in an active market.
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**768,586**	682,277	Level 1	Broker's quote which reflects the Group's share of fair value of the underlying investments which are publicly traded equity investments.
Foreign currency derivative contracts classified as derivative financial instruments in the consolidated statement of financial position.	**(21,266)** **20,954**	(4,198)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position.	**(283,886)**	50,551 (63,267)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position.	**(139,485)**	26,663 (51,740)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

Financial assets (liabilities)	Fair value as at 31 December 2020 HK$'000	2019 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**81,129**	156,197	Level 3	Market approach. It is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability.	Multiples of several comparable companies and risk adjustments for lack of marketability. (Note a)
Equity and currency linked notes classified as financial assets at FVTPL in the consolidated statement of financial position.	**258,670**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices/ foreign currency exchange rate. (Note b)

Notes:

(a) The higher the multiples, the higher the fair value of unlisted equity securities. The higher the risk adjustments, the lower the fair value of unlisted equity securities. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

(b) The higher the volatility, the higher the fair value of equity and currency linked notes. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Reconciliation of Level 3 fair value measurements of financial assets

	Equity and currency linked notes HK$'000	Unlisted equity securities HK$'000
As at 1 January 2019	31,392	150,870
Purchases	25,000	16,346
Redemption upon maturity/disposal	(56,747)	–
Change in fair value	355	(11,019)
As at 31 December 2019	–	156,197
Purchases	258,566	3,111
Transfer to level 1	–	(7,789)
Change in fair value	104	(70,390)
As at 31 December 2020	**258,670**	**81,129**

The above change in fair value of equity and currency linked notes and unlisted equity securities are included in "fair value changes on financial assets at FVTPL" in the consolidated income statement and "fair value (loss) gain on equity instruments at FVTOCI" in the consolidated statement of comprehensive income, respectively.

42. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instrument HK$'000	Interest payable HK$'000	Borrowings HK$'000	Medium term notes HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000	Distribution payable HK$'000	Total HK$'000
At 1 January 2019	33,647	98,349	25,624,861	5,536,292	–	–	271,748	31,564,897
Distribution declared	–	–	–	–	–	584,053	714,952	1,299,005
Interest expenses (note)	–	830,972	59,568	6,269	1,372	–	–	898,181
Fair value adjustment	(5,882)	–	–	–	–	–	–	(5,882)
New leases entered/lease modified	–	–	–	–	42,285	–	–	42,285
Financing cash flows	14,442	(910,144)	(11,007)	–	(13,543)	(327,195)	(722,334)	(1,969,781)
Foreign exchange translations	–	149	(4,151)	(16,355)	–	–	–	(20,357)
Interest capitalisation	–	82,846	–	–	–	–	–	82,846
Other non-cash changes	(216)	–	–	–	(369)	(256,858)	302	(257,141)
At 31 December 2019	41,991	102,172	25,669,271	5,526,206	29,745	–	264,668	31,634,053
Distribution declared	–	–	–	–	–	2,025,835	515,694	2,541,529
Interest expenses (note)	–	725,440	38,582	8,126	1,043	–	–	773,191
Fair value adjustment	406,634	–	–	–	–	–	–	406,634
New leases entered/lease modified	–	–	–	–	2,763	–	–	2,763
Financing cash flows	(25,586)	(779,707)	(4,090,586)	2,087,766	(13,493)	(1,791,382)	(533,148)	(5,146,136)
Foreign exchange translations	–	–	192,678	(13,550)	323	–	–	179,451
Interest capitalisation	–	42,702	–	–	–	–	–	42,702
Other non-cash changes	644	–	(2,656)	–	–	(234,453)	(453)	(236,918)
At 31 December 2020	**423,683**	**90,607**	**21,807,289**	**7,608,548**	**20,381**	**–**	**246,761**	**30,197,269**

Note:

The amounts reclassified from hedging reserve are excluded in the reconciliation.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 2019 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in the British Virgin Islands				
Jolly Trend Limited	2 shares of US$1 each	Investment holding	100%	100%

Indirect subsidiaries	Share capital issued Number of share(s)	Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in Hong Kong					
Able Wise (China) Limited	1	1	Investment holding	100%	100%
Best Come Limited	1	1	Flexible workspace operation	100%	100%
Bon Project Limited	2	2	Property investment	100%	100%
Champion Global Services Limited	1	1	Provision of procurement services	94.5%	94%
Chance Mark Limited	2	2	Property investment	100%	100%
Clever Gain Investment Limited	2	2	Restaurant operation	100%	100%
Eagle Asset Management (CP) Limited	16,000,000	16,000,000	Manager of real estate investment trust	100%	100%
Eagle Property Management (CP) Limited	1	1	Property management	100%	100%
Ease Billion Development Limited	2	2	Property investment	100%	100%
Ease Treasure Finance Limited	1	1	Financing	100%	100%
Ease Treasure Finance (PSK) Limited	1	1	Financing	100%	100%
Ease Treasure Investment Limited	1	1	Property development	100%	100%
Eaton Hotels International Limited	1	1	Hotel & restaurant management	100%	100%
Eaton Residences Management Limited	1,000	10,000	Management of furnished apartments	100%	100%
Fortuna Wealth Company Limited	2	2	Property investment	100%	100%
GE Hospitality Asset Management Limited	1	1	Asset management	100%	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	100%	100%
Great Eagle (China) Investment Limited	1	1	Investment holding	100%	100%
Great Eagle Project Advisory Company Limited	1	1	Provision of project management services	100%	100%
Great Eagle Real Estate Agency Limited	1	1	Real estate agency	100%	100%
Great Eagle Trading Holdings Limited	1,000	82,992,841	Investment holding	94.5%	94%
Keysen Engineering Company, Limited	2	2	Maintenance services	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued: Number of share(s)	Share capital issued: Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company: 2020	2019
Incorporated and operating in Hong Kong (continued)					
Keysen Properties Management Company Limited	1	1	Property management	100%	100%
Keysen Property Management Services Limited (formerly known as The Great Eagle Properties Management Company, Limited)	1,800,000	1,800,000	Property management	100%	100%
Landton Limited	2	2	Investment holding	100%	100%
Langham Hospitality Group Limited	1	1	Investment holding	100%	100%
Langham Hotels International Limited	5,000	5,000	Hotel management	100%	100%
Langham Hotels Management (HK) Limited	1	1	Provision of hotel management service	100%	100%
Langham Hotels Services Limited	1	1	Hospitality management and marketing service	100%	100%
Langham Hotels (China) Limited	1	1	Hotel management	100%	100%
Langham Hotels (Cordis) Limited	1	1	Provision of staff services	100%	100%
Langham Hotels (EHK) Limited	1	1	Provision of staff services	100%	100%
Langham Hotels (LHK) Limited	1	1	Provision of staff services	100%	100%
LHIL Manager Limited	1	1	Trustee-Manager of Langham Hospitality Investments	100%	100%
Longworth Management Limited	10,000	10,000	Property management	100%	100%
Mega Bloom (China) Limited	1	1	Investment holding	100%	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	100%	100%
Selex Engineering Services Limited (formerly known as The Great Eagle Engineering Company Limited)	2	2	Maintenance services	100%	100%
Sharp Bloom Limited	1	1	Treasury management	100%	100%
The Great Eagle Company, Limited	2,000,000	1,000,000	Investment holding and property investment	100%	100%
The Great Eagle Development and Project Management Limited	2	20	Project management	100%	100%
The Great Eagle Estate Agents Limited	2	20	Real estate agency	100%	100%
The Great Eagle Finance Company, Limited	100,000	10,000,000	Financing	100%	100%
Topstar Investment Holdings Limited	1	1	Investment holding	94.5%	100%
Toptech Co. Limited	2,000,000	2,000,000	Trading of building materials	94.5%	94%
Totipotent Investment Limited	1	1	Treasury management	100%	100%
Venus Glory Company Limited	2	2	Property investment	100%	100%
Wisdom Living Limited*	1	1	Operation of loyalty membership platform	100%	–

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued: Number of share(s)	Share capital issued: Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company: 2020	2019
Incorporated and operating in Hong Kong (continued)					
Worth Bright Company Limited	2	2	Property investment	100%	100%
Zamanta Investments Limited	100	1,000	Property investment	100%	100%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT					
Benington Limited	100	1,000	Property investment	67.22%	66.22%
CP (A1) Limited	1	1	Property investment	67.22%	66.22%
CP (B1) Limited	1	1	Property investment	67.22%	66.22%
CP (MC) Limited	1	1	Property investment	67.22%	66.22%
CP (PH) Limited	1	1	Property investment	67.22%	66.22%
CP (SH) Limited	1	1	Property investment	67.22%	66.22%
CP (WC) Limited	1	1	Property investment	67.22%	66.22%
CP Finance Limited	1	1	Financing	67.22%	66.22%
CP (Portion A) Limited	2	2	Property investment	67.22%	66.22%
CP (Portion B) Limited	2	2	Property investment	67.22%	66.22%
CP Success Limited	1	1	Financing	67.22%	66.22%
CP Wealth Limited	1	1	Financing and treasury	67.22%	66.22%
Elegant Wealth Limited	1	1	Property investment	67.22%	66.22%
Maple Court Limited	2	2	Property investment	67.22%	66.22%
Panhy Limited	2	2	Property investment	67.22%	66.22%
Renaissance City Development Company Limited	2	20	Property investment	67.22%	66.22%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	67.22%	66.22%
Trump Treasure Limited	1	1	Treasury	67.22%	66.22%
Well Charm Development Limited	2	2	Property investment	67.22%	66.22%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham					
Cordis Hong Kong Limited	2	2	Property investment	69.24%	63.45%
Grow On Development Limited	5,000	5,000	Property investment	69.24%	63.45%
Harvest Star International Limited	2	2	Property investment	69.24%	63.45%
LHIL Finance Limited	1	1	Financing	69.24%	63.45%
LHIL Treasury (HK) Limited	1	1	Financing	69.24%	63.45%
LHIL Treasury Company Limited	1	1	Treasury management	69.24%	63.45%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated in the British Virgin Islands				
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Choice Wealth Limited	1 share of US$1	Treasury management	100%	100%
Ecobest Ventures Limited	1 share of US$1	Treasury management	100%	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%	100%
Great Eagle Nichemusic Limited	1 share of US$1	Treasury management	100%	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
LHIL Assets Holdings Limited	1 share of US$1	Investment holding of Langham share stapled units	100%	100%
Lucky Wheel Investments Limited	1 share of US$1	Treasury management	100%	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ultra New Investments Limited	1 share of US$1	Investment holding	100%	100%
Incorporated in the British Virgin Islands and operating in Hong Kong				
Raychen Investments Limited	1 share of US$1	Provision of computer system solutions and investment holding	100%	100%
Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT				
EAM-Champion REIT Limited	1 share of US$1	Securities investment	67.22%	66.22%
Incorporated in the British Virgin Islands and operating in the United Kingdom				
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%	100%
Incorporated and operating in Canada				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%	100%
Incorporated in the British Virgin Islands and operating in Australia				
Katesbridge Group Limited	1 share of US$1	Investment holding	100%	100%
Ruby Dynasty Limited	1 share of US$1	Investment holding	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in Australia				
NSW Hotel Management Pty Ltd	2 shares of A$1 each	Hotel operation	100%	100%
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%	100%
The Great Eagle Hotels (NSW) Trust	100 units of A$1 each	Hotel ownership	100%	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 shares of A$1 each	Hotel ownership	100%	100%
Incorporated and operating in Italy				
Rio dei Vetrai S.r.l.	EUR100,000	Hotel development	100%	100%
Incorporated in the British Virgin Islands and operating in New Zealand				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Hotel ownership	100%	100%
Incorporated and operating in New Zealand				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%	100%
Incorporated and operating in the USA				
Langham Hotels Pacific Corporation	100 shares of US$0.001 each	Hotel management	100%	100%
Pacific Boston Holdings Corporation	100 shares of US$0.001 each	Hotel management	100%	100%
Pacific Chicago LLC	US$34,626,714	Hotel ownership	100%	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%	100%
Pacific Eagle China Orient (US) Real Estate GP, LLC	US$250,000	Investment fund management	80%	80%
Pacific Eagle (US) Real Estate Fund, L.P.	US$95,189,804	Investment holding	49.97%	49.97%
Pacific Eagle Holdings Corporation	100 shares of no par value	Real estate management	100%	100%
Pacific Fifth Avenue Corporation	100 shares of US$0.01 each	Hotel ownership	100%	100%
Pacific Howard Corporation	100 shares of US$0.01 each	Property/hotel development	100%	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	100%	100%
Pacific Langham Chicago Corporation	100 shares of US$0.001 each	Hotel management	100%	100%
Pacific Langham NY Management Corporation	100 shares of US$0.01 each	Hotel management	100%	100%
Pacific Malibu Dume LLC	US$20,145,000	Property held for sale	49.97%	49.97%
Pacific 1125 Market Corporation	100 shares of US$0.01 each	Hotel development	100%	100%
Pacific Pine LLC	US$33,363,081	Property development	49.97%	49.97%
Pacific 2014 Second Avenue LLC	US$7,559,883	Property development	100%	100%
Pacific Virginia LLC	US$18,465,373	Property development	100%	100%
Pacific Washington DC Corporation	100 shares of US$0.01 each	Hotel ownership	100%	100%
Pacific Washington DC Manger Corporation	100 shares of US$0.01 each	Hotel management	100%	100%
Peak Project Management Limited	100 shares of US$0.01 each	Project management	100%	100%
Shorthills NJ, Inc.	100 shares of US$1 each	Property investment	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ registered capital	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in the PRC				
卓環管理咨詢(上海)有限公司 **	US$100,000	Provision of procurement services	**94.5%**	94%
朗廷酒店管理(上海)有限公司 **	US$3,750,000	Hotel management	**100%**	100%
朗虹(上海)酒店有限公司 **	RMB1,100,000,000	Hotel ownership and operation	**100%**	100%
上海禮興酒店有限公司 **	US$79,575,000	Hotel ownership and operation	**100%**	100%
高端(上海)貿易有限公司 **	US$350,000	Trading of building materials	**94.5%**	94%
高端星(上海)貿易有限公司 ***	RMB1,000,000	General trading business	**94.5%**	–
Incorporated and operating in Japan				
Great Eagle Tokyo TMK	JPY27,356,100,000	Hotel development	**100%**	100%
Great Eagle Japan KK	JPY20,000,000	Hotel management and property development	**100%**	100%
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	**67.22%**	66.22%
Ernest Limited	100 shares of US$1 each	Investment holding	**67.22%**	66.22%
Incorporated and operating in Indonesia				
PT. Langham Hotels Management Indonesia*	IDR10,000,000,000	Hotel management	**100%**	–

* All these subsidiaries commenced its business during the year ended 31 December 2020.

** All these subsidiaries are registered as wholly foreign-owned enterprise in the PRC.

*** This subsidiary commenced its business during the year ended 31 December 2020 and is registered as a wholly foreign-owned enterprise in the PRC.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued medium term notes as detailed in note 29, no other subsidiaries had issued any debt securities at 31 December 2020 and 2019 at any time during both years.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2020 and 2019:

Indirect subsidiaries	Place of incorporation and principal activities	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders		Loss allocated to non-controlling interests/unitholders		Accumulated non-controlling interests/unitholders	
		2020	2019	**2020**	2019	**2020**	2019
				HK$'000	HK$'000	**HK$'000**	HK$'000
Champion REIT	HK/Property investment	**32.78%**	33.78%	**(4,148,346)**	(188,831)	**16,671,121**	21,901,034
Langham	Cayman Islands/Property investment	**30.76%**	36.55%	**(107,991)**	(16,546)	**(894,543)**	(1,305,576)
US Real Estate Fund	the USA/Property investment	**50.03%**	50.03%	**(6,543)**	(36,233)	**264,873**	370,114

The above information is based on the financial information of Champion REIT and its subsidiaries, Langham and its subsidiaries and US Real Estate Fund and its subsidiaries for the relevant years respectively.

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2020 has 67.22% and 69.24% (2019: 66.22% and 63.45%) ownership interest in Champion REIT and Langham, respectively. The Group additionally achieves control over Champion REIT and Langham through the REIT Manager and Trustee-Manager, respectively, who are wholly owned subsidiaries of the Group.

Although the Group as at 31 December 2020 has 49.97% (2019: 49.97%) ownership in US Real Estate Fund, the Directors concluded that the Group is able to direct the relevant activities of US Real Estate Fund and achieves control over US Real Estate Fund through the general partner, who is a subsidiary of the Group.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests/unitholders is set out below. The summarised financial information below represents amounts before intragroup eliminations.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries

	2020 HK$'000	2019 HK$'000
Current assets	**4,054,758**	2,225,046
Non-current assets	**67,638,474**	81,454,100
Current liabilities	**(7,121,020)**	(4,299,495)
Non-current liabilities, excluding net assets attributable to unitholders	**(13,714,614)**	(14,545,329)
Net assets attributable to non-controlling unitholders of Champion REIT	**16,671,121**	21,901,034
Revenue	**2,920,320**	3,080,669
Expenses	**(1,353,693)**	(1,407,069)
Loss for the year, before distribution to unitholders	**(12,497,090)**	(570,322)
Distribution to unitholders	**(1,476,445)**	(1,565,536)
Loss for the year, after distribution to unitholders (note a)	**(13,973,535)**	(2,135,858)
Other comprehensive (expense) income for the year (note b)	**(147,930)**	59,781
Total comprehensive expense for the year (note c)	**(14,121,465)**	(2,076,077)
Attributable to non-controlling unitholders of Champion REIT:		
Loss for the year, before distribution to unitholders	**(4,148,346)**	(188,831)
Other comprehensive (expense) income for the year	**(55,821)**	20,229
Total comprehensive expense for the year	**(4,204,167)**	(168,602)
Distributions to non-controlling unitholders of Champion REIT	**488,393**	529,776
Net cash inflow from operating activities	**1,075,637**	1,991,407
Net cash (outflow) inflow from investing activities	**(1,104,097)**	5,289
Net cash outflow from financing activities	**(91,101)**	(1,634,571)
Net cash (outflow) inflow	**(119,561)**	362,125

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

		2020 HK$'000	2019 HK$'000
(a)	Loss for the year, after distributions to unitholders		
	attributable to owners of the Company	(9,336,796)	(1,417,251)
	attributable to non-controlling unitholders of Champion REIT	(4,636,739)	(718,607)
		(13,973,535)	(2,135,858)
(b)	Other comprehensive (expense) income for the year		
	attributable to owners of the Company	(98,993)	39,552
	attributable to non-controlling unitholders of Champion REIT	(48,937)	20,229
		(147,930)	59,781
(c)	Total comprehensive expense for the year		
	attributable to owners of the Company	(9,435,789)	(1,377,699)
	attributable to non-controlling unitholders of Champion REIT	(4,685,676)	(698,378)
		(14,121,465)	(2,076,077)

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2020 HK$'000	2019 HK$'000
Current assets	**274,094**	106,018
Non-current assets	**14,805,484**	17,506,028
Current liabilities	**(510,931)**	(463,754)
Non-current liabilities	**(6,439,050)**	(7,158,505)
Equity attributable to non-controlling interests before intragroup eliminations	**2,500,664**	3,651,267
Equity attributable to non-controlling interests after intragroup eliminations (note)	**(894,543)**	(1,305,576)
Revenue	**208,256**	483,883
Expenses	**(224,232)**	(269,227)
Loss and total comprehensive expense for the year	**(2,832,807)**	(2,634,711)
Attributable to non-controlling interests of Langham: Loss and total comprehensive expense for the year (note)	**(107,991)**	(16,546)
Distributions to non-controlling interests of Langham	**26,543**	150,146
Net cash inflow from operating activities	**12,442**	357,059
Net cash outflow from investing activities	**(79,792)**	(101,625)
Net cash inflow (outflow) from financing activities	**209,231**	(266,583)
Net cash inflow (outflow)	**141,881**	(11,149)

Note:

The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation and depreciation on Langham's properties and other service fees.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund and its subsidiaries

	2020 HK$'000	2019 HK$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	**269,718**	374,753
Equity attributable to non-controlling interests after intragroup eliminations (note)	**264,873**	370,114
Loss and total comprehensive expense for the year	**(13,078)**	(64,263)
Attributable to non-controlling interests of US Real Estate Fund: Loss and total comprehensive expense for the year (note)	**(6,543)**	(36,233)
Distributions to non-controlling interests of US Real Estate Fund	**100,079**	–

Note:

The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation in regards to the capital injection of the property to the US Real Estate Fund.

44. PARTICULARS OF THE PRINCIPAL JOINT VENTURES

Details of the Group's principal joint ventures at 31 December 2020 and 2019 are set out below:

Indirect joint ventures	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Group 2020	2019
Incorporated in the British Virgin Islands				
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are inactive	**50%**	50%
Incorporated in the USA				
8701 Associates 2, LLC	US$28,000,000	Investment holding of subsidiaries which are engaged in property development	**N/A**	50%
8701 Collins Avenue, LLC	US$26,112,500	Investment holding of a subsidiary which is engaged in property development	**33%**	N/A

45. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2020 and 2019 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Group 2020	2019
Incorporated in the British Virgin Islands				
City Apex Limited	3,500 shares of US$1 each	Investment holding	**23%**	23%
Incorporated in the Cayman Islands				
Redwood Peak Partners	12,500 shares of US$1 each	General partner of investment fund	**25%**	25%

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investment in a subsidiary	**4,290,402**	4,093,475
Amount due from a subsidiary	**17,148,073**	17,961,132
	21,438,475	22,054,607
Current assets		
Prepayments	**505**	207
Amount due from a subsidiary	**365,116**	628,267
Bank balances and cash	**9,330**	8,106
	374,951	636,580
Current liability		
Accruals and other payables	**10,432**	8,928
Net current assets	**364,519**	627,652
NET ASSETS	**21,802,994**	22,682,259
Share capital and reserves		
Share capital	**359,960**	354,191
Reserves	**21,443,034**	22,328,068
TOTAL EQUITY	**21,802,994**	22,682,259

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note)	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	5,967,374	3,054	424,627	60,710	15,360,417	21,816,182
Shares issued at premium	325,983	–	–	(11,862)	–	314,121
Share issue expenses	(107)	–	–	–	–	(107)
Recognition of equity-settled share-based payments	–	–	–	31,506	–	31,506
Profit and total comprehensive income for the year	–	–	–	–	750,418	750,418
Dividend paid	–	–	–	–	(584,052)	(584,052)
At 31 December 2019	6,293,250	3,054	424,627	80,354	15,526,783	22,328,068
Shares issued at premium	228,684	–	–	–	–	228,684
Share issue expenses	(4)	–	–	–	–	(4)
Recognition of equity-settled share-based payments	–	–	–	13,308	–	13,308
Profit and total comprehensive income for the year	–	–	–	–	898,813	898,813
Dividend paid	–	–	–	–	(2,025,835)	(2,025,835)
At 31 December 2020	6,521,930	3,054	424,627	93,662	14,399,761	21,443,034

Note: The contributed surplus is available for distribution to shareholders under the Bermuda Companies Act. Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. At 31 December 2020, total profits (including contributed surplus) available for distribution to shareholders was HK$12,303,647,000.

47. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2020, the Group entered into various agreements whereby the Group became the developer with MTR Corporation Limited for the project on a land in Ho Man Tin, Kowloon, Hong Kong.

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Eaton Residence 100 Blue Pool Road, Happy Valley, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	6,000	100%
Eaton Residence 4H Village Road, Happy Valley, Hong Kong	Furnished apartments	23,000	100%
Eaton Residence 3-5 Wan Chai Gap Road, Wan Chai, Hong Kong	Furnished apartments	35,000	100%
Eaton HK 380 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong	Hotel/Commercial	339,000	69.24%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	375,000	69.24%

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASES (continued)			
Cordis, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	580,000	69.24%
The Langham, Shanghai, Xintiandi 99 Madang Road, Xintiandi, Shanghai 200021, the PRC	Hotel/Commercial	575,000	100%
Three Garden Road 3 Garden Road, Central, Hong Kong	Commercial/Office	1,638,000	67.22%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	67.22%
Cordis, Shanghai Hongqiao 333 Shen Hong Road, Minhang District, Shanghai 201106, the PRC	Hotel/Commercial	505,000	100%
ON FREEHOLD LAND			
The Langham, London 1B & 1C Portland Place, Regent Street, London, W1B 1JA, the United Kingdom	Hotel/Commercial	363,000	100%

PROPERTIES HELD FOR INVESTMENT (continued)

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND (continued)			
Chelsea Hotel, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
Cordis, Auckland 83 Symonds Street, Auckland 1140, New Zealand	Hotel/Commercial	309,000	100%
The Langham, Boston 250 Franklin Street, Boston, MA 02110, the USA	Hotel/Commercial	281,000	100%
The Langham Huntington, Pasadena, Los Angeles, 1401 South Oak Knoll Avenue, Pasadena, California 91106, the USA	Hotel/Commercial	489,000	100%
The Langham, Sydney 89-113 Kent Street, Sydney, NSW2000, Australia	Hotel	129,000	100%

PROPERTIES HELD FOR INVESTMENT **(continued)**

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND (continued)			
The Langham, Chicago 330 North Wabash, Chicago, IL 60611, the USA	Hotel	342,000	100%
The Langham, New York, Fifth Avenue 400 Fifth Avenue, New York 10018, the USA	Hotel	297,000	100%
Eaton Washington D.C. 1201 K. Street, N.W., Washington DC, DC 20005, the USA	Hotel	173,000	100%

PROPERTIES UNDER DEVELOPMENT

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND			
555 Howard Street, San Francisco, CA94105, the USA (note a)	Hotel	406,000	100%
1125 Market Street, San Francisco, CA94103, the USA (note a)	Hotel	139,000	100%
1931 Second Avenue, Seattle, WA98101 the USA (note a)	Hotel/Condominium	553,000	100%
Various lots on Roppongi 4-Chome, Minato-ku, Tokyo Japan (note a)	Hotel	377,000	100%
Fondamenta Daniele Manin no. 1,2,5, Murano, Venezia Italy (note a)	Hotel	172,000	100%

PROPERTIES HELD FOR SALE

Name and location	Use	Approximate Floor area (sq. ft.)	Group's interests
ON LAND UNDER MEDIUM-TERM LEASE			
ONTOLO 7 Fo Yin Road, Pak Shek Kok, Tai Po, New Territories, Hong Kong (note b)	Residential	730,000	100%
ON FREEHOLD LAND			
The Austin 1545 Pine Street, San Francisco, CA94109, the USA (note b)	Condominium	135,000	49.97%
Cavalleri 6487-89 Cavalleri Road, Malibu, CA 90265, the USA (note c)	Condominium	186,000	49.97%

Notes:

(a) Under design and planning.

(b) Construction have been completed, sales in progress.

(c) Renovation works have been completed.

APPENDIX II
FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
RESULTS					
Revenue	8,648,500	8,948,104	10,156,180	9,236,830	**10,305,287**
(Loss) profit before tax	4,692,344	13,166,490	8,914,195	(146,283)	**(12,398,274)**
Income taxes	(572,598)	(377,559)	(526,500)	(429,789)	**(403,811)**
(Loss) profit for the year	4,119,746	12,788,931	8,387,695	(576,072)	**(12,802,085)**
Attributable to:					
Owners of the Company	2,769,792	8,817,852	5,810,713	(337,790)	**(8,540,252)**
Non-controlling unitholders of Champion REIT	1,148,328	3,825,235	2,667,742	(188,831)	**(4,148,346)**
Non-controlling interests	201,626	145,844	(90,760)	(49,451)	**(113,487)**
	4,119,746	12,788,931	8,387,695	(576,072)	**(12,802,085)**
(Loss) earnings per share					
Basic	HK$4.10	HK$12.83	HK$8.33	(HK$0.48)	**(HK$11.94)**
Diluted	HK$4.09	HK$12.74	HK$8.31	(HK$0.48)	**(HK$11.94)**
ASSETS AND LIABILITIES					
Total assets	106,328,934	121,003,536	128,425,457	127,960,446	**111,779,591**
Total liabilities	(33,400,752)	(36,175,105)	(36,915,214)	(38,050,672)	**(36,904,726)**
	72,928,182	84,828,431	91,510,243	89,909,774	**74,874,865**
Attributable to:					
Owners of the Company	55,847,312	64,468,712	69,352,812	68,922,297	**58,811,392**
Non-controlling unitholders of Champion REIT	17,434,493	20,706,511	22,705,392	21,901,034	**16,671,121**
Non-controlling interests	(353,623)	(346,792)	(547,961)	(913,557)	**(607,648)**
	72,928,182	84,828,431	91,510,243	89,909,774	**74,874,865**

GLOSSARY OF TERMS

In this annual report, unless the context otherwise requires, the following expression shall have the followings meanings:

Term	Definition
"2009 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
"2019 Share Option Scheme"	the share option scheme of the Company adopted by an ordinary resolution passed on 22 May 2019
"Bye-laws"	The bye-laws of the Company as may be amended from time to time
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Champion REIT"	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorised under section 104 of SFO, in which the Group has an interest of approximately 67.22% as at 31 December 2020
"Code of Conduct for Securities Transactions"	Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company
"Company"	Great Eagle Holdings Limited
"EBITDA"	Earning before interest, taxes, depreciation and amortisation
"Group"	the Company and its subsidiaries
"HITL"	HSBC International Trustee Limited
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Langham" or "LHI"	Langham Hospitality Investments and Langham Hospitality Investments Limited (Stock Code: 1270), the share stapled units of which are listed on the Stock Exchange, in which the Group had an interest of approximately 69.24% as at 31 December 2020

Term	Definition
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"RevPAR"	Revenue per available room
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of ordinary share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. Fund" or "U.S. Real Estate Fund"	Pacific Eagle (US) Real Estate Fund, L.P., in which the Group had an interest of approximately 49.97% as at 31 December 2020

This annual report is available in both English and Chinese versions and has been published on the Company's website at www.GreatEagle.com.hk and the HKEXnews website at www.hkexnews.hk.

In respect of (i) shareholders who have chosen to receive or are deemed to have consented to receiving this annual report by electronic means wish to receive printed form of this annual report; or (ii) shareholders who have received or chosen to receive printed form wish to receive another language version of this annual report; or (iii) shareholders who wish to change their choice of means of receipt or language of the Company's future corporate communications (including but not limited to directors' report, annual accounts, independent auditor's report, interim report, notice of meeting, circular to shareholders), they may at any time send their request by reasonable notice in writing by post or by email to GreatEagle.ecom@greateagle.com.hk or by completing and returning the Request Form to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited by using the mailing label on the Request Form (postage prepaid if delivered within Hong Kong). The Request Form is being sent to shareholders together with the printed form of this annual report or written notification (as the case may be).

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