鷹君集團有限公司
Great Eagle Holdings Limited

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

ANNUAL REPORT 2021

CORPORATE PROFILE

The Great Eagle Group is one of Hong Kong's leading property companies. The Group 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 67.76% interest (as at 31 December 2021) in Champion Real Estate Investment Trust, and a 69.39% interest (as at 31 December 2021) 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. Besides, Champion Real Estate Investment Trust also holds 27% interest in a Grade-A commercial complex located in 66 Shoe Lane of Central London. 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 667-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 two luxury residential development projects in Hong Kong, two development projects in San Francisco, U.S., a development project in Seattle, U.S., and two hotel development projects in Tokyo, Japan and Venice, Italy respectively. 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-seven properties with more than 10,000 rooms, including twenty-four luxury hotels branded under The Langham, Langham Place and Cordis brands in Hong Kong, Jakarta, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Haining, Haikou, Ningbo, Xiamen, Hefei, Hangzhou and Changsha; two Eaton hotels in Washington D.C. and Hong Kong; and the Chelsea hotel in Toronto.

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$1,361 million in the financial year 2021 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK$68,810 million as of 31 December 2021.

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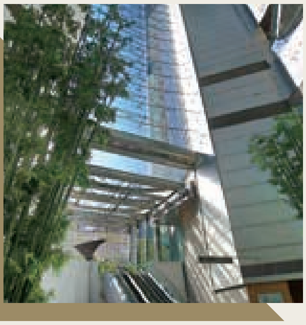

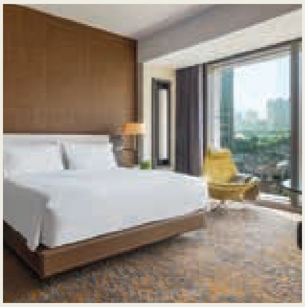

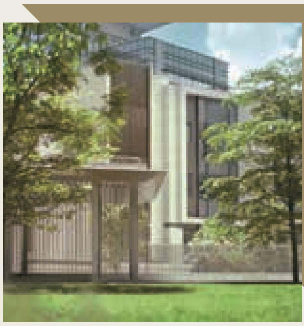

CORPORATE INFORMATION

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*
ZHU Qi*
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
POON Ka Yeung, Larry

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
ZHU Qi

REMUNERATION COMMITTEE
LEE Pui Ling, Angelina *(Chairwoman)*
CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard
LEE Siu Kwong, Ambrose
ZHU Qi

NOMINATION COMMITTEE
WONG Yue Chim, Richard *(Chairman)*
CHENG Hoi Chuen, Vincent
LEE Pui Ling, Angelina
LEE Siu Kwong, Ambrose
ZHU Qi

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
Morrison & Foerster
Pillsbury Winthrop Shaw Pittman LLP
Reed Smith Richards Butler LLP
Shartsis Friese LLP

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

REGISTERED OFFICE
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PRINCIPAL SHARE REGISTRAR
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4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG
Computershare Hong Kong Investor Services Limited
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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 ("2021 Final Dividend") and a special final dividend of HK50 cents per share ("Special Final Dividend") for the year ended 31 December 2021 to the Shareholders whose names appear on the Registers of Members of the Company on Wednesday, 18 May 2022 subject to the approval of the Shareholders at the forthcoming 2022 Annual General Meeting.

Taken together with the interim dividend of HK33 cents per share paid on 13 October 2021, the total dividend for the year 2021 is HK$1.33 per share (2020 total dividend: HK$2.83 per share, comprising an interim dividend of HK33 cents per share, a special interim dividend of HK$1.50 per share, a final dividend of HK50 cents per share and a special final dividend HK50 cents per share).

Shareholders will be given the option to receive the proposed 2021 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 2022. Dividend warrants and share certificates in respect of the proposed 2021 Final Dividend and Special Final Dividend are expected to be despatched to the Shareholders on 21 June 2022.

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 2022 Annual General Meeting

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2022 Annual General Meeting, the Registers of Members of the Company will be closed from Thursday, 28 April 2022 to Thursday, 5 May 2022, both days inclusive.

In order to be eligible to attend and vote at the 2022 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 not later than 4:30 p.m. on Wednesday, 27 April 2022.

(ii) To qualify for the proposed 2021 Final Dividend and Special Final Dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2021 Final Dividend and Special Final Dividend, the Registers of Members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive.

In order to qualify for the proposed 2021 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 not later than 4:30 p.m. on Thursday, 12 May 2022.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

	Year ended 31 December		
	2021	2020	Change
	HK$ million	HK$ million	
Key Financials on Income Statement			
Based on core business [1]			
Revenue based on core business	**5,696.9**	8,261.9	– 31.0%
Core profit after tax attributable to equity holders	**1,360.6**	1,771.9	– 23.2%
Core profit after tax attributable to equity holders (per share)	**HK$1.87**	HK$2.48	
Based on statutory accounting principles [2]			
Revenue based on statutory accounting principles	**7,830.4**	10,305.3	– 24.0%
Statutory loss attributable to equity holders	**(499.0)**	(8,540.3)	– 94.2%
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$1.33**	HK$2.83	

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 focus on the Group's core profit.

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

	As at the end of December 2021	June 2021
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	**10.5%**	11.9%
Book value (per share)	**HK$94.1**	HK$88.9
Based on statutory accounting principles [2]		
Net gearing [3]	**34.0%**	38.9%
Book value (per share)	**HK$84.1**	HK$79.0

1 The Group's core balance sheet is derived from our share of LHI's net assets. 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 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 67.76%, 69.39% and 49.97% equity stakes in Champion REIT, LHI and the U.S. Fund respectively as at the end of December 2021.

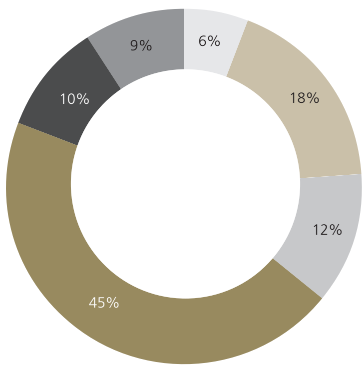
3 Net gearing based on statutory accounting principles is based on net debts attributable to shareholders of the Group divided by equity attributable to shareholders of the Group.

FINANCIAL CALENDAR

2021 Interim Results Announcement	:	26 August 2021
Payment of 2021 Interim Dividend	:	13 October 2021
2021 Annual Results Announcement	:	25 February 2022
Closure of Registers for ascertaining the entitlement to attend and vote at the 2022 Annual General Meeting	:	28 April 2022 – 5 May 2022 (both days inclusive)
2022 Annual General Meeting	:	5 May 2022
Ex-dividend Date	:	11 May 2022
Closure of Registers for ascertaining the entitlement to the proposed 2021 Final Dividend and Special Final Dividend	:	13 May 2022 – 18 May 2022 (both days inclusive)
Record Date for the proposed 2021 Final Dividend and Special Final Dividend	:	18 May 2022
Payment of the proposed 2021 Final Dividend and Special Final Dividend	:	21 June 2022

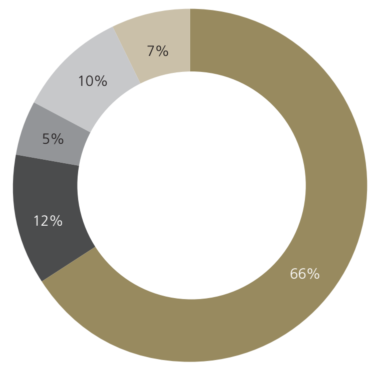
ASSETS EMPLOYED

Total Assets HK$103,626 million



- Property investment
- Hotel operation
- Property development
- Share of assets of Champion REIT
- Share of assets of LHI
- Other operations

FINANCED BY

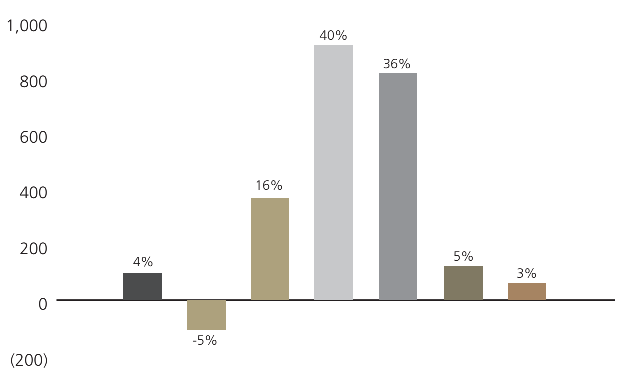


- Equity attributable to equity holders
- Share of liabilities of Champion REIT
- Share of liabilities of LHI
- Non-current liabilities
- Current liabilities

OPERATING INCOME FROM CORE BUSINESS

HK$2,272 million

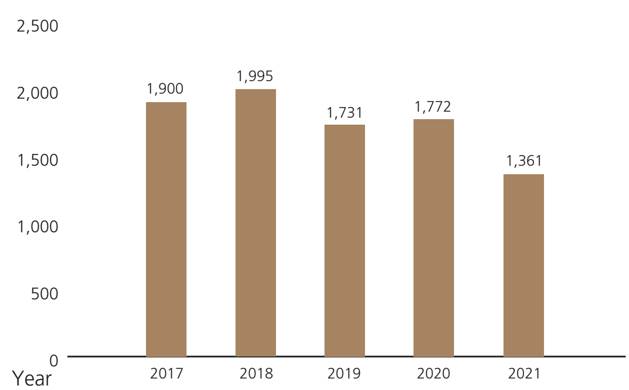
HK$ million



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

CORE PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

HK$ million



CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Year ended 31 December		
	2021 HK$ million	2020 HK$ million	Change
Revenue from core business			
Revenue from property sales	**1,802.0**	5,107.9	- 64.7%
Hotels Division	**2,085.7**	1,300.1	60.4%
Management fee income from Champion REIT	**365.4**	378.0	- 3.3%
Distribution income from Champion REIT ^	**914.6**	988.0	- 7.4%
Distribution income from LHI ^	**60.7**	–	n.a.
Gross rental income	**144.8**	183.3	- 21.0%
Other operations	**323.7**	304.6	6.3%
Total revenue	**5,696.9**	8,261.9	- 31.0%
Income from property sales	**815.6**	2,055.4	- 60.3%
Hotels EBITDA	**(105.4)**	(625.8)	- 83.2%
Management fee income from Champion REIT	**365.4**	378.0	- 3.3%
Distribution income from Champion REIT ^	**914.6**	988.0	- 7.4%
Distribution income from LHI ^	**60.7**	–	n.a.
Net rental income	**98.1**	134.5	- 27.1%
Operating income from other operations	**122.7**	(26.3)	n.m.
Operating income from core business	**2,271.7**	2,903.8	- 21.8%
Depreciation	**(332.0)**	(380.8)	- 12.8%
Administrative and other expenses	**(437.7)**	(590.0)	- 25.8%
Other income	**9.3**	43.9	- 78.8%
Interest income	**78.8**	188.9	- 58.3%
Finance costs	**(159.5)**	(156.1)	2.2%
Share of results of joint ventures	**(8.6)**	(17.0)	- 49.4%
Share of results of associates	**6.1**	5.1	19.6%
Core profit before tax	**1,428.1**	1,997.8	- 28.5%
Income taxes	**(67.1)**	(224.9)	- 70.2%
Core profit after tax	**1,361.0**	1,772.9	- 23.2%
Non-controlling interest	**(0.4)**	(1.0)	- 60.0%
Core profit attributable to equity holders	**1,360.6**	1,771.9	- 23.2%

^ Under the Group's statutory profit, the 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 2021

	Assets HK$ million	Liabilities HK$ million	Net Assets HK$ million
Great Eagle operations	**47,069**	**17,555**	**29,514**
Champion REIT	**45,991**	**12,379**	**33,612**
LHI	**10,139**	**4,727**	**5,412**
U.S. Fund	**426**	**154**	**272**
	103,625	**34,815**	**68,810**

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

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Year ended 31 December		
	2021 HK$ million	2020 HK$ million	Change
Revenue based on statutory accounting principles			
Revenue from property sales	**1,802.0**	5,107.9	- 64.7%
Hotels Division	**2,835.3**	1,815.2	56.2%
Gross rental income	**144.8**	183.3	- 21.0%
Other operations (including management fee income from Champion REIT)	**689.2**	682.5	1.0%
Gross rental income – Champion REIT	**2,769.2**	2,920.3	- 5.2%
Gross rental income – LHI	**224.3**	208.3	7.7%
Gross revenue – U.S. Fund	**52.8**	84.3	- 37.4%
Elimination on intragroup transactions	**(687.2)**	(696.5)	- 1.3%
Consolidated total revenue	**7,830.4**	10,305.3	- 24.0%
Income from property sales	**815.6**	2,055.4	- 60.3%
Hotels EBITDA	**(105.4)**	(625.8)	- 83.2%
Net rental income	**98.1**	134.5	- 27.1%
Operating income from other operations (including management fee income from Champion REIT)	**488.1**	351.6	38.8%
Net rental income – Champion REIT	**1,933.0**	2,065.4	- 6.4%
Net rental income – LHI	**203.6**	179.9	13.2%
Net operating income/(loss) – U.S. Fund	**12.6**	(0.0)	n.m.
Elimination on intragroup transactions	**(75.3)**	40.5	n.m.
Consolidated segment results	**3,370.3**	4,201.5	- 19.8%
Depreciation	**(849.4)**	(831.8)	2.1%
Fair value changes on investment properties	**(2,178.6)**	(14,252.7)	- 84.7%
Fair value changes on derivative financial instruments	**290.8**	(194.0)	n.m.
Fair value changes on financial assets at fair value through profit or loss	**(47.2)**	40.9	n.m.
Administrative and other expenses	**(446.6)**	(489.2)	- 8.7%
Allowance for credit losses on notes receivables and interest receivables	**(108.4)**	–	n.a.
Impairment loss on property, plant and equipment	**–**	(347.9)	n.a.
Other income (including interest income)	**171.6**	289.7	- 40.8%
Finance costs	**(705.3)**	(802.9)	- 12.2%
Share of results of joint ventures	**13.7**	(17.0)	n.m.
Share of results of associates	**6.1**	5.1	19.6%
Statutory loss before tax	**(483.0)**	(12,398.3)	- 96.1%
Income taxes	**(309.0)**	(403.8)	- 23.5%
Statutory loss after tax	**(792.0)**	(12,802.1)	- 93.8%
Non-controlling interest	**22.0**	113.5	- 80.6%
Non-controlling unitholders of Champion REIT	**271.0**	4,148.3	- 93.5%
Statutory loss attributable to equity holders	**(499.0)**	(8,540.3)	- 94.2%

OVERVIEW

The COVID-19 pandemic and the closure of borders have continued to adversely affect our businesses. Nevertheless, there was some improvement in hotels' operations both local and overseas. During the second half of 2020, the Group sold and delivered most of the smaller units in the ONTOLO project and recorded related profits. In comparison, sales for the reported year were mainly for the remaining larger units which generally progressed at a slower pace and hence accounted for the drop in property sales income. The Group's core profit attributable to equity holders for the year was HK$1,360.6 million representing a 23.2% drop compared to HK$1,771.9 million last year, after factoring in an operating income of HK$815.6 million (2020: HK$2,055.4 million) from ONTOLO. The Group's statutory results reported a loss attributable to equity holders of HK$499.0 million for the year 2021 (2020: HK$8,540.3 million), mainly due to significant reduction in negative revaluation changes on investment properties. Notwithstanding the overall difficult operating environment, the Group continued to explore opportunities to expand its quality asset base and widen its income sources. As reported in the 2021 Interim Report, the Group in February 2021 successfully acquired the development rights for a luxury residential project in Ho Man Tin, Hong Kong and took advantage of the underutilised plot ratio to build a new tower with 244 hotel rooms located next to our Cordis, Auckland in the third quarter of 2021. The Group also completed a major renovation of the Langham, Boston and reopened the hotel in late June 2021.

During the year, operation of the Group's overseas hotels was still significantly hindered by the COVID-19 pandemic. However, compared to previous year, there was some improvement thanks to the gradual relaxation of travel restriction and mandatory quarantine requirements amid intermittent interruption in different countries, as well as our continued efforts in achieving efficient cost controls. The reported loss before interest, taxes and depreciation of the hotels excluding those owned by LHI for the year narrowed to HK$105.4 million from HK$625.8 million for the previous year, representing an improvement of HK$520.4 million or 83.2%.

According to statutory accounting principles, our investment in LHI is classified as a subsidiary, and its results are consolidated into the Group's statutory accounts. However, as LHI is principally focused on distributions, it is more meaningful for the Group's core profit to account for only LHI's distribution attributable to the Group. Amid the lacklustre performances of its three hotels in Hong Kong, LHI generated a small distribution income and declared distribution per Share Staple Unit of HK2.7 cents for the year 2021.

For similar reasons, the Group's core profit is based on the attributable distribution income and management fee income derived from Champion REIT for the same financial year. The persistence of the COVID-19 pandemic continued to pose challenges to the operating environment of Champion REIT. After factoring in the Group's 0.54% increase in investment in Champion REIT during the year, distribution income from Champion REIT dropped by 7.4% year-on-year to HK$914.6 million from HK$988.0 million for the previous year, while management fee income also fell by 3.3% from HK$378.0 million to HK$365.4 million.

Hit by COVID-19 and border closures, net rental income from our investment portfolio, mainly Great Eagle Centre and Eaton Residences, dropped by 27.1% year-on-year from HK$134.5 million to HK$98.1 million.

The Group's other business operations turned a loss of HK$26.3 million for the previous year to a net income of HK$122.7 million as the previous year results included a provision of HK$128.0 million for loss due to rental commitments of our Eaton Club's flexible workspace business.

Overall, the Group's core operating income before depreciation and expenses fell by 21.8% to HK$2,271.7 million (2020: HK$2,903.8 million), mainly due to a drop of HK$1,239.8 million profit booked for the sale of ONTOLO units. The impact of such drop in property sale income was partially mitigated by reduced loss from hotels operation and better results from other business operation.

Administration and other expenses decreased 25.8% to HK$437.7 million against the previous year, mainly because of more stringent costs control and less property selling expenses. In 2021, the Group recorded fully impaired note receivables of HK$32.2 million as the counterparty triggered an event of default while in 2020 the Group wrote off certain investments related to our Hong Kong and overseas flexible workspace businesses to a total amount of HK$132.8 million.

The Group's interest income dropped 58.3% to HK$78.8 million in 2021 (2020: HK$188.9 million), due to lower deposit rates as well as reduced cash holdings and investments in high yield bonds. The Group was in a net finance expenses position amounting to HK$80.7 million in 2021 (2020: net interest income HK$32.8 million). Core profit attributable to equity holders dropped by 23.2% to HK$1,360.6 million (2020: HK$1,771.9 million).

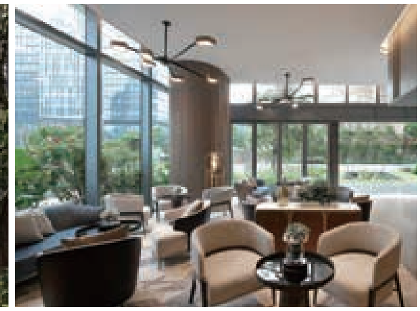
In addition, the Group holds approximately 13.4 million shares in U.S. listed electric vehicle company Lucid (US stock code: LCID.US). In accordance with applicable accounting standards, an unrealised valuation surplus of HK$3,717.5 million, based on the closing price of US$38.05 per share as at 31 December 2021, had been credited directly to the reserve account in the balance sheet of the Group.

Despite the global economic turbulence brought by COVID-19 and other geopolitical tensions, the Group's financial position remains healthy and the Group is expected to withstand the pandemic and other risks without significant stress. As explained in the 2021 Interim Report, the Group successfully established a Medium Term Note Programme during the year, giving it access to more diverse and flexible funding channels.

BUSINESS REVIEW

Breakdown of Operating Income	Year ended 31 December **2021** **HK$ million**	 2020 HK$ million	Change
1. Income from property sales	**815.6**	2,055.4	- 60.3%
2. Hotels EBITDA	**(105.4)**	(625.8)	- 83.2%
3. Income from Champion REIT	**1,280.0**	1,366.0	- 6.3%
4. Distribution income from LHI	**60.7**	–	n.a.
5. Net rental income from investment properties	**98.1**	134.5	- 27.1%
6. Operating income from other operations	**122.7**	(26.3)	n.m.
Operating income from core business	**2,271.7**	2,903.8	- 21.8%

PROPERTY SALES



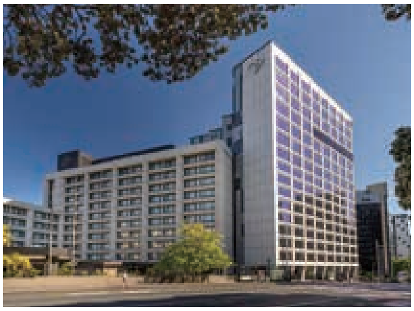
ONTOLO, Pak Shek Kok

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 2021, accumulated sales reached 580 residential units (representing a saleable area of 417,162 sq. ft.) and 149 carparks. A majority of the units sold was handed over to buyers in 2020, while 117 residential units (saleable area 90,193 sq. ft.) and 41 carparks were delivered to buyers in 2021 resulted in booking of relevant revenue and operating profit contribution of HK$1,802.0 million and HK$815.6 million respectively in the reported period. During the year, the average sales price for the residential units reached HK$19,278 per sq. ft. based on saleable area, while average sales price was HK$2.57 million per unit for the sold parking spaces.

HOTELS DIVISION





Hotels Performance

	Average daily rooms available		Occupancy		Average room rate (local currency)		RevPAR (local currency)	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Europe								
The Langham, London	**380**	380	**22.8%**	19.0%	**476**	333	**108**	63
North America								
The Langham, Boston ^	**299**	–	**18.7%**	–	**499**	–	**93**	–
The Langham Huntington, Pasadena	**379**	379	**34.3%**	22.3%	**365**	295	**125**	66
The Langham, Chicago	**316**	316	**43.0%**	21.3%	**472**	369	**203**	79
The Langham, New York, Fifth Avenue	**234**	234	**39.3%**	18.5%	**673**	498	**264**	92
Eaton, Washington D.C.	**209**	209	**29.6%**	17.9%	**192**	182	**57**	32
Chelsea Hotel, Toronto	**1,590**	1,590	**33.9%**	20.3%	**110**	137	**37**	28
Australia/New Zealand								
The Langham, Melbourne	**388**	388	**20.4%**	21.5%	**344**	346	**70**	75
The Langham, Sydney	**96**	96	**31.7%**	36.6%	**538**	470	**171**	172
Cordis, Auckland	**410**	373	**27.3%**	40.4%	**218**	230	**60**	93
China								
The Langham, Shanghai, Xintiandi	**354**	355	**63.0%**	52.3%	**1,296**	1,172	**816**	613
Cordis, Shanghai, Hongqiao	**394**	395	**58.8%**	40.4%	**768**	723	**451**	292

^ Re-opened in the second quarter of 2021 after the hotel has been closed for renovation from April 2019

	Year ended 31 December		
	2021	2020	Change
	HK$ million	HK$ million	
Hotels revenue			
Europe	**250.7**	138.0	81.7%
North America	**1,002.3**	517.8	93.6%
Australia/New Zealand	**346.9**	296.1	17.2%
Mainland China	**370.8**	274.8	34.9%
Others (including hotel management fee income)	**115.0**	73.4	56.7%
Total hotels revenue	**2,085.7**	1,300.1	60.4%
Hotels EBITDA			
Europe	**23.1**	(47.9)	n.m.
North America	**10.7**	(364.6)	n.m.
Australia/New Zealand	**(53.0)**	(40.1)	32.2%
Mainland China	**63.7**	17.8	257.9%
Others (including hotel management fee income)	**(149.9)**	(191.0)	- 21.5%
Total hotels EBITDA	**(105.4)**	(625.8)	- 83.2%

The majority of our overseas hotels saw performances improve in the second half of the year as social distancing restrictions were lifted in most countries, and our hotels resumed more normal operations. In most cases performance was supported by the domestic leisure business as almost all international borders remained very subdued. In the Pacific region, a resurgence of COVID-19 cases hampered performance as governments reimpose lockdowns in Australia and New Zealand from the third quarter onwards. On a positive note, some of our hotels returned a profit during the year.

Total revenue for the Hotels Division rose 60.4% year-on-year to HK$2,085.7 million in 2021, after accounting for operating loss and rental payment shortfall of HK$215.7 million incurred as the lessee of LHI's hotels, and which are included under the row "Others" in the breakdown of the Hotels Division's operating results. The Hotels Division incurred a loss before interest, taxes and depreciation of HK$105.4 million in 2021 (2020: HK$625.8 million). The loss has factored in government subsidies received of HK$83.4 million (2020: HK$239.3 million) and loan forgiveness under the Paycheck Protection Program ("PPP") equivalent to HK$90.1 million.

EUROPE

The Langham, London

Our London hotel saw business recover from July onwards when all restrictions were lifted. Rooms revenue has primarily been driven by the local leisure business with only small signs of corporate activity. The reopening of the restaurants was flexed in line with business volume, while the two bars have seen good weekend business. However, the resurgence of COVID-19 cases in December 2021 led to booking cancellations during the festive season. In 2021, government relief subsidies amounted to HK$19.1 million (2020: 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.

Our US hotels performance saw business rebound in the second half of the year when the majority of the cities lifted some COVID-19 restrictions. In addition, the return of some entertainment and sporting events, corporate groups and conventions also helped drive domestic travel. Our rooms business was supported by a stronger leisure segment driving higher weekend room rates, with corporate and group activity slowly building during the week. Food and beverage ("F&B") also witnessed some steady recovery.

The Langham, Boston reopened in June 2021 after extensive renovation. However, the resurgence of COVID-19 cases in late December 2021 led to booking cancellations in our US hotels during the holiday season.

During the year, our qualified hotels in the U.S. have been successfully granted loan forgiveness under PPP equivalent to HK$90.1 million.

Chelsea Hotel, Toronto

Rooms business was supported by steady demand from a student residence programme with a local university. With the city still under a phased reopening plan, the hotel's restaurants and banquet facilities remained challenged. During the year, government relief subsidies amounted to HK$25.3 million (2020: HK$36.5 million) was booked for the hotel.

During the year, 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 is awaiting Construction Permit approval. Our development team continues to assess market forces in order to determine the optimal timing to launch the redevelopment of the Chelsea site. Meanwhile, the Chelsea Hotel operation continues.

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne and The Langham, Sydney

Our Australian hotels continued to be affected by lockdowns in the third quarter due to local outbreaks of COVID-19, resulting in both hotels suspending operations. Sydney reopened in October 2021 with Melbourne resuming trading in November 2021. All restrictions in both cities were lifted in November 2021. However, our hotels have only seen gradual business recovery due to large scale and growing daily infections. During the year, government relief subsidies amounting to HK$11.5 million (2020: HK$46.8 million) was booked for the two hotels in Australia.

Cordis, Auckland

Our Auckland hotel suspended operations in August 2021 as the city entered lockdown. It reopened in December 2021, along with the launch of the new 244-room Pinnacle Tower, which received positive media feedback. All restrictions were lifted in Auckland city in December 2021 although international travel is still banned. During the year, government relief subsidies amounting to HK$23.2 million (2020: HK$26.2 million) was booked for the hotel.

MAINLAND CHINA

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

The Chinese market showed promising signs of recovery in 2021 with good domestic travel. Our Shanghai hotels saw gradual performance improvement in the first half of the year. However, the intermittent resurgence of COVID-19 cases in Shanghai and nearby provinces hampered business results from August onwards as the majority of exhibitions in Shanghai were postponed or cancelled.

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 row "Others" in the breakdown of the Hotels Division's operating results. The loss incurred in "Others" in 2021 was primarily due to the shortfall of HK$215.7 million (2020: HK$238.2 million) incurred by the Group as the lessee of LHI's hotels.

As at the end of December 2021, there were 12 managed hotels with approximately 3,400 rooms in our management portfolio. The most recent hotels added to the portfolio were Langham Place, Changsha, which opened in May 2021 with 294 rooms, and The Langham, Jakarta, which opened in September 2021 with 224 rooms.

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 2021 dropped by 6.3% to HK$1,280.0 million. Distribution income dropped by 7.4% to HK$914.6 million, as the REIT declared a 8.7% decline in distribution per unit based on a 90% payout ratio (2020: 95%) and our holdings in the REIT increased from 67.22% as at the end of December 2020 to 67.76% as at the end of December 2021. Given Champion REIT's lower net property income, management fee income from Champion REIT fell 3.3% to HK$365.4 million in 2021.

	Year ended 31 December		
	2021	2020	Change
	HK$ million	HK$ million	
Attributable distribution income	**914.6**	988.0	- 7.4%
Management fee income	**365.4**	378.0	- 3.3%
Total income from Champion REIT	**1,280.0**	1,366.0	- 6.3%

The following text was extracted from the 2021 annual results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road

Demand from new and existing tenants gradually materialised in the second half, boosting the occupancy of Three Garden Road to 89.0% as at 31 December 2021 (31 December 2020: 86.8%). Rental income of the property shrank by 3.8% to HK$1,460 million (2020: HK$1,518 million), mainly attributable to the impact of negative rental reversion. Average passing rent decreased to HK$108.3 per sq. ft. (based on lettable area) as at 31 December 2021 (31 December 2020: HK$110.4 per sq. ft.). Net property income dropped 4.1% to HK$1,313 million (2020: HK$1,369 million) mainly due to lower rental income. Net property operating expenses maintained stable at HK$147 million (2020: HK$149 million).

Langham Place Office Tower

Occupancy of Langham Place Office Tower improved to 96.3% as at 31 December 2021 (31 December 2020: 88.7%) driven by a rebound in leasing momentum for beauty and healthcare tenants. However, the impact of negative rental reversion drove down rental income of the property to HK$365 million (2020: HK$378 million). Passing rents of the property declined to HK$47.1 per sq. ft. (based on gross floor area) as at 31 December 2021 (31 December 2020: HK$47.7 per sq. ft.). Net property income declined 5.4% to HK$327 million (2020: HK$346 million).

Langham Place Mall

Total rental income of the mall went down 9.1% to HK$670 million (2020: HK$738 million) despite a rebound in tenants' sales. The decline was mainly due to negative rental reversion of the base rent portion and the impact of the departure of the anchor tenant. Average passing rents dropped to HK$165.9 per sq. ft. (based on lettable area) as at 31 December 2021 (31 December 2020: HK$179.3 per sq. ft.). The proportion of tenants paying turnover rent only decreased to 12% as at 31 December 2021 as the local retail environment stabilised. The mall remained fully occupied as at 31 December 2021. Net property income decreased 11.9% to HK$557 million (2020: HK$632 million).

DISTRIBUTION INCOME FROM LHI



Under statutory accounting principles, 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 in distributions, the Group's core profit is 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 2021, LHI generated a small amount of distribution income and declared distribution per Share Stapled Unit of HK2.7 cents (2020: nil).

	Year ended 31 December		
	2021 **HK$ million**	2020 HK$ million	Change
Attributable distribution income	**60.7**	–	n.m.

Performances of the Hong Kong hotels below were extracted from the 2021 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$)		RevPAR (in HK$)	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
The Langham, Hong Kong	**498**	498	**30.1%**	16.3%	**1,103**	1,342	**332**	219
Cordis, Hong Kong	**667**	667	**36.0%**	22.5%	**996**	1,165	**358**	262
Eaton HK	**465**	465	**48.8%**	37.4%	**534**	543	**261**	203

The Langham, Hong Kong

The Langham, Hong Kong, witnessed continued pressure on demand for rooms as quarantine restrictions on inbound travellers continued throughout the year. As a result of weak demand from traditional segments during the year, the Hotel Manager targeted the local staycation market as well as long-stay business, producing an improvement in occupancy in the second half of 2021. As a result, the hotel posted a 30.1% occupancy for the full year, as compared with a 20.6% occupancy witnessed in the first half of 2021. Average room rate dropped 17.8% for the full year, as compared with a decrease of 23.7% in the first half of 2021.

F&B revenue for the hotel increased 57.4% year-on-year in 2021. The increase was due to the improved revenue across our restaurants as government restrictions eased and larger banqueting business was able to return towards the end of the year. Note that The Food Gallery was closed for three months at the beginning of the COVID-19 lockdown in 2020.

Excluding the decrease of HK$24.8 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 52.3% year-on-year in 2021.

Cordis, Hong Kong

With minimal demand from international markets amid ongoing border restrictions, the Hotel Manager focused on targeting the local staycation and long-stay businesses. The hotel managed to improve its occupancy to 36.0% for 2021, as compared with a 26.2% occupancy in the first half of 2021. Average room rate dropped 14.5% in 2021, as compared with a decrease of 22.0% in the first half of 2021.

Revenue from F&B witnessed an increase of 55.4% year-on-year in 2021, with strong spent-up demand from the local market. All the restaurants witnessed an improvement in business as government restrictions eased. In addition, the catering segment performed well from the third and fourth quarters on the back of eased restrictions that allowed the holding of larger functions and weddings banquets.

Excluding the decrease of HK$29.5 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 48.2% year-on-year in 2021.

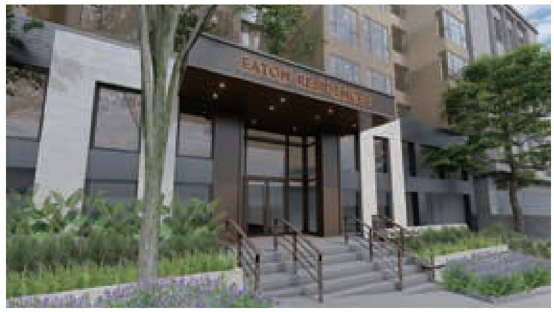
Eaton HK

Eaton HK, managed to deliver a 48.8% occupancy for 2021, as it captured a good share of the staycation market by its value-for-money pricing. Room rate remained relatively stable dropping only 1.7% year-on-year in 2021, as compared with a drop of 10.6% year-on-year in the first half of 2021.

Revenue from F&B at the Eaton HK performed relatively well with an increase of 41.2% year-on-year in 2021. The growth was particularly strong at The Astor buffet restaurant. All the restaurants continued to build a strong reputation after renovations.

Excluding the decrease of HK$15.9 million in Employment Support Scheme and other government subsidies that are recorded in other revenue, total revenue for the hotel increased 36.1% year-on-year in 2021.

RENTAL INCOME FROM INVESTMENT PROPERTIES



	Year ended 31 December		
	2021	2020	Change
	HK$ million	HK$ million	
Gross rental income			
Great Eagle Centre	**89.5**	119.9	- 25.4%
Eaton Residences Apartments	**26.2**	33.0	- 20.6%
Others	**29.1**	30.4	- 4.3%
	144.8	183.3	- 21.0%
Net rental income			
Great Eagle Centre	**80.3**	112.1	- 28.4%
Eaton Residences Apartments	**11.3**	19.1	- 40.8%
Others	**6.5**	3.3	97.0%
	98.1	134.5	- 27.1%

Great Eagle Centre

	As at the end of		
	December 2021	December 2020	Change
Office (on lettable area)			
Occupancy	**69.5%**	88.4%	- 18.9ppt
Average passing rent	**HK$63.0**	HK$69.5	- 9.4%
Retail (on lettable area)			
Occupancy	**94.5%**	95.0%	- 0.5ppt
Average passing rent	**HK$70.1**	HK$101.5	- 30.9%

Office space occupancy of Great Eagle Centre dropped 18.9 percentage points to 69.5% amid the departure of an anchor tenant and the disappearance of demand from the mainland companies in Wanchai, where demand had once dominated by them. Cross-border controls for the COVID-19 pandemic also lengthened downtime to backfilling vacant spaces. Overall gross rental income for the Great Eagle Centre, which included retail rental income and other income, dropped by 25.4% year-on-year to HK$89.5 million in 2021. Net rental income dropped by 28.4% to HK$80.3 million.

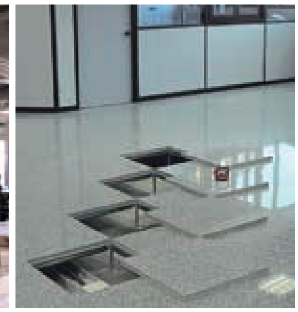
Eaton Residences Apartments

	Year ended 31 December		
	2021	2020	Change
(on gross floor area)			
Occupancy	**74.1%**	67.4%	6.7ppt
Average net passing rent	**HK$18.1**	HK$26.1	- 30.7%

Village Road and Wanchai Gap Road serviced apartments continued to enjoy steady occupancy levels supported by leasing from long stay guests. Wanchai Gap Road was also supported by pickup in daily leisure and corporate business. Blue Pool Road remained closed in 2021, and reopened in January 2022 after an extensive renovation. Gross rental income fell 20.6% year-on-year to HK$26.2 million in 2021, and net rental income decreased by 40.8% year-on-year to HK$11.3 million.

OPERATING INCOME FROM OTHER OPERATIONS



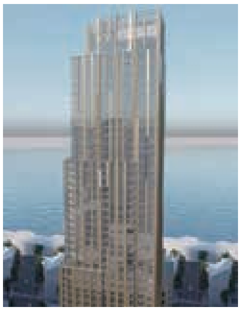


The Group's operating income from other business operations included property management and maintenance income, trading income from our trading and procurement subsidiaries, asset management fee income, income from our investment in the Eaton Club's flexible workspace business and dividend income or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

In the previous year's results, there was a provision of HK$128.0 million for loss due to rental commitment of our wholly-owned Eaton Club's flexible workspace business. Excluding the effect of such provision, the operating income from other business operations rose by 20.6% to HK$122.7 million principally due to improved performance of Eaton Club which had incurred a loss of HK$2.0 million during the same period in 2020 when it expanded to new locations.

DEVELOPMENT PROJECTS





HONG KONG AND MAINLAND CHINA

Ho Man Tin Residential Development Project

This residential project has a gross floor area of 742,000 sq. ft. and comprises 990 apartments in 5 high-rise towers above Ho Man Tin MTR station under a Development Agreement with MTR Corporation Limited. The revised General Buildings Plan was approved by the Buildings Department in October 2021. The foundation works are nearing completion and the superstructure will be commenced in April 2022.

Dalian Mixed-use Development Project

The Dalian project was sold to a third party in July 2019. As at the end of December 2021, the final sales proceeds from the sale of the project, representing 24% of the total proceeds remained outstanding. Appropriate legal actions including arbitration proceedings had been taken to pursue the outstanding as well as to impose preservation measures on certain assets of the buyer. The Group had already recouped its investment in the project and made prudence provision in prior years' results against this outstanding receipt.

JAPAN

Tokyo Hotel Redevelopment Project

The Group acquired a hotel redevelopment site situated in close proximity to the landmark Roppongi Hills Mid-town, Tokyo for JPY22.2 billion in 2016. Subsequently, the Group made further acquisitions of surrounding small adjoining parcels of land to increase the plot ratio delivering a total gross floor area of approximately 380,000 sq. ft.

World-renowned architect, Kengo Kuma & Associates has been commissioned to design this 270-keys flagship Langham Hotel. Planning application has been submitted to the local government, and the contractor tender process commenced in May 2019. However, as preliminary submissions received exceeded the budgeted amount, we have undertaken a comprehensive value engineering exercise in order to reduce construction costs to meet our target. The results are currently under review.

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 property can be converted to a hotel with a gross floor area of approximately 139,000 sq. ft. with 206 keys. A revised design was submitted in August 2018 to the City of San Francisco and was approved in September 2020. However, we currently do not intend to request a Public Hearing in order to secure entitlement approval as we have been unable to reach an acceptable agreement with the local union. Furthermore, construction costs are prohibitively high in San Francisco, so the project has been put on hold. Alternative exit strategies are also under consideration for this site.

San Francisco Hotel Redevelopment Project, 555 Howard Street

555 Howard Street is a redevelopment project located right across from 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 architectural firm Renzo Piano Building Workshop has been commissioned to design this prestigious project in collaboration with acclaimed California architect Mark Cavagnero Associates. Entitlement for a hotel scheme comprising 400 keys was submitted in December 2018 and the project was approved unanimously by the Planning Commission in September 2020 at a Public Hearing. The project now has three years to obtain an approved building permit. Unfortunately, the prevailing construction costs in San Francisco are prohibitively high and they do not support our required return on investment. The project has been put on hold. The Group is also considering other exit strategies.

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. It has already secured approval for the development of a hotel. In order to enhance the financial attractiveness of the project, we are incorporating a residential component. We have retained world renowned architect, Kengo Kuma & Associates, to design this landmark mixed-use development. The Design Review Board responded favorably to our design in November 2021. Estimated construction costs are being refined. Entitlement is targeted by the end of 2022. We are closely monitoring Seattle construction costs as well as the sales market for luxury apartments.

U.S. Fund

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. The progress of projects held by the U.S. Fund are as follows:

All residential units of The Austin, San Francisco were sold by the end of December 2020. The project generated only a small profit. As for the 68 rental apartment units in Cavalleri, Malibu, California, 61 leases were signed by the end of December 2021.

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 the restoration of historic structures and new build construction that will consist of 133 keys with a total gross floor area of approximately 170,000 sq. ft.

World-renowned architect Matteo Thun is designing the hotel. The project team has completed the schematic design and piling and ground works are scheduled to commence in early 2022. Completion of the project is planned for the third quarter of 2024.

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

Based on statutory reporting principles and after consolidating the results of Champion REIT, LHI and the U.S. Fund, the consolidated net debts of the Group as of 31 December 2021 was HK$27,280 million, an increase of HK$5,451 million compared to that of 31 December 2020. The increase in net borrowings was mainly due to cash premium paid for a project in Ho Man Tin and a corresponding bank loan drawn for the project.

Equity attributable to Shareholders, based on a professional valuation of the Group's investment properties as of 31 December 2021 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$61,449 million, representing an increase of HK$2,638 million compared to the value of HK$58,811 million as of 31 December 2020. The increase was mainly attributable to a valuation surplus from investment in LCID.US offset by valuation loss of investment properties and distribution of dividends during the year.

Under statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. Based on the consolidated net debts attributable to the Group (i.e. only 67.76%, 69.39% 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 2021 was 34.0%. 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 debts at 31 December 2021	On consolidated basis HK$ million	On core balance sheet basis HK$ million
Great Eagle	7,213	7,213
Champion REIT	13,765	–
LHI	6,138	–
U.S. Fund	164	–
Net debts	27,280	7,213
Net debts attributable to Shareholders of the Group	**20,881**	**7,213**
Equity attributable to Shareholders of the Group	**61,449**	**68,810**
Net gearing ratio ^	**34.0%**	**10.5%**

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

Net gearing ratio only took into account cash or cash equivalents. However, because of the persistent low interest rate environment and in order to enhance return to shareholders, the Group has been prudently investing in quality short-term bonds that are intended to be held to maturity, principal protected notes with reputable banks and financial institutions as counter-parties and selected quality equities. As at 31 December 2021, the market value of these bonds and notes amounted to HK$302 million and invested securities amounted to HK$4,721 million which included LCID.US shares worth HK$4,002 million. Should these amounts be taken into account, the consolidated net borrowings and gearing ratio would be reduced to HK$15,858 million and 25.8% respectively. The net debt based on sharing of net assets of Champion REIT, LHI and U.S. Fund would correspondingly decreased to HK$2,190 million and 3.2%.

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

INDEBTEDNESS

Our gross debts (including medium term notes and other borrowings) after consolidating Champion REIT, LHI and the U.S. Fund amounted to HK$33,502 million as of 31 December 2021. Bank borrowings amounting to HK$14,265 million were secured by way of legal charges over a number of the Group's assets and business undertakings.

Outstanding gross debts [1][2]	Floating rate debts HK$ million	Fixed rate debts HK$ million	Utilised facilities HK$ million
Bank borrowings	**16,801**	**8,787** [5]	**25,588** [3]
Medium term notes	**643**	**7,053** [4]	**7,696**
Other borrowings	**–**	**218**	**218** [3]
Total	**17,444**	**16,058**	**33,502**
%	**52.1%**	**47.9%**	**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$5,610 million bank borrowings and HK$218 million other borrowings were originally denominated in other currencies.
(4) Equivalence of HK$5,353 million were US dollars notes.
(5) Included floating rate debts which had been swapped to fixed rate debts. As at 31 December 2021, the Group had outstanding interest rate swap contracts of a notional amount of HK$7,026 million to manage interest rate exposure. The Group also entered into cross currency swaps of a notional amount equivalent to HK$1,746 million in total to mitigate exposure to fluctuations in exchange rate and interest rates in Japanese YEN.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2021, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$15,178 million. The majority of our loan facilities were secured by properties with sufficient loan-to-value coverage. The following is a profile of the maturity of our outstanding gross debts (including medium term notes and other borrowings) as of 31 December 2021:

Within 1 year	21.5%
More than 1 year but not exceeding 2 years	29.7%
More than 2 years but not exceeding 5 years	41.0%
More than 5 years	7.8%

FINANCE COST

The net consolidated finance cost during the year was HK$775 million of which HK$232 million was capitalised to property development projects. Overall net interest cover at the reporting date was 3.8 times.

PLEDGE OF ASSETS

At 31 December 2021, properties of the Group with a total book carrying value of approximately HK$20,495 million (31 December 2020: HK$33,578 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2021, 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$9,387 million (31 December 2020: HK$9,410 million) of which HK$888 million (31 December 2020: HK$774 million) has been contracted for.

In addition, subsequent to the financial reporting date, the group completed the acquisition of two shops in Tak Woo House with a gross floor area 1,500 sq. ft. at consideration of HK$183 million, in which deposit of HK$18.3 million was paid as at 31 December 2021. The remaining balance of HK$164.7 million was paid on the completion date, 12 January 2022.

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

OUTLOOK

In the fourth quarter of 2021, the highly transmissible COVID-19 variant, Omicron, emerged and spread worldwide. New cases have yet to peak in many countries. Hong Kong also experienced a worrying turn after the Christmas holidays last year when the Omicron variant began to spread among the community, sparking a fifth wave of pandemic. To make things worse, the Delta variant has also resurfaced recently. The city was not able to achieve critically high vaccination rate, and therefore the authorities have imposed tougher social-distancing measures. All these have severely impacted the local economy and cast uncertainty on the reopening of the border with the Mainland. The operation of our local hotels is expected to remain under pressure in the near future. Nevertheless, we have seen some recovery of our overseas hotel operations following the relaxation of travelling and quarantine restrictions by western countries, though such relaxations were subject to intermittent interruptions. Hopefully with increasing vaccination rates across over the world, development of new effective treatments, as well as the evolution of the virus to a milder form, we will see the meaningful recovery of the worldwide economy begin to start, though it seems there is still a long way to go. The Group is also mindful of the growing number of geopolitical risks and the continuation of tensions between the U.S. and China, and will therefore adopt necessary prudence in its operation and investment strategies.

While local commercial properties and offices are still under pressure, some stabilisation was previously observed although this is still far from a full recovery, particularly in light of the recent outburst of the new COVID-19 virus variant Omicron. The residential market has remained resilient which may support our sale of the remaining ONTOLO units, although this is expected to happen at a slower pace compared to the first sale in 2020 since larger and more expensive units are involved.

Given the continuation of the impact of COVID-19, we do not expect significant contribution of distribution income from LHI.

For Champion REIT, the REIT manager expects the economic environment to remain challenging with notable headwinds, which will pressure its rental income and distribution.

The Group will continue to navigate its businesses carefully amid these challenges and uncertainties. It will remain proactive, with necessary prudence, in looking for new investment opportunities that will provide sustainable benefits for the future. The Group is also exploring new and diversified income avenues in other investment fields on top of its existing property and hospitality sectors.

During the year, the Group also endeavoured to arrange various standby credit facilities at competitive pricings so as to provide additional funding capability and flexibility to its already strong balance sheet. Given the Group's strong financial and liquidity position, we are confident in our ability to tackle challenges and uncertainties, as well as to capitalise on opportunities that may arise.

Lo Ka Shui
Chairman and Managing Director

Hong Kong, 25 February 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Plant-Based Culinary Arts Academy

Green Chef Junior Cooking Competition

Great Eagle Music Children Ensemble

CHAIRMAN'S MESSAGE

2021 was a very challenging year, with the COVID-19 pandemic affecting the global economy and financial markets, changing how we work and live. However, we made significant progress with our sustainability efforts which have been major core of our purpose.

Climate change has been a pressing concern of our time, requiring urgent and immediate action to combat the global issue. On this regard, we believe Great Eagle has a significant role in contributing to the communities in which we operate.

Last year, we have developed a climate response roadmap for the first time, setting out a clear pathway towards our vision of sustainable growth. We started our journey by working on the cultural context, conducting stakeholder surveys and interviews to collect valuable opinions. Throughout the year, site audits of our Hong Kong properties and hotels and benchmarking reviews were carried out to identify opportunities that could effect change and promote this cause. As a result, the senior management team has been fully engaged to share their aspirations and build alignment for our climate leadership.

I am pleased that our Climate Leadership Strategy has been formulated. With a vision to become a well-recognised and respected climate leader in Hong Kong and Asia, we aim to achieve net-zero impact by 2045 and contribute solutions and inspirations to combat climate change with three key strategic focuses – Asset, People, Capital. Moving forward, we have identified eight pathways for implementation to drive impact, with a clear roadmap and targets for each pathway to help us realise our sustainability goals.

The global sustainability issue demands concerted action to build a sustainable future. We are firmly committed to doing our part for the climate agenda, working together with the community to secure a more sustainable tomorrow for us and generations to come.

Lo Ka Shui
Chairman and Managing Director
25 February 2022

INTRODUCTION

It is the Group's vision to achieve Sustainable Growth. At Great Eagle, sustainability is a concept whereby we 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.

In particular, the climate crisis is the biggest global challenge in the current century. We are committed to being a well-recognised and respected climate leader in Hong Kong and Asia, transforming the Group into an adaptive and collaborative team that thrive amid accelerating climate change impact and influence positive change at industry and societal levels. In addition, the Group's long-term climate leadership strategy has been developed and will guide us to achieve net-zero impact by 2045.

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
    - Employment and Labour Practices
    - Operating Practices
    - Community

In addition to reporting on these ESG subject areas, we have documented on how we govern and make decisions in pursuit of our sustainability targets in the "Sustainability Governance & Management" section. In addition, 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 the 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 Group's subsidiaries, Champion REIT, Langham Hotels Investment Ltd, and our Hotel Division, Langham Hospitality Group, annually issue their sustainability reports which review 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
3	Good Health & Well-Being	• Health & Safety • Work-life Balance • Community Engagement
4	Quality Education	• Community Investment Policy • Community Engagement
5	Gender Equality	• Employment
6	Clean Water & Sanitation	• Environmental Policy and Impact Assessment • Environmental Measures • Community Engagement
8	Decent Work & Economic Growth	• Employment • Development and Training • Superior Quality Services
11	Sustainable Cities & Communities	• Environmental Policy and Impact Assessment • Environmental Measures
12	Responsible Consumption & Production	• Anti-corruption and Supply Chain Management • Environmental Policy and Impact Assessment • Environmental Measures
13	Climate Action	• Environmental Policy and Impact Assessment • Environmental Measures

Performance Highlights

13 hotels
EarthCheck Certified

BEAM Plus Existing Building V2.0 Platinum (Langham Place Mall)

WELL Building Standard Platinum (Three Garden Road)

-24.9% (Hotel) **-9.3%** (Property)
Energy Consumption Intensity (2021 vs 2019)

-26.4% (Hotel) **-24.7%** (Property)
Carbon Emission Intensity (2021 vs 2019)

-24.6% (Hotel) **-7.5%** (Property)
Water Consumption Intensity (2021 vs 2019)

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 leading 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 and embeds 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, and 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. From time to time, the Board monitors and reviews the Group's corporate governance practices according to the regulatory requirements and the needs to underpin the 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 climate and ESG-related risks. Through RMSA and ICSA, Sustainability Department regularly assesses the ESG risks arising from material ESG issues. In addition, it provides the assessment results along with mitigating measures to Internal Audit Department for their further risk evaluation.

Stakeholder Engagement

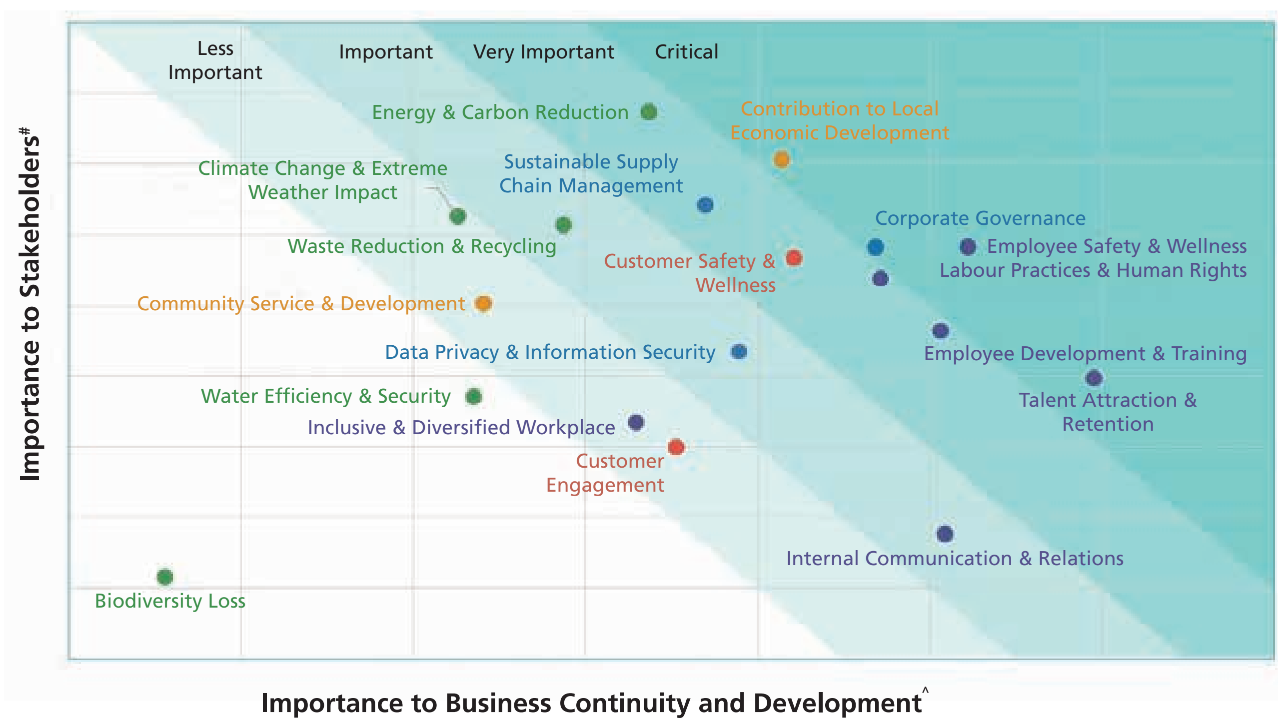
To understand stakeholders' expectations and identify material ESG issues, the Group needs to consider views from both internal and external stakeholders. We engage our key stakeholders regularly to identify the important ESG issues and prioritise their materiality level. In 2021, we commissioned an independent consultant to conduct a series of stakeholder engagement programmes. The engagement programmes aim to explore stakeholders' perceptions and expectations on the priority areas and strategies that can enhance the Group's response to climate change impact.

The engagement process involves in-depth interviews and quantitative surveys with internal and external stakeholders and a visioning workshop with the Group's management team. The stakeholder groups include employees, vendors, investors and analyst, environment/sustainability professionals, NGOs, and media.

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 identified through peer benchmarking analysis and internal assessment, with reference to HKEX's ESG Reporting Guide. We could then conduct a materiality assessment which defines the level of materiality by considering "Importance to stakeholders" as rated by the stakeholders and "Importance to business continuity and development" as evaluated internally. As reviewed in the assessment, a strategic roadmap was developed for the Group to set out a clear pathway to manage the material ESG and climate issues.

The materiality assessment matrix is presented as follow:



Note:

\# Importance to stakeholders is determined by external stakeholders' rating of the material issues in terms of their importance to the society/environment and their relevance to Great Eagle.

^ Importance to business continuity and development is determined by internal stakeholders' rating of their importance to Great Eagle's business continuity and development.

Three Key Strategic Focus are as below, supported by eight implementation pathways:

Asset	People	Capital
Optimise for net-zero vision and climate resilience	Adaptive, collaborative, climate-competent	Empower transition and transformation

In 2022, we will continue to refine our Climate Leadership Strategy and its eight implementation pathways to drive improvement and transformation in the three strategic areas of focus to lead the Group toward climate leadership. In the following annual report, we will report on our progress with clear targets and implementation structure in achieving the above strategy.

Along with the three key strategic focus areas as determined in the recent materiality assessment, the Group continued to manage relevant ESG issues identified as material in the previous materiality assessments. They are "Environmental Protection", "Supply Chain Influence", "Community Involvement", "Employee Satisfaction", "Health & Safety at Work", and "Communication". Our works on the above ESG issues are reported in the respective sections of this Report.

Sustainability Culture

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

- Since 2020, the Group has started developing the Climate Response Roadmap and a series of engagement activities to influence our employees to be climate-conscious. These activities included a visioning workshop for senior executives, site audit for our buildings, climate change exhibition and quiz, Green Monday talk, and virtual town hall meetings with the focus on climate change;

- 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". Media is also timely updated when we organise 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 groupwide "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.

Visioning Workshop

Site Audit at Buildings

Climate Conscious Exhibition

Green Monday Talk

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.

Taskforce and 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.

Energy savings and emission reduction are crucial in managing carbon footprint with the Group. Therefore, an Energy Efficiency Taskforce was established this year, the first-ever cohesive taskforce formed by multiple business units, including Property and Hotel Divisions. The Taskforce aims to strengthen the cooperation between business units to drive synergy and share best energy-saving best practices for enhancing the Group's overall building energy efficiency.

Energy Efficiency Taskforce Meeting and Site Visit

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 2021, one hotel obtained their EarthCheck Master Certification as their sustainability efforts have been recognised for at least fifteen years. Six hotels also received Platinum Certified status (10+ years), three hotels with Gold Certified (5+ years), and three hotels with Silver Certified.

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;

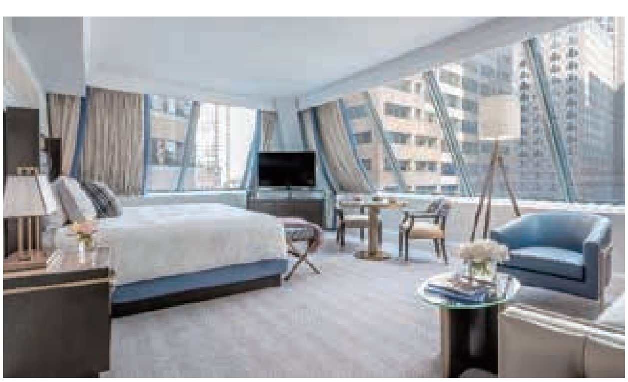
- optimises operational efficiency of plants and equipment and upgrades systems under major refurbishment;
- retrofits LED light and upgrades HVAC systems to improve electricity efficiency; and
- installs water saving fixtures in guest rooms, public toilets and kitchens across the hotels and raises colleagues' awareness on water conversation.

In 2021, The Langham, Boston re-opened its doors after a two-year, multi-million dollar renovation transforming this historical thread in the fabric of downtown Boston into a new American classic hotel. We implemented several important enhancement works to improve the hotel's environment performance, including:

- Green energy – uses 100% green electricity, which makes the hotel be nearly zero carbon emission.
- Energy efficiency – lighting retrofit with motion sensors and timers, variable speed drives on the water pump, window tinting on guest floors, and HVAC energy management system enabling intelligent control without sacrificing guests' thermal comfort.
- Water efficiency – low flow showerheads and toilets in guest rooms and public areas, automatic faucets in all public areas, efficient was washing system in kitchens to monitor and reduce water and chemical usage.

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

- "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.
- 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".



The Langham, Boston

Camping night to celebrate Earth Hour at Cordis, Shanghai, Hongqiao

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

- received the EDGE Green Building Certification for Langham Place Mall, the first property in Hong Kong;
- 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 optimisation on chiller plants by applying automatic control logic of pressure reset and temperature reset systems. Manual control of chiller plants is also transformed into an automation system;
- installed variable speed drives for condenser water pumps by phases in Langham Place Retail Tower and Office Tower to conserve the power consumption of chiller plant operation;
- 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 the shopping mall and office buildings; and
- installed automatic low flow water faucet for washbasin.

Smart lighting at Chiller Plant


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 recyclable papers, plastics, metal containers, aluminium cans, glass bottles, batteries, fluorescent tubes, computer equipment, electrical appliances from tenants and shoppers;
- joined the World Green Organisation to host the "Recycle Together – Clean PET Bottle Recycle Competition" to promote recycling plastic bottles. This event was fully supported by the Coca-Cola Foundation.
- supported the "Energy Saving Charter on Indoor Temperature Scheme" by maintaining an average indoor temperature between 24°C and 26°C from June to September. We also engaged 46 tenants of shopping mall and offices joining the scheme in 2021;
- participated in Earth Hour as well as encouraged retail tenants, office occupiers and shoppers to join this meaningful event; and

Recycling at Langham Place

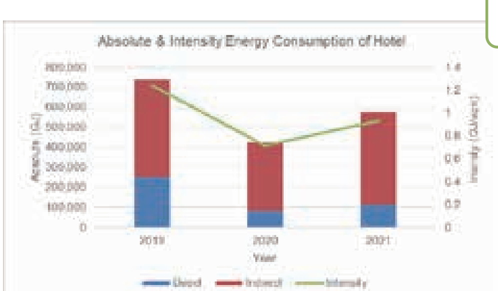
Recycle Together – Clean PET Bottle Recycle Competition

- formulated a Green Purchasing Policy for colleagues, tenants, contractors and suppliers as a reference for making green purchasing decisions.

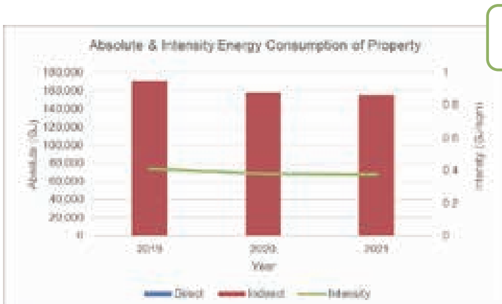
To tackle climate change, the Division is working on a mitigation plan to address physical and transitional risks, including the increased occurrence of super typhoon, tightened regulatory requirements on carbon emissions reduction, and disclosures. In addition, Climate Resilience Policy and mitigation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

Energy Consumption

21 vs 19 Intensity
↓ 24.9%

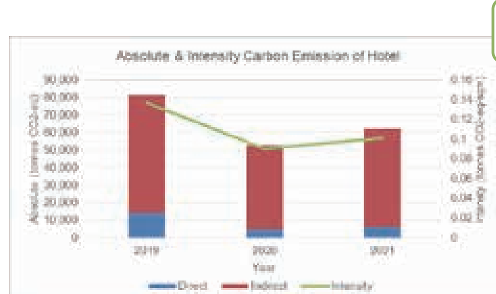


21 vs 19 Intensity
↓ 9.3%

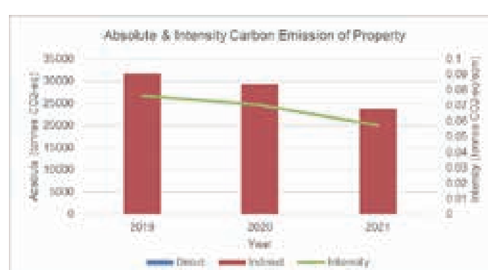


Carbon Emission

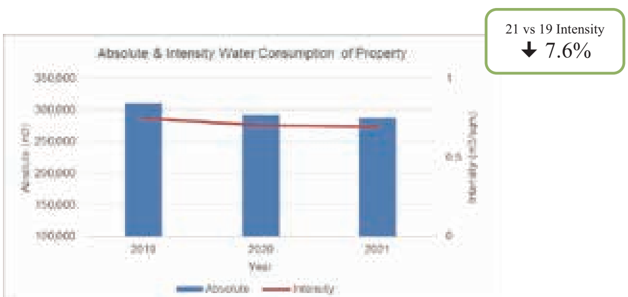
21 vs 19 Intensity
↓ 26.4%



21 vs 19 Intensity
↓ 24.7%



Water Consumption



Waste Disposal to Landfill

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 is committed to pursuing environmental initiatives as an integral part of the design and construction process. The Division demonstrates alignment to the broader group's climate response roadmap by bringing development projects to achieve sustainable certifications, as well as adopting green strategies to improve the existing asset portfolio. For example:

- In Hong Kong: Ho Man Tin Station Package One Property Development is one of the Group's ongoing residential development projects. The project is currently under construction and has obtained HKGBC BEAM Plus Provisional Gold Rating for environmental and sustainable design. Three Garden Road and Eaton Residences are existing assets that are also undergoing modernization to adapt more energy efficient and environmentally friendly systems.

- In Venice: Anticipated to open in 2025, the upcoming resort development in Italy has been designed to achieve LEED Gold Hospitality Certification. In addition to careful sympathetic restoration of the existing heritage protected buildings, the project has been designed with a wide range of energy reducing features including enhanced thermal insulation, solar shading of the façade, automated building controls, LED and low energy lighting and high efficiency centralized mechanical plant. To provide security for future effects of global warming and rising sea levels, the project height has been agreed with the Municipality to raise by 300mm, making the development level higher than any recorded historic acqua alta (High Tide) event and one of the highest locations in the entire Venetian lagoon.

- In Toronto: Our existing Chelsea Hotel has agreed with the City of Toronto to create a public park as a compliment to the redevelopment project. Currently, the project is being designed to achieve LEED Gold Certification. The project design and construction will be based on the Toronto Green Standard (TGS) Version 3.0.

Case Study – Renovation for Eaton Residences at Blue Pool Road

Eaton Residences (the Residences) at Blue Pool Road was built in 1989 and provides both serviced and residential apartment units. The Residences has been undergoing a full renovation since August 2020 and completed in end of 2021. The following green features are incorporated in its recent renovation work to support energy saving and overall carbon footprint reduction:

- Solar panels installed at the rooftop and connected to grid under the Feed-in Tariff scheme;
- Passenger lifts are modernised with new inverter technology incorporated to substantially reduce energy use compared with conventional systems;
- Electrical appliances (e.g. refrigerator, steam oven, air conditioning units) with the highest level EU or Hong Kong energy efficiency labelling are installed.
- All LED lights installed in public areas have timer control to optimise energy consumption in common areas.

In our corporate office, Administration Division implements green practices according to the slogan "ER3" (Environmental Protection, Recycle, Reduce and Reuse). This year, the Division has adopted the Group's climate change policy and continue to make the below measures in order to lower impact on the climate and the community:

- a new electric vehicle was purchased in replacement of a typical gasoline vehicle in 2021;
- overall electricity intensity (per floor area) in our offices is reduced by 1% as compared to 2020;
- eco-labelled paper products were required for the renewal of paper supplier contract this year;
- compared to 2020, the amount of paper being recycled in our offices is increased by 26%. This is equivalent to the avoidance in cutting down around 573 trees and helps reduce greenhouse gas emissions;
- continued to recycle natural Christmas trees and peach blossoms which would become compost materials through the recycling programme organised by the Environmental Protection Department; and

Recycle Natural Christmas Tree Certificate

Candy Tray DIY competition

- A Candy Tray DIY competition was held in the Chinese New Year to encourage colleagues to upcycle waste materials (including red pockets, papers, magazines or etc.) and create a unique eco-friendly candy tray.

SOCIAL

Employment and Labour Practices

Our human capital is the backbone of our sustainable success. We are determined to reward our committed workforce with above par benefit packages and well-rounded development programmes. We have 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 the 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 backgrounds 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 organised a Celebrate Diversity Month for the first time. We want to celebrate the diversity that fosters respect and open-mindedness for people from different backgrounds. During this month, the hotels rolled out a series of initiatives for our colleagues, including colleague cafeteria promotion on a diverse cuisine, culture tips, different language or dialects sharing, dress up in traditional cultural clothing, etc.

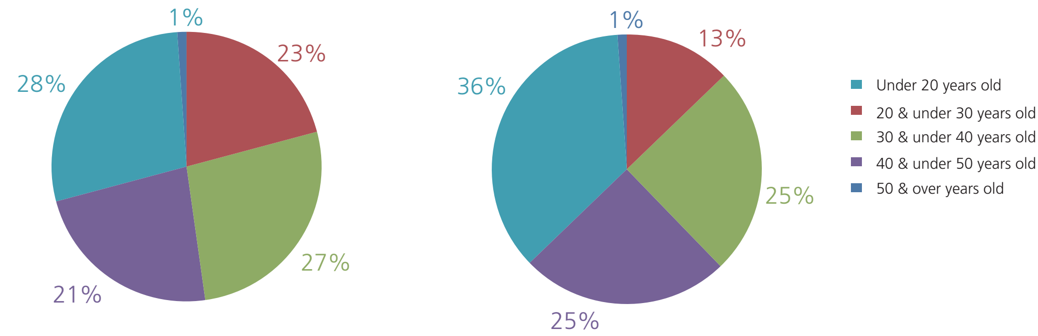
Celebrate Diversity Month

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

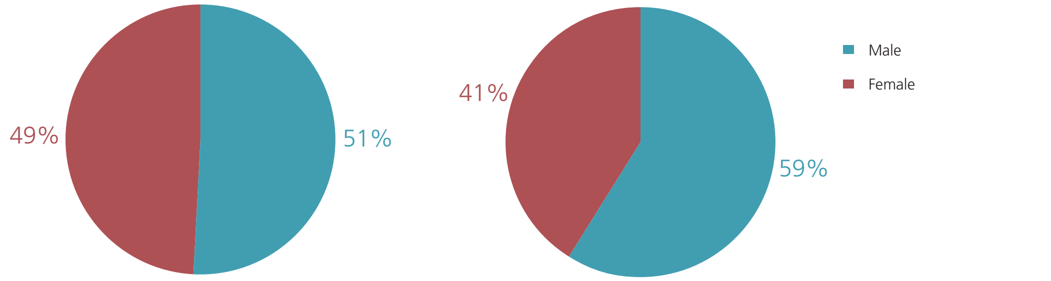
Total Workforce by Age Group

HOTEL **PROPERTY & OTHERS[1]**



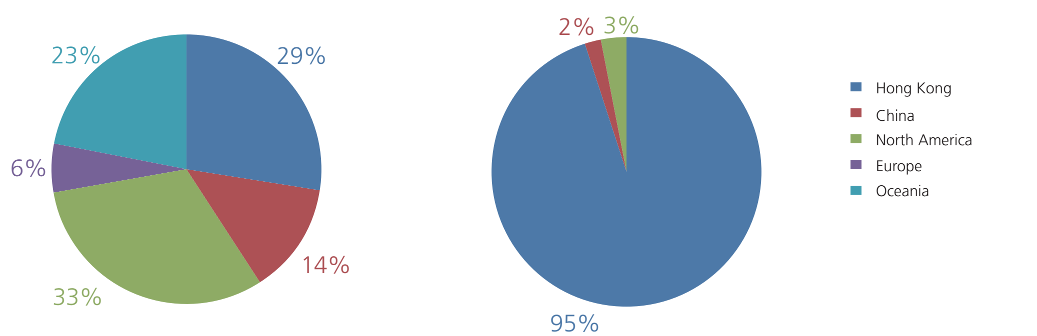
Total Workforce by Gender

HOTEL **PROPERTY & OTHERS[1]**

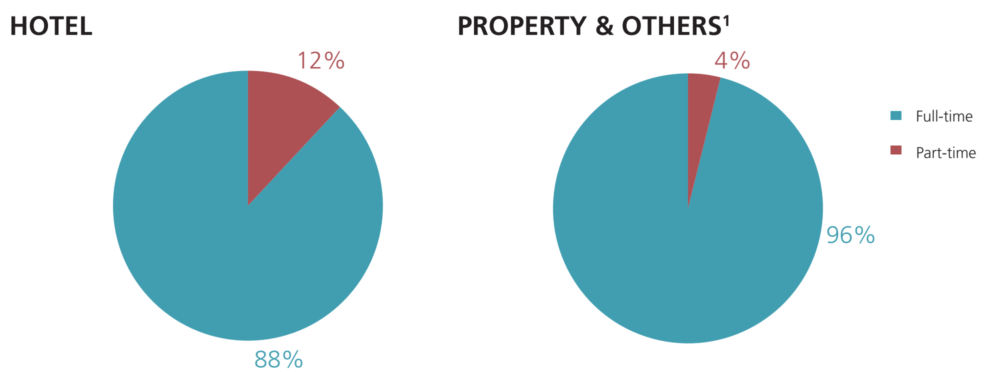


Total Workforce by Geographical Region

HOTEL **PROPERTY & OTHERS[1]**



Total Workforce by Employment Type



Total Workforce by Employment Contract

Total Turnover Rate

Year 2021	Hotel	Property & Others[1]
Overall	41	43
Under 20 years old	131	112
20 & under 30 years old	71	75
30 & under 40 years old	42	45
40 & under 50 years old	29	35
50 & over years old	21	34
Male	40	37
Female	43	50
Hong Kong	51	44
PRC	53	18
Europe	39	–
North America	16	31
Oceania	59	–

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, the health and safety of our colleagues are 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). In addition, we manage occupational health and safety risks to colleagues by strictly adhering to the 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 an 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;
- employees at all levels were encouraged to fulfil their civic responsibilities by getting the Covid-19 vaccine early. The Group organised a staff meeting to explain the importance of vaccination and also a vaccination incentive programme for all eligible colleagues;
- 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 meetings or conference calls instead of face-to-face meetings;
- sterilised mats were placed at the entrances of our offices;
- sanitisers, diluted bleach and alcohol spray were available for use; and
- visitors were required to fill in the "Health Declaration Form".

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

- the groupwide 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 ongoing best practices on health & safety. Training on fire protection, material handling, bloodborne pathogen, bomb threat, crowd control and so on was arranged. Colleagues 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 Month, which is dedicated to enhancing awareness of colleagues on their wellbeing and supporting them in developing a

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

Meditation exercise at The Langham, New York, Fifth Avenue

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

- organised "CONNECT to Happiness Day" to celebrate the International Day of Happiness to make this day happy and spread positive energy within the company. Being happy is an essential aspect of our health and wellness. The hotels organised different activities for colleagues 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 focuses 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.

The Langham, Hong Kong delivered 125 sets of the brand's signature afternoon tea sets to the staff working at COVID-19 testing centres around its neighbourhood to celebrate CONNECT to the Happiness Day.

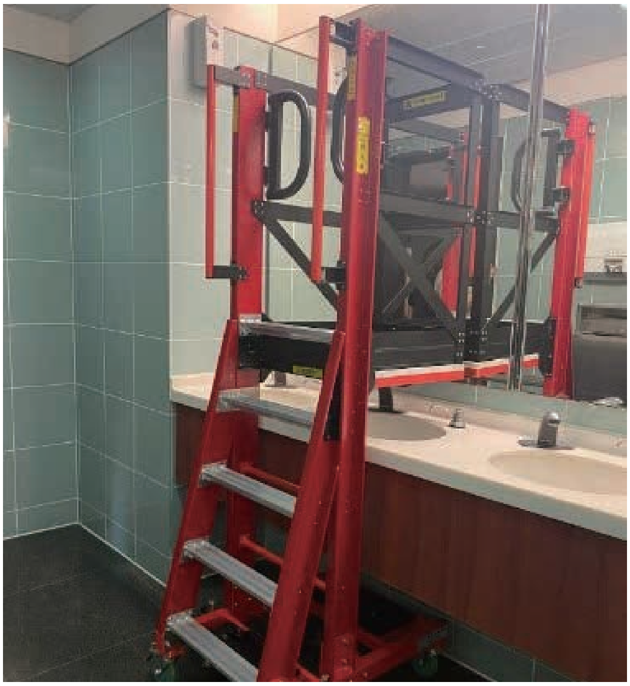
CONNECT to the Happiness Day at The Langham, Sydney

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 the 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:

- designed and custom made new fibreglass working platforms and installed additional fall arrest systems for carrying out work above ground in the specific locations to prevent worker fall from height;
- provided air cooler fans and portable fans for frontline staff to reduce the risk of heatstroke during work in a car park and under outdoor hot weather in summer;
- upgraded the CRM system, which can dispatch relevant safety information to the technical staff upon their receipt of the work order, to enhance their safety awareness for each specific work task;
- purchased an electric pallet jack for the staff loading and delivering bulky goods in basement and storage area to reduce the risk of manual handling; and
- organised mental health & stress management training, yoga, and tai-chi classes for employees.



Custom made fiberglass working platforms

Electric pallet jack to minimise the risk of manual handling

Work Related Fatalities & Lost Working Days Due To Injuries

	Hotel			Property & Others[1]		
	2019	2020	2021	2019	2020	2021
Total workforce hours (in thousands)	10,797	6,880	6,852	1,884	1,880	1,923
Number of fatalities	0	0	0	0	0	0
Lost working days due to injuries	4,907	4,463	1,559	1,131	939	185

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.

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 contacting the disease by delivering training online and focusing on "wellness". Wellness programmes were conducted with emphasis not only on colleagues' wellbeing but also on mental health. For example, a seminar about parental guidance on children use in social media was conducted, as we believe when organisation cares about employees they can be motivated for company success. Another main topic in training is lawful and proper employment relations reinforcement to attract and retain talents. Also, learning digital acceleration tools were arranged to drive business growth and agility.

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

- the Division's learning and development programmes comprise the First60 Certification programme, Langham Curriculum Certification (LCC), Advanced Programme for executives (APEX) and a Langham Leadership Trainee Program (LLTP). These programmes enable the colleagues to gain new skills and experiences which would advance them in their current and future jobs;

- this year, two modules on "The Art of Storytelling" and "What Makes a Guest Smile" were added to the First60 Certification programme. These modules aimed at inspiring our colleagues around the world to come up with stories about their hotel, its location, history and any meaningful anecdotes that they feel worthy telling and preserving for the future; and

- the Division held its first-ever hybrid Global Leadership Meeting, virtually bringing together over 90 hotel leaders and colleagues across 23 cities worldwide in 2021. Themed "Make A Difference, Make it Happen!" the event's objectives were sharing the vision and strategic plan for the Division.

"What Makes a Guest Smile" training at The Langham, Hong Kong

Global Leadership Meeting

Performance Review assists colleagues to keep track of their performance and determining 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. All employees received training in 2021.

Average Training Hours Completed per Employee

	2019	2020	2021
Hotel	29	12	20
BU Head or above	–	–	27
Other	–	–	19
Property & Others[1]	9.6	5.8	4.3
BU Head or above	–	–	6.1
Other	–	–	3.8
Male	–	–	3.7
Female	–	–	5.3

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 in. In addition, sports clubs such as basketball and running have been established. The clubs would send their teams to participate in competitions and charity runs 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 can 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 at the 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 a 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). In 2021, we have a total of about 1,440 suppliers, with about 1,120 in Hong Kong, about 90 in China, about 10 in Asia (exclude China and Hong Kong), about 100 in Oceania, about 30 in Europe, and about 90 in North America;

- 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 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/policies on the delivery of customer service and support, complaints handling, and 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 are of our utmost importance. Our Privacy Policy 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 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 the Total Quality Management approach to engage every colleague in pursuit of excellence. In the spirit of continuous improvement through innovation, the Division reviews the current quality systems and programmes to simplify the processes. The new approach enables them to build a more resilient and more agile team;

- best practices are simply the best way of doing things that other departments or hotels can use for better performance and results. This year, a Best Practice Sharing platform was developed to encourage sharing of best practices as an effective way to improve our hotels' performance continuously. It helps our colleagues in finding and using the best methods of work to achieve our company objectives. The system also makes it easy for colleagues to discuss solutions on key topics related to the everyday challenges and problems our hotels and provide a systematic approach in managing our company knowledge;

- this year, the Division continued the rollout of our Data Protection Standards to all hotels and the global and regional offices. An external consultancy firm has been engaged as an independent advisor to guide and monitor our compliance with data protection laws, and register and liaise as a point of contact to relevant data protection authorities; and

- to mitigate the security risk resulting from the increased demand for remote access, additional measures had been put in place to strengthen user authentication to systems and network security. Phishing exercises had been performed to raise the information security awareness of all colleagues and the corporate management team. Furthermore, solutions to increase visibility on vulnerability were implemented, so as to enhance the overall data protection management.

Our Property Management Division implements ISO 9001 Quality Management System, ensuring their services meet customers' needs 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 government regulations.

Other than implementing the quality management system, the Division put in place additional measures to strengthen the customer services and their health and wellness during the year:

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

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

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

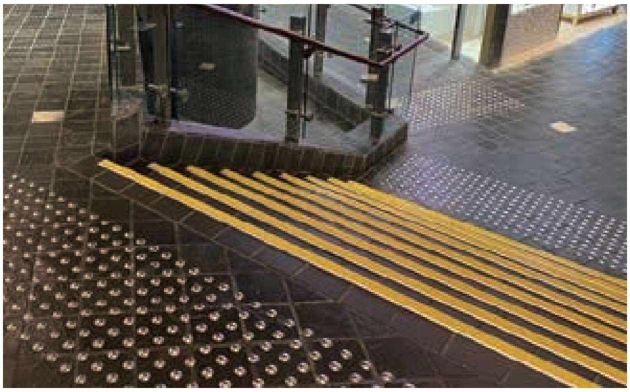
- arranged cleaning attendants to sanitise seating areas of all F&B tenants regularly; and
- applied pioneering innovative and effective measures (e.g. intelligent disinfection stations, intelligent cleaning and sanitising robot, smart ultraviolet disinfection for handrails of escalators) to prevent the spread of COVID-19;
- people-oriented design (e.g. hands-free step to access doors, handle installed at water closet cover) to maintain personal hygiene and stay healthy;
- prepared tailor-made protective block covers for roadshow tenants.

Disinfection robots for daily sanitisation

Fogging Sanitisation Treatment

The accessibility needs of persons with disabilities and elderly persons 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 with barrier-free access. Facilities include:

- Tactile guide paths throughout the mall
- Ramps for wheelchair users
- Accessible toilets on 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
- Projection lightings for wayfinding and falling accident prevention



Non-slip nosing and handrails with braille plates at most staircases

Motion projection lightings for falling accident prevention

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 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 we could engender greater social impact by focusing all of our philanthropic resources – financial, volunteer, and in-kind – on these projects. The following projects were conducted in the community this year:

Art

We continued supporting the "Great Eagle Music Children Ensemble" with Music Children Foundation. The project aimed to enhance the development of young talents from underprivileged backgrounds by providing them with attentive and intensive musical training and different forms of out-of-classroom exposures. Under the pandemic, the ensemble continued learning with online training classes and resumed practice sessions once the situation allowed. In addition, the ensemble members would develop music as a skill for life and create social impacts by spreading the message that "music changes life".

Choir performance by Great Eagle Music Children Ensemble

Children Education

We partnered with the Department of Paediatrics & Adolescent Medicine of Hong Kong University to launch "Oral Health Services for Preschool Children", the project was extended to 2021 due to the COVID-19 pandemic. It targeted to educate and improve the dental health of preschool children by organising interactive oral health workshops and in-school oral health assessments for children. Educational seminars for teachers were also delivered, whilst dental leaflets and kits were tailor-made to educate preschool children to properly brush their teeth and be aware of good dietary habits to prevent caries prevalence.

Environmental Protection

Case Study – Strategic Partnership with Green Monday

The Group has formed a strategic partnership with Green Monday to drive behavioural change in diet for the public, hoping to alleviate the issue of climate change and food insecurity. The influential programme included organising the city's first "Plant-Based Culinary Arts Academy", designed for F&B and the hospitality industry to master skills, bringing plant-based dishes to the forefront for their diners. By promoting the teaching and experiential sessions, we aimed at creating awareness amongst industry professionals about the importance of plant-based eating and making green eating more accessible for the public to adopt with more options on menus.

"Green Chef Junior Cooking Competition" was organised to encourage kids to create healthy and savoury vegetarian dishes using the OmniPork series as the main ingredients, thus understanding the sustainable concept of a plant-based diet through cooking. After the overwhelming response of submission, a total of 39 recipes were received. Participants' plant-based recipes were shortlisted through a professional jury and public votes.

Plant-Based Culinary Arts Academy

Green Chef Junior Cooking Competition

Green recipe cards were also produced by inviting the Group's acclaimed chefs to reveal signature plant-based dishes. These cards were available on Green Common's official website and at all of its stores across the city to engage passionate home cooks to adopt a healthier and planet-friendly approach to eating.

The Hotel Division presented a series of initiatives to promote plant-based dining to our guests and the general public in 2021. Vegetarian menus with the OmniPork series were created to offer diners a plant-based fine dining experience in our four Chinese restaurants in Hong Kong. Our hotel in Shanghai also supported Green Monday on their press events.

Green Monday event at The Langham, Shanghai, Xintiandi

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, the Great Eagle Volunteer Team mobilised in-house resources to source and packaged food, healthy soup packs and anti-epidemic kits for single-parent families from Hong Kong Single Parents Association to address their needs amid the pandemic. Besides, the team also organised Summer Fun Day for kids from Sunshine School of Children's Cancer Foundation by designing dedicated games and DIY activities, bringing a joyous summer to them.

Foods and Anti-Epidemic Packs to Vulnerable Group

Overseas, The Langham, London team surprised and delighted guests and NHS workers at St Mary's Hospital with a visit from The Langham Ice Cream Van. A variety of ice creams was served to put a smile on everyone's faces and celebrate the official return of hospitality in London. In the US, The Langham, Chicago team dropped off pink macarons for the nurses at Northwestern Prentice Women's Center Hospital as part of our Breast Cancer Awareness initiatives. The Langham Huntington, Pasadena team joined the Ronald McDonald House Charities' annual Walk For Kids. In China, children from Luwan Special Needs School were invited to celebrate Chinese New Year and enjoyed a florist class at The Langham, Shanghai, Xintiandi.

The Langham, London Pandemic Support

The Langham, Chicago Breast Cancer Awareness Support

The Langham, Huntington, Pasadena joined annual Walk for Kids

The Langham, Shanghai, Xintiandi support children with special needs.

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	GreenLeaders Programme	
	Gold Level	The Langham, London
	Silver Level	The Langham, Melbourne
	Silver Level	Cordis, Auckland
	Bronze Level	The Langham, Boston
Environmental Campaign Committee	Hong Kong Awards for Environmental Excellence 2020 – Silver Award – Hotels and Recreation Clubs sector	Eaton HK
Hong Kong Management Association	Hong Kong Sustainability Award 2020/21 – Certificate of Excellence	Eaton HK
Bloomberg Businessweek	– ESG Leading Enterprises Award – Leading Social Initiative Award	ChampionREIT
Institute of ESG & Benchmark	ESG Benchmark Awards 2021 – The ESG Leader (Platinum) – Outstanding ESG Company – Criteria set by Fun Managers (Platinum)	ChampionREIT
Corporate Governance Asia	Asian Excellence Award 2021 – Asia's Best CSR – Best Environmental Responsibility	ChampionREIT
Hong Kong ESG Reporting Awards	Hong Kong ESG Reporting Awards 2021 – Newcomer Award – Commendation	ChampionREIT

Organiser	Award	Awarded Unit
Hong Kong Management Association	Hong Kong Sustainability Award 2020/21 – Hong Kong Sustainability Award – Special Recognition for Outstanding Sustainability Initiative (Social Dimension) – Special Recognition for Outstanding Sustainability Initiative (Environmental Dimension) – Special Recognition for Innovation – Special Recognition for Best Response to COVID-19	ChampionREIT
International Facility Management Association	Asia Pacific Awards of Excellence 2020 – Facility Management Technology Award – Winner – Environmental Stewardship Award – Certificate of Excellence – Innovation Award – Certificate of Excellence	Three Garden Road
Federation of Hong Kong Industries	BOCHK Corporate Environmental Leadership Awards 2020 – EcoPartner	Great Eagle Centre
Electrical and Mechanical Services Department	Hong Kong Energy Efficiency Registration Scheme for Buildings (Existing Building)	Langham Place
The Environmental Campaign Committee	Hong Kong Green Organisation Certification – Energywi$e Certificates – Good Level – Wastewi$e Certificate – Excellence Level	Great Eagle Centre
	Hong Kong Green Organisation Certification – Energywi$e Certificates – Basic Level – IAQwi$e Certificate – Excellence Level	Langham Place
	Hong Kong Green Organisation Certification – Energywi$e Certificates – Basic Level – IAQwi$e Certificate – Excellence Level – Wastewi$e Certificate – Excellence Level	Three Garden Road

Social Employment and Social Practices		
Organiser	Award	Awarded Unit
The Employees Retraining Board (ERB) Hong Kong	Super Manpower Developer Award	Langham Hospitality Group Langham Place
Equal Opportunity Commission	Gold Award of the Equal Opportunity Employer Recognition Scheme	Eaton HK
The Hong Kong Police & VTC	2020 Security Services Best Training Award – Gold	Three Garden Road
International Facility Management Association	Asia Pacific Awards of Excellence 2020 – Occupational Health and Safety Award – Certificate of Merit	Langham Place

BOCHK Corporate Environmental Leadership Awards 2020 – EcoPartner

Gold Award of the Equal Opportunity Employer Recognition Scheme

Operating Practices		
Organiser	Award	Awarded Unit
BCI Asia	Top 10 Developers 2021	Great Eagle Group
Transform Awards	2020 Transform Awards Asia – Best Internal Communication During a Brand Development Project – Silver	Great Eagle Group
Condé Nast Traveller	2021 Reader's Choice Awards	
	No. 49 in on the list of the Top 50 Hotel in the world No. 4 out of 20 Top Hotels in the China	The Langham, Shanghai, Xintiandi
	No. 5 on the list of the Top 10 Hotels in Hong Kong	The Langham, Hong Kong
	No. 5 on the list of the Top 10 Hotels in Australia and New Zealand	The Langham, Melbourne
	No. 6 on the list of the Top 10 Hotels in Australia and New Zealand	The Langham, Sydney
	No. 6 on the list of Top 30 Hotels in New York City	The Langham, New York, Fifth Avenue
	No. 8 on the list of Top 10 Hotels in Boston	The Langham, Boston
	No. 9 on the list of the Top 10 Hotels in Chicago	The Langham, Chicago
	No. 14 on the list of the Top 40 Hotels in London	The Langham, London
Michelin Guide, Hong Kong	The 2022 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 2022 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

Organiser	Award	Awarded Unit
Travel + Leisure Magazine	2021 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	The Langham, Chicago
	No. 8 Top 15 City Hotels in the US.	The Langham, New York, Fifth Avenue
US News & World Report	2021 Best Hotels	
	No.1 in Pasadena No. 37 in all of California	The Langham, Huntington, Pasadena
	No.5 in the USA No.2 in Chicago No.2 in Illinois	The Langham, Chicago
	No. 4 in New York City Top 50 in USA	The Langham, New York
	No. 6 in England	The Langham, London
The Hong Kong Council of Social Service	Barrier-free Company/Organisation	Langham Place
Hong Kong Quality Assurance Agency	Gold Seal for Business Resilience & Community Contribution	Langham Place Three Garden Road
Hong Kong Quality Assurance Agency	Anti-Epidemic Hygiene Measures Certification	Langham Place
Environmental Protection Department	Indoor Air Quality Certificate – Excellent Class	Great Eagle Centre Langham Place Three Garden Road
Environmental Protection Department	10-Year Commitment to IAQ Certification Scheme in 2019 – Retail Tower	Langham Place
Water Supplies Department	Quality Water Supply Scheme for Buildings – Fresh Water – Gold	Langham Place Three Garden Road

Community		
Organiser	Award	Awarded Unit
Business Intelligence Group	2021 Sustainability Award – Sustainability Initiative of the Year (Project)	Great Eagle Group
CorpComms Magazine	CorpComms Awards 2021 – Best Sustainability Initiative	Great Eagle Group
MerComm, Inc.	2021 Galaxy Awards – Public Relations: Awareness Campaign – Honors	Great Eagle Group
The Hong Kong Council of Social Service	10 Years Plus Caring Company	Great Eagle Group Champion REIT
FinanceAsia	Asia's Best Companies 2021 – Most Committed to Social Causes	ChampionREIT
Fair Trade Hong Kong	Fair Trade Award 2020 – Silver Award	ChampionREIT

2021 Sustainability Award – Sustainability Initiative of the Year (Project)

10 Years Plus Caring Company

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

Business Environment Council
Corporate Member

Hong Kong Green Building Council
Silver Patron

Charters

Organisation	Charter
Environment Bureau	Carbon Neutrality Partner 2021
Environment Bureau	Charter on External Lighting
Environment Bureau	Energy Saving Charter
Environmental Protection Department	Rechargeable Battery Recycling Programme
Environmental Protection Department	Computer and Communication Products Recycling Programme
Environmental Protection Department	Foodwise Charter
Environment Bureau	Peach Blossom Trees Recycling Programme
Environment Bureau	Natural Christmas Trees Recycling Programme
Labour and Welfare Bureau	Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme
Green Sense	No Air-Con Night

Carbon Neutrality Partner 2021

ESG Reporting Guide Content Index

Aspect	KPI	Content	Page Number
A. Environmental			
A1 Emissions	A1	General disclosure	36-37
	A1.1	The types of emissions and respective emissions data	40; Our business mainly emits carbon emission; NOx, SOx and other air pollutants emissions are from using/testing gensets which are not material
	A1.2	Greenhouse gas emissions in total and intensity	40
	A1.3	Total hazardous waste produced and intensity	The only hazardous waste our business produces is mainly using cleaning detergent which is not material
	A1.4	Total non-hazardous waste produced and intensity	41
	A1.5	Description of measures to mitigate emissions and results achieved	36-43
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	36-43
A2 Use of resources	A2	General disclosure	36
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	40
	A2.2	Water consumption in total and intensity	41
	A2.3	Description of energy use efficiency initiatives and results achieved	36-43
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	36-43
	A2.5	Total packaging material used for finished products and with reference to per unit produced	Packaging material is mainly from festive gifts packaging from hotel restaurants which are not material
A3 The environment and natural resources	A3	General disclosure	36
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	36-43

Aspect	KPI	Content	Page Number
A4 Climate Change	A4	General disclosure	36
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	36-43
B1 Employment	B1	General disclosure	43-46
	B1.1	Total workforce by gender, employment type, age group and geographical region	45-46
	B1.2	Employee turnover rate by gender, age group and geographical region	46
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	B2.2	Lost days due to work injury	50
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	47-50
B3 Development and training	B3	General disclosure	50-51
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	51
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	B5.1	Number of suppliers by geographical region.	52
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	52

Aspect	KPI	Content	Page Number
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	52
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	52
B6 Product responsibility	B6	General disclosure	52-55
	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	52-55
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	52-55
B7 Anti-corruption	B7	General disclosure	52
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	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	52
	B7.3	Description of anti-corruption training provided to directors and staff.	52
B8 Community investment	B8	General disclosure	55-58
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	B8.2	Resources contributed to the focus area	55-58

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 2021 are set out below:

- **Change in Board Composition**
  On 22 December 2021, Professor Poon Ka Yeung, Larry was redesignated as Executive Director of the Company to better reflect his new role and function in the Company. Professor Poon also ceased to be a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. The vacancies left by him were filled by Mr. Zhu Qi upon his appointment as an Independent Non-executive Director on 1 January 2022. Formal announcements and updated list of Directors of the Company and their respective roles and functions in relation thereto were published on 22 December 2021.

- **Establishment of Anti-Fraud, Bribery and Corruption Policy**
  In view of upholding the high standard of corporate governance and in accordance with the Corporate Governance Code, an Anti-Fraud, Bribery and Corruption Policy was established which sets out, inter alia, the minimum standards of conduct to which all employees are required to adhere and guidance on accepting and offering business courtesies.

- **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 2021, an aggregate of 4,990,000 share options were granted to the eligible employees (including Executive Directors and their associates). Formal announcement was made on 18 March 2021.

- **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 6 May 2021 with 99.67% and 89.57% 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 2021 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.

- **Anti-Fraud, Bribery and Corruption Policy**
  It sets out the minimum standards of conduct to which all employees are required to adhere and guidance on accepting and offering business courtesies.

- **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 require 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.

Following the amendments to the CG Code which took effect on 1 January 2022, Non-executive Directors are no longer required to be appointed for a specific term.

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 of 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 in 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 97 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 2021 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 would be 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 fifteen members, seven 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 20% of the Board seats of the Company.

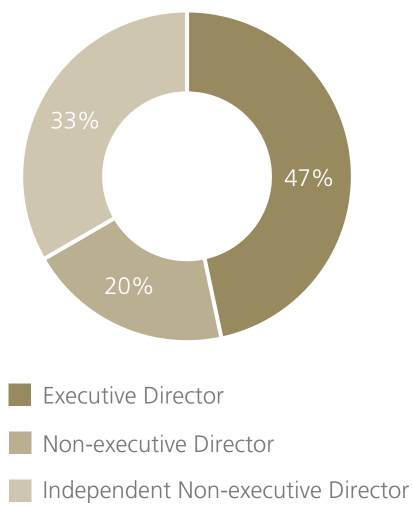
Board Composition

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
Professor POON Ka Yeung, Larry *(redesignated on 22 December 2021)*

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
Mr. ZHU Qi *(appointed on 1 January 2022)*



The changes to the composition of the Board and Board Committees since 1 January 2021 were as follows:

- Professor Poon Ka Yeung, Larry was redesignated as an Executive Director of the Company on 22 December 2021 and ceased to be a member of each of the Audit Committee, Remuneration Committee and Nomination Committee; and

- Mr. Zhu Qi was appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board on 1 January 2022.

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 97 to 104 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 legal and regulatory, corporate governance, financial reporting, macroeconomy development, 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 2021, various reading materials were circulated to the Directors including researches and studies on future directions for portfolio and workplace strategy; the shape of AI governance, new reality for financial reporting, investing in distressed tech start-ups, current trends on travel and social media and economic forecast. 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 Chartered Governance Institute 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.

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 year ended 31 December 2021. In view of the ongoing COVID-19 pandemic, Board meetings were held either by means of telephone conference or video conference during the year. The attendance of individual Directors at these Board meetings during the year ended 31 December 2021 is set out below:

Name of Directors	Number of Board Meetings Attended/Eligible to Attend for the year ended 31 December 2021
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
POON Ka Yeung, Larry (Note 3)	4/4
Non-executive Directors	
LO TO Lee Kwan	Note (4)
LO Hong Sui, Vincent	4/4
LO Ying Sui	4/4
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
ZHU Qi (Note 5)	N/A

Notes:

(1) Chairman and Managing Director
(2) General Manager
(3) Redesignated as an Executive Director on 22 December 2021
(4) Madam Lo To Lee Kwan did not attend the Board meetings in the year 2021. 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.
(5) As Mr. Zhu Qi was appointed as an Independent Non-executive Director on 1 January 2022, he had no attendance record during the year 2021.

Directors' and Officers' Insurance

During the year ended 31 December 2021, 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 2021, are set out on pages 112 to 116 of this Annual Report.

Having made specific enquiries, 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 2021.

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 view of the ongoing COVID-19 pandemic, Board Committees meetings were held either by means of telephone conference or video conference during the year.

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 Mr. Zhu Qi (appointed on 1 January 2022). Professor Poon Ka Yeung, Larry has ceased to be a member of the Audit Committee with effect from 22 December 2021.

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 2021

During the year ended 31 December 2021, two meetings of Audit Committee were held and the members then were all 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 2020 and for the six months ended 30 June 2021 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 2020 and the six months ended 30 June 2021, and the disclosure in the Corporate Governance Report;
- reviewed the audited financial statements for the year ended 31 December 2020 and the unaudited financial statements for the six months ended 30 June 2021, with particular regard to significant audit risks and other audit issues including:

  (1) significant risk on the review on fair value of the Group's investment properties;

  (2) significant risk on the impairment review of hotel buildings assessed with value in use;

  (3) the review on the fair value of financial assets at fair value through profit or loss;

  (4) the review on the fair value of derivative financial instruments – cross currency swaps and interest rate swaps of the Group;

  (5) the review on the effectiveness of the cashflow hedge;

  (6) the review on revenue recognition; and

  (7) the potential oversight by management in the financial reporting process.

- reviewed and approved the draft 2020 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2021 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 Mr. Zhu Qi (appointed on 1 January 2022). Professor Poon Ka Yeung, Larry has ceased to be a Remuneration Committee member with effect from 22 December 2021.

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 2021

During the year ended 31 December 2021, one physcial meeting of Remuneration Committee was held in January 2021 and the members then were all 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 2021 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 2021; 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 Mr. Zhu Qi (appointed on 1 January 2022). Professor Poon Ka Yeung, Larry has ceased to be a Nomination Committee member with effect from 22 December 2021.

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;

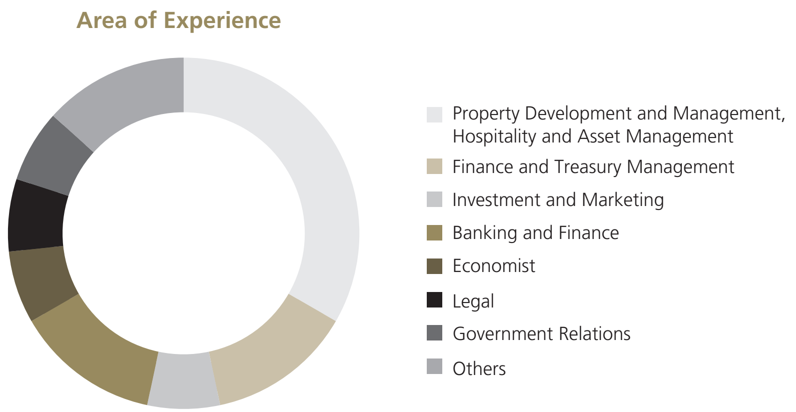
(e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

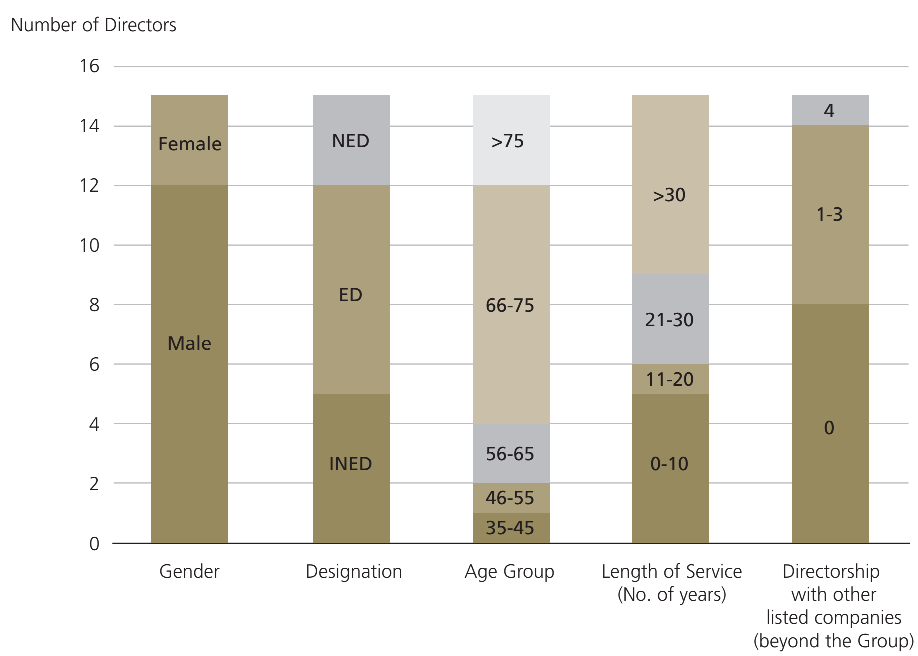
(f) to assess the independence of Independent Non-executive Directors.

- **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.

Currently, the Board has a diversity of perspectives appropriate to the requirements of the business of the Company. The Board comprises a range of expertise including property development and management, hospitality and asset management, finance and treasury management, investment and marketing, banking and finance, economist, legal, government relations and others. The mix of the skills and background of the Directors are appropriate taking into account the business nature, corporate strategy and structure of the Company. Besides, the Board is made up of different age group and both genders. The Board considers that its current board composition is diversified with appropriate balanced professional background, skill, experience, gender and age. The following charts show the diversity profile of the Board as at 31 December 2021:





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 Nomination 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 2021

During the year ended 31 December 2021, two meetings of Nomination Committee were held either in the form of physical meeting via telephone conference or by way of written resolutions signed by all Committee members except those who have conflict of interest. The following is a summary of the major work done of the Nomination Committee during the year:

- 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;
- approved the nomination of retiring Directors to seek for re-election at the 2021 Annual General Meeting; and
- approved the redesignation of Professor Poon Ka Yeung, Larry as an Executive Director and the apppointment of Mr. Zhu Qi as an Independent Non-executive Director.

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 2021. 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 2021 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.

	2021 **HK$**	2020 HK$
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 2021, 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 2021, 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	**2021** **HK$'000**	2020 HK$'000
Audit services	**15,779**	14,961
Non-audit services		
Taxation services	**4,367**	4,200
Interim review fee	**1,586**	1,586
Other review fees	**633**	2,289
	22,365	23,036

Note: The total amount of Auditor's Remuneration as disclosed in note 10 to the consolidated financial statements is HK$16,225,000 which comprises audit services provided by other auditors in the total amount of HK$446,000, 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 adequate 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 adequate 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 has conducted an annual review on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

A risk management framework is implemented that provides a structured basis where all key risks (including but not limited to governance and strategy, regulatory compliance, people and talent, technology and operations, financial, economic, legal and ESG) are identified, analysed, evaluated, treated, monitored and reported in a consistent manner at all levels across the Group to support development and achievement of overall strategy and business objectives. Risk Register is maintained to summarize the significant risks faced by the Group and the relevant risk mitigating activities.

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 2021 and the assessment of the Audit Committee thereon, no significant irregularity or deficiency in the risk management and internal control systems has drawn the attention of the Audit Committee.

The Board therefore is satisfied that the Group has maintained adequate and effective risk management and internal control systems for the year ended 31 December 2021.

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 2021.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on pages 126 and 131 of this Annual Report.

INVESTOR RELATIONS

Constitutional Documents

During the financial year 2021, 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.

Shareholder Communication Policy

The Company recognises the importance of maintaining an on-going dialogue with the Shareholders. A Shareholder Communication Policy has been reviewed during the year 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. Below is a summary of the Shareholder Communication Policy.

Our company website (www.GreatEagle.com.hk) is one of the principal channels of communication with our Shareholders and potential investors where a wealth of information about the Company can be found. All corporate communications of the Company, including but not limited to annual and interim reports, announcements, circulars, key corporate governance policies, terms of reference of the Board Committees and other corporate information are available on this website. For Shareholders who have supported the use of environmentally-friendly means in receiving corporate communications, our website provides the most convenient way for locating the desired information. We also address the needs of those Shareholders who are more accustomed to reading offline by sending corporate communications to them in printed form free of charge upon receipt of their election in writing as such.

To facilitate a two-way dialogue with Shareholders and other stakeholders, investor presentation materials from analyst briefings on annual and interim results are also posted on our website so as to deliver a more in-depth understanding on the Company's financial performance and position. Shareholders, other stakeholders and public member may at any time direct their enquiries about the Company by writing to the Company's principal place of business in Hong Kong and by email to info@greateagle.com.hk.

The Board reviewed the implementation and effectiveness of the Shareholder Communication Policy in February 2022. During the year under review, the company website was updated on a regular basis to maintain an effective ongoing communication with Shareholders and Shareholders could access the latest information of the Company through the company website. Information released by the Company to the Stock Exchange was also posted on the company website as soon as reasonably practicable thereafter. Shareholders were provided with the opportunities to communicate with the Directors and senior management directly at general meeting. Enquiries from Shareholders were responded within a specific timeframe. Based on the above, the Board was of the view that the Shareholder Communication Policy was effective.

Another principal channel 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 three years are as follows:

Total Voting Rights Present at the Annual General Meeting	Year of Annual General Meeting 2019	2020	2021
No. of shares represented	555,601,197	572,026,286	569,586,096
% of shares represented	79.32%	80.75%	79.02%
No. of issued shares as at the date of the Annual General Meeting	700,473,038	708,382,048	720,793,112

The Chairman of the Board and the chairmen/chairwoman 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.

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 2021

One General Meeting of the Company was held in 2021. Set out below are the details of the General Meeting held in 2021:

2021 Annual General Meeting

In light of the outbreak of COVID-19, the Company implemented a number of precautionary measures for the 2021 Annual General Meeting, including distant seat arrangement and restricting the number of attendees in the 2021 Annual General Meeting venue.

The 2021 Annual General Meeting was held on 6 May 2021 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Dr. Lo Ka Shui, Mr. Cheng Hoi Chuen, Vincent, Mrs. Lee Pui Ling, Angelina, Mr. Lee Siu Kwong, Ambrose, Professor Wong Yue Chim, Richard, 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 and Professor Poon Ka Yeung, Larry had attended the Annual General Meeting in 2021. 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 2020 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.	99.99%
3.	Approved the payment of a Special Final Dividend of HK50 cents per share.	99.99%
4.	Re-elected Madam Law Wai Duen as an Executive Director.	99.77%
5.	Re-elected Mr. Lo Chun Him, Alexander as an Executive Director.	99.78%
6.	Re-elected Professor Wong Yue Chim, Richard as an Independent Non-executive Director.	99.25%
7.	Re-elected Mr. Lee Siu Kwong, Ambrose as an Independent Non-executive Director.	99.99%
8.	Re-elected Mr. Chu Shik Pui as an Executive Director.	99.78%
9.	Fixed the ordinary remuneration of HK$220,000 payable to each Director for the year 2021.	99.93%

Ordinary Resolutions	Percentage* of Votes in favour of the Resolution
10. Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorised the Board of Directors to fix their remuneration.	99.87%
11. Approved the grant of a general mandate to the Directors to buy-back shares not exceeding 10% of the total number of issued shares.	99.67%
12. 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.	89.57%

* 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 2021 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.

The 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 the 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.

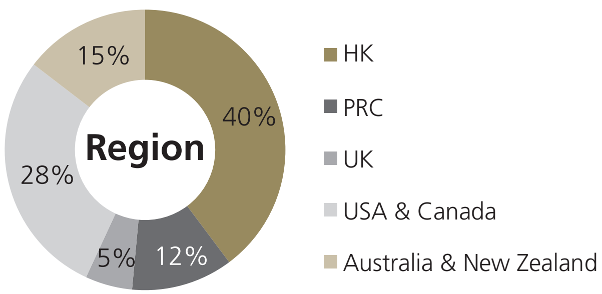
Putting Enquiries to the Board

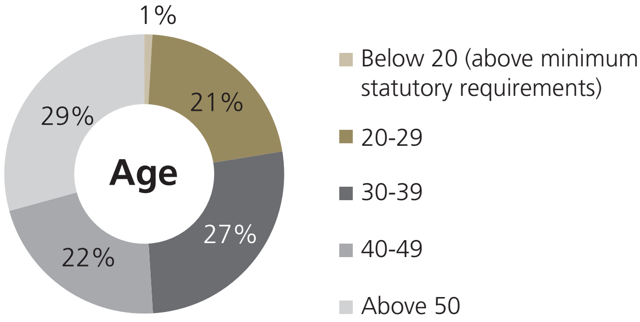
Shareholders may send their enquiries requiring the attention of the Board to the principal office of the Company, for the attention of the Company Secretary. Questions about the procedures for convening or putting forward proposals at an annual general meeting or special general meeting may also be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

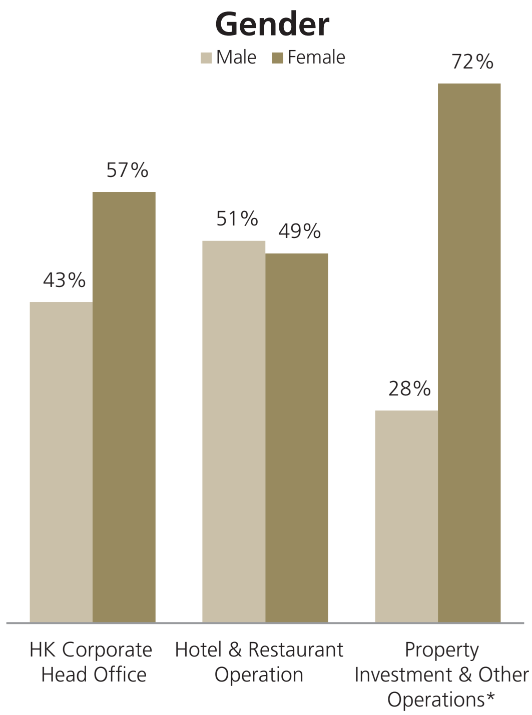
EMPLOYMENT AND LABOUR PRACTICES

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 2021, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, increased approximately 8.36% to 5,200 (2020: 4,799). The increase was mainly attributable to the increase in business demand from the returning of hotel business in countries affected by COVID-19 in 2020. The following charts show the composition and functional grouping of employees, including senior management, of the Group as at 31 December 2021:







* 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 75, has been a member of the Board since 1980. He is a substantial shareholder, Chairman and Managing Director of the Company, Chairman of the Company's Finance Committee, and is also a director of its various subsidiaries. He is Chairman and 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 Hong Kong Centre for Economic Research's Board of Trustees. Dr. Lo was formerly a Director of Hong Kong Exchanges and Clearing Limited; Chairman of the Listing Committee for Main Board and Growth Enterprise Market; a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority; Chairman of The Chamber of Hong Kong Listed Companies; Chairman of the Hospital Authority of Hong Kong; a Board Member of the Airport Authority Hong Kong; and a Member of the University Grants Committee. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and obtained a Doctor of Medicine (M.D.) Degree from Cornell University, specialising 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 Directors of the Company.

Madam LO TO Lee Kwan

Non-executive Director

Madam LO TO Lee Kwan, aged 102, 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.

Mr. CHENG Hoi Chuen, Vincent

Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 73, 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 69, 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 73, 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. Mrs. Lee is a solicitor and a Fellow of the Institute of Chartered Accountants in England and Wales. She holds a Bachelor of Laws degree from and was awarded an Honorary Fellowship by University College London, University of London. Amongst her public appointments, Mrs. Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Non-executive Director of the Securities and Futures Commission. Mrs. Lee 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 73, 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.

Mr. ZHU Qi

Independent Non-executive Director

Mr. ZHU Qi, aged 61, was appointed as an Independent Non-executive Director of the Company in January 2022. He has been the Chairman and Executive Director of CMB Wing Lung Bank Limited ("CMB Wing Lung") since October 2019. Mr. Zhu had been the Chief Executive Officer and Executive Director of CMB Wing Lung from September 2008 to June 2019. He had been the Executive Vice President of China Merchants Bank Co., Ltd. from December 2008 to January 2019. He is currently a Director of CMB International Capital Corporation Limited. He joined the Industrial and Commercial Bank of China in 1986. He had been the Deputy General Manager and General Manager of Industrial and Commercial Bank of China, Hong Kong Branch and the Director, Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited from 1995 to 2008. He graduated with a bachelor's degree in Economics from Dongbei University of Finance and Economics, and obtained a master's degree in Economics from Zhongnan University of Finance and Economics.

Mr. LO Hong Sui, Antony

Executive Director

Mr. LO Hong Sui, Antony, aged 80, 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.

Madam LAW Wai Duen

Executive Director

Madam LAW Wai Duen, aged 85, 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.

Mr. LO Hong Sui, Vincent

Non-executive Director

Mr. LO Hong Sui, Vincent, aged 73, 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 Mainland China. 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.

Dr. LO Ying Sui

Non-executive Director

Dr. LO Ying Sui, aged 69, 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.

Mr. LO Chun Him, Alexander

Executive Director

Mr. LO Chun Him, Alexander, aged 36, 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 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 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.

Mr. KAN Tak Kwong

Executive Director and General Manager

Mr. KAN Tak Kwong, aged 70, 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 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 60, 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.

Professor POON Ka Yeung, Larry

Executive Director

Professor POON Ka Yeung, Larry, aged 54, has been a Director of the Company since March 2016. He was an Independent Non-executive Director of the Company prior to his re-designation as an Executive Director of the Company in December 2021. He is responsible for overseeing the professional investment team of the Group for shortlisting and appraising investment projects. Professor Poon has been teaching marketing-related subjects for different Master Degree programs. He is an Adjunct Associate Professor in the Department of Marketing of CUHK and also a member of the External Advisory Group (EAG) of the MBA Strategic Plan and an Honorary Institute Fellow of The Asia-Pacific Institute of Business of the university. Professor Poon is an independent non-executive director of Shenzhen Neptunus Interlong Bio-Technique Company Limited whose H shares are listed on the Stock Exchange. He also plays a role in public services including Adviser and Independent Committee Member of the Registration Committee for the Practitioners' Registration Scheme of the Chinese Gold and Silver Exchange Society and Humanitarian Education Advisor of Hong Kong Red Cross. He obtained his Bachelor's Degree in Mathematics with Minor in Economics and Marketing from CUHK and was further admitted to the MBA Degree by the University of Hull, United Kingdom.

Directors' interests in the Group and/or in the associated corporations (within Part XV of the SFO) of the Company are set out in the Report of the Directors in this Annual Report.

SENIOR MANAGEMENT

HOTEL OPERATION

Mr. Brett BUTCHER, aged 62, is the Chief Executive Officer of GE Hospitality Asset Management Limited which oversees the Group's owned hospitality portfolio including hotels, serviced residences and restaurants. He is the Chief Executive Officer and Executive Director of Langham Hospitality Investments Limited and LHIL Manager Limited (Manager of the publicly listed Langham Hospitality Investments). He is also the Chief Executive Officer of Langham Hospitality Group providing strategic guidance in the operations of the Group's global portfolio of hotels, resorts and residences and management contract growth in key destinations. 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 42 years and has covered assignments in Asia, the Pacific and North America.

Mr. LUK Chau Kwong, Eric, aged 62, 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.

PROJECT INVESTMENT AND DEVELOPMENT

Mr. Richard GRANGER, aged 58, is the Head of Development and Project Management. As a Chartered Surveyor with 36 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 61, 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.

MAINLAND CHINA

Mr. LU Ning, Michael, aged 48, 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 63, 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.

OTHER OPERATIONS

Mr. CHU Chik Kei, Timothy, aged 49, Director and General Manager of Keysen Property Management Services Limited, joined the Group in 2011. Mr. Chu is responsible for the management and technical services of the Group's property portfolio. He holds a Master's Degree of Science in Building Services Engineering and a Bachelor's Degree of Engineering (Honors) in Building Services Engineering. Mr. Chu is a corporate member of The Hong Kong Institution of Engineers and the Chartered Institution of Building Services Engineers. He is also a Registered Professional Engineer in energy and building services disciplines of the Hong Kong Engineers Registration Board, a Chartered Engineer of the U.K. Engineering Council, a Registered Energy Assessor under the Buildings Energy Efficiency Ordinance, and a fellow member of both the Energy Institute and Building Services Operation and Maintenance Executives Society. Mr. Chu has over 26 years' experience in property management and engineering industries.

Dr. James ZHANG, aged 56, joined the Group in 2021 as Chief Investment Officer, Technologies and Venture Capital. Dr. Zhang is also Adjunct Professor of Finance at Hong Kong University of Science and Technology (HKUST) Business School, where he teaches venture capital and entrepreneurship. Dr. Zhang was a partner of the GRC Fund, founding partner of Formation 8, venture partner of Softbank China, and EIR at Khosla Ventures. Before becoming a venture capitalist, Dr. Zhang was an entrepreneur in Silicon Valley and co-founder of several startup companies. Dr. Zhang received his PhD in Genetics from the University of California and has completed post-doctoral and business trainings from Stanford University and Stanford Graduate School of Business, respectively.

COMPLIANCE AND ADMINISTRATION

Ms. WONG Mei Ling, Marina, aged 55, 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 Chartered Governance Institute. Ms. Wong received a Master Degree in Laws from The Chinese University of Hong Kong, a Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and a Bachelor Degree in Accountancy from City University of Hong Kong.

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 59, 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 57, 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, the advanced diploma in data protection law from of King's Inns of Ireland 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 25 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.

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2021.

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 2021 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 2021 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 2021 – Chairman's Statement comprising "Overview", "Business Review", "Financial Review" and "Outlook" on pages 7 to 27 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 28 to 68 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 (the "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.

Prolonged COVID-19

The Group's business has been, and will continue to be, adversely affected by the global outbreak of COVID-19. There has been rapid and widespread increase in new infections across the globe, including the locations in which the Group operates, such as Hong Kong, the PRC, Australia, New Zealand, the United Kingdom and North America and other parts of the world. The COVID-19 pandemic and COVID-19-related restrictions triggered by it have temporarily suspended some of the Group's construction and sales activities and reduced the price and demand for hotel rooms. In particular, the Group's hotel and hospitality operations have been severely affected by COVID-19-related travel restrictions.

The situation of the COVID-19 pandemic has seen steady improvement subsequent to the large-scale implementation of COVID-19 vaccination programme around the globe, with declining cases and governments of different countries lifting social distancing restrictions and loosening border controls and travel restrictions. Hong Kong recorded months-long of zero local cases and fostered a favourable environment for resumption of quarantine-free travel with the Mainland. The economy in Hong Kong has however taken a worrying turn when the fifth COVID-19 wave hit the city at the end of the year. The rapid spread of new COVID-19 variants and resurgence of new cases have sent the local community back to stringent social distancing requirements and renewed travel restrictions in response to new coronavirus strains that are potentially more contagious. The sudden downturn of the situation has led to an abrupt stop to the recovery of the domestic economy.

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. 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. 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 staycation packages with innovative ideas were launched to capture demand. One of the local hotels will participate in the government's Designated Quarantine Hotel Scheme and serve as a quarantine hotel in order to utilise the idle hotel rooms. 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. To encourage the COVID-19 vaccination, the Group has introduced various vaccination incentives to employees including but not limited to free pre-vaccination medical examination, vaccination leave and cash incentive. Up to the end of 2021, more than 95% of the employees of Hong Kong Corporate Head Office have been vaccinated. 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 59.6% 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, 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 related to our business operations including environmental protection, occupational health and safety, anti-corruption, anti-money laundering and economic sanctions. Any breach of these laws and regulations could lead to not only financial loss but also reputational damage to the Group. The permits and licenses required to carry out our business may be subject to periodic renewal, modification, suspension or revocation by the relevant regulatory authorities. In the event of business expansion, we may be required to obtain additional permits and licenses. Any failure to obtain and keep current, comply with or modify on a timely basis all of the permits and licenses that we need to carry out our business, or any suspension or revocation of such permits and licenses, could have a material adverse effect on our business. 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 2021 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 Wednesday, 18 May 2022. 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 2022. Taken together with the interim dividend of HK33 cents per share paid in October 2021, the total dividend for the year 2021 is HK$1.33 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 2021 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 2021 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 10,247,300 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2020 final dividend and 873,000 shares were issued pursuant to the 2009 Share Option Scheme. As at 31 December 2021, the authorised capital of the Company was HK$600,000,000.00 divided into 1,200,000,000 shares of HK$0.50 each, 731,040,412 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 2021, 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 2021, the Group employed 5,200 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 94 to 96 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
Professor POON Ka Yeung, Larry *

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
Mr. ZHU Qi *(appointed on 1 January 2022)*

* *Re-designated from Independent Non-executive Director to Executive Director with effect from 22 December 2021*

In accordance with Bye-law 109(A), Mr. Lo Hong Sui, Antony, Dr. Lo Ying Sui, Mr. Kan Tak Kwong, Professor Poon Ka Yeung, Larry and Mr. Cheng Hoi Chuen, Vincent ("Mr. Cheng") shall retire by rotation and, being eligible, have offered themselves for re-election at the 2022 Annual General Meeting of the Company. Mr. Cheng, an Independent Non-Executive Director, has served more than nine years. The Nomination Committee is fully satisfied that Mr. Cheng demonstrates complete independence in character and judgement both in his designated roles and as Board members and is of the opinion that he continues to bring independent judgement and fresh perspectives on the Company's affairs to the Board notwithstanding his length of service. The Board believes that his in-depth knowledge of the Group's business and his extensive experience and expertise continue to provide invaluable contribution to the Board.

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 97 to 104 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 2021, 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	61,349,517 [1]	8.39	
	Interests of Controlled Corporations	Corporate Interests	92,978,826 [2]	12.72	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926 [3]	33.78	
	Founder of a Discretionary Trust	Trust Interests	64,472,192	8.82	63.71
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,300,860	0.18	
	Interests of Controlled Corporations	Corporate Interests	5,277,677 [4]	0.72	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926 [3]	33.78	34.68
Cheng Hoi Chuen, Vincent	Interests of Spouse	Family Interests	10,000	0.00	0.00
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,198	0.00	0.00
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,376,245 [5]	0.19	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926 [3]	33.78	33.97
Law Wai Duen	Beneficial Owner	Personal Interests	2,439,850 [6]	0.33	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926 [3]	33.78	34.11
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293	0.00	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926 [3]	33.78	33.78
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000	0.21	
	Interests of Controlled Corporations	Corporate Interests	38,020,903 [7]	5.20	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926 [3]	33.78	39.19
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	1,223,488 [8]	0.17	0.17
Kan Tak Kwong	Beneficial Owner	Personal Interests	4,637,996 [9]	0.63	0.63
Chu Shik Pui	Beneficial Owner	Personal Interests	1,949,554 [10]	0.27	0.27

Notes:

(1) Among these interests, 2,678,000 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 246,937,926 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 5,277,677 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, 490,000 were share options.

(6) Among these interests, 490,000 were share options.

(7) These 38,020,903 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.

(8) Among these interests, 1,095,000 were share options.

(9) Among these interests, 2,020,000 were share options.

(10) Among these interests, 1,657,000 were share options.

(11) This percentage has been compiled based on 731,040,412 shares of the Company in issue as at 31 December 2021.

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 2021, the Group owned 67.76% 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 2021 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 5,937,079,598 units of Champion REIT in issue as at 31 December 2021.

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 2021, the Group owned 69.39% 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 2021 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]	3.85
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 3,240,973,711 SSUs of LHI in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, 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 Mainland China. SOL through its subsidiaries and associates engages in the development, sales, leasing, management and long-term ownership of high-quality commercial and residential mixed-use properties.

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

As the Board of Directors of the Company is independent of the Board of Directors of SOL and SOCAM, 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.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into by the Company are disclosed under the section headed "Share Option Schemes" below.

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 2021 are as follows:

	Number of Share Options						
Date of Grant	Outstanding as at 01/01/2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding as at 31/12/2021	Exercisable Period	Exercise Price per Share (HK$)
14/03/2016 (1)	1,402,000	–	(873,000)	(529,000)	–	15/03/2018–14/03/2021	25.70
14/03/2017 (1)	3,235,000	–	–	(393,000)	2,842,000	15/03/2019–14/03/2022	37.15
14/03/2018 (1)	4,206,000	–	–	(587,000)	3,619,000	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)	4,858,000	–	–	(738,000)	4,120,000	15/03/2021–14/03/2024	39.05
18/03/2020 (2)	5,312,000	–	–	(787,000)	4,525,000	19/03/2022–18/03/2025	21.65
18/03/2021 (2)	–	4,990,000 (3)	–	(713,000)	4,277,000	19/03/2023–18/03/2026	28.45
Total	**19,313,000**	**4,990,000**	**(873,000)**	**(4,047,000)**	**19,383,000**		

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 2021, 4,990,000 share options were granted to the employees of the Company, of which 1,692,000 share options were granted to the Directors of the Company and their Associates. Please refer to the announcement of the Company dated 18 March 2021 for details.

(4) During the year ended 31 December 2021, 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 2021, i.e. 17 March 2021 was HK$28.80 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$28.289).

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

During the year ended 31 December 2021, the details of the movements in the share options granted to the Company's employees (including Directors (some are also substantial Shareholders) and their Associates) 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 01/01/2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding as at 31/12/2021	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	–
	18/03/2021 [2]	–	612,000	–	–	612,000	28.45	–
		2,066,000	612,000	–	–	2,678,000		
Lo Hong Sui, Antony	14/03/2016 [1]	100,000	–	(100,000)	–	–	25.70	26.54
	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	–
	18/03/2021 [2]	–	90,000	–	–	90,000	28.45	–
		500,000	90,000	(100,000)	–	490,000		
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	–
	18/03/2021 [2]	–	90,000	–	–	90,000	28.45	–
		400,000	90,000	–	–	490,000		
Lo Chun Him, Alexander	14/03/2016 [1]	100,000	–	(100,000)	–	–	25.70	26.54
	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	–
	18/03/2021 [2]	–	207,000	–	–	207,000	28.45	–
		988,000	207,000	(100,000)	–	1,095,000		

Directors	Date of Grant	Number of Share Options Outstanding as at 01/01/2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding as at 31/12/2021	Exercise Price per Share (HK$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK$)
Kan Tak Kwong	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	–
	18/03/2021 (2)	–	360,000	–	–	360,000	28.45	–
		1,970,000	360,000	–	(310,000)	2,020,000		
Chu Shik Pui	14/03/2016 (1)	200,000	–	(200,000)	–	–	25.70	26.54
	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	–
	18/03/2021 (2)	–	297,000	–	–	297,000	28.45	–
		1,560,000	297,000	(200,000)	–	1,657,000		
Associates of Directors of the Company (7)	14/03/2016 (1)	152,000	–	(100,000)	(52,000)	–	25.70	26.54
	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	–
	18/03/2021 (2)	–	36,000	–	–	36,000	28.45	–
		522,000	36,000	(100,000)	(52,000)	406,000		
Eligible Employees (other than Directors of the Company and their Associates)	14/03/2016 (1)	540,000	–	(373,000)	(167,000)	–	25.70	26.54
	14/03/2017 (1)	1,925,000	–	–	(393,000)	1,532,000	37.15	–
	14/03/2018 (1)	2,278,000	–	–	(587,000)	1,691,000	42.40	–
	08/05/2018 (1)	300,000	–	–	(300,000)	–	38.83	–
	14/03/2019 (1)	2,832,000	–	–	(738,000)	2,094,000	39.05	–
	18/03/2020 (2)	3,432,000	–	–	(787,000)	2,645,000	21.65	–
	18/03/2021 (2)	–	3,298,000	–	(713,000)	2,585,000	28.45	–
		11,307,000	3,298,000	(373,000)	(3,685,000)	10,547,000		

Notes:

(1) Share options were granted under the 2009 Share Option Scheme.
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.
Share options granted on 18/03/2021 are exercisable during the period from 19/03/2023 to 18/03/2026.

(3) During the year ended 31 December 2021, 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 2021, i.e. 17 March 2021 was HK$28.80 (According to the price adjustment method released by HKEX in relation to special cash dividend, the closing price was subsequently adjusted to HK$28.289).

(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 2021, 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 (7)
HSBC International Trustee Limited	315,009,622 (1)	43.09
Powermax Agents Limited	246,937,926 (2)	33.78
Mind Reader Limited	47,979,774 (3)	6.56
Surewit Finance Limited	43,966,341 (4)	6.01
Eagle Guardian Limited	40,496,269 (5)	5.54
Adscan Holdings Limited	38,020,903 (6)	5.20

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form (with the date of relevant event as at 21 June 2021) received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 31 December 2021:

(i) 246,937,926 shares representing 33.78% 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) 64,472,192 shares representing 8.82% 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 246,937,926 shares held by it related to the same parcel of 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 43,966,341 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) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.

(7) This percentage has been compiled based on 731,040,412 shares of the Company in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, 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 112 to 116) 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.

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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, 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.

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$1,618,000 (2020: HK$1,612,000). 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 55 to 57 of this Annual Report.

AUDITOR

Announcement on the draft consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2021 was published and approved by the Board on 25 February 2022. The Group's audited consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 was approved by the Board on 4 March 2022 and the figures contained herein are consistent with those set out in the announcement of the Company on 25 February 2022.

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, 5 May 2022.

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 69 to 96 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 28 to 68 of this Annual Report.

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

Hong Kong, 4 March 2022

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 131 to 273, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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$71,063,934,000 as at 31 December 2021 represented 59.6% 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$2,178,596,000 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 for impairment assessment of hotel properties	
We identified the estimation uncertainty in value in use calculation for 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 to the consolidated financial statements, the impairment of the Group's hotel properties with carrying amount of HK$11,698,860,000 as at 31 December 2021 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).	Our procedures in relation to the estimation uncertainty in value in use calculation for impairment assessment of the 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 the 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 the 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
4 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	5	7,830,429	10,305,287
Cost of goods and services		(4,633,598)	(6,348,396)
Operating profit before depreciation		3,196,831	3,956,891
Depreciation		(849,367)	(831,868)
Operating profit		2,347,464	3,125,023
Fair value changes on investment properties	14	(2,178,596)	(14,252,703)
Fair value changes on derivative financial instruments		290,780	(194,050)
Fair value changes on financial assets at fair value through profit or loss		(47,172)	40,908
Other income	7	344,948	534,387
Administrative and other expenses		(446,598)	(489,189)
Allowance for credit losses on notes receivables and interest receivables		(108,396)	–
Impairment loss on property, plant and equipment		–	(347,898)
Finance costs	8	(705,271)	(802,927)
Share of results of joint ventures		13,742	(16,972)
Share of results of associates		6,100	5,147
Loss before tax		(482,999)	(12,398,274)
Income taxes	9	(309,019)	(403,811)
Loss for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	10	(792,018)	(12,802,085)
Loss for the year attributable to:			
Owners of the Company		(499,034)	(8,540,252)
Non-controlling interests		(21,936)	(113,487)
		(520,970)	(8,653,739)
Non-controlling unitholders of Champion REIT		(271,048)	(4,148,346)
		(792,018)	(12,802,085)
Loss per share:	13		
Basic		(HK$0.69)	(HK$11.94)
Diluted		(HK$0.69)	(HK$11.94)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTE	**2021 HK$'000**	2020 HK$'000
Loss for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		**(792,018)**	(12,802,085)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		**3,805,143**	(23,267)
Share of other comprehensive income (expense) of an associate		**3,303**	(5,206)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(170,681)**	348,719
Cash flow hedges:			
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	21	**47,586**	(212,655)
Reclassification of fair value adjustments to profit or loss	21	**36,956**	43,724
Other comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**3,722,307**	151,315
Total comprehensive income (expense) for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**2,930,289**	(12,650,770)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**3,172,163**	(8,341,484)
Non-controlling interests		**(20,255)**	(112,003)
		3,151,908	(8,453,487)
Non-controlling unitholders of Champion REIT		**(221,619)**	(4,197,283)
		2,930,289	(12,650,770)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	14	71,063,934	73,111,626
Property, plant and equipment	15	21,356,674	21,565,777
Interests in joint ventures	16	337,743	94,767
Interests in associates	17	56,394	53,268
Equity instruments at fair value through other comprehensive income	18	5,195,583	1,065,589
Notes and loan receivables	19	600,152	995,203
Derivative financial instruments	21	15,732	–
Deposit for hotel renovation and acquisition of an investment property		31,087	–
		98,657,299	96,886,230
Current assets			
Stock of properties	22	12,589,462	3,430,283
Inventories	23	137,918	105,886
Debtors, deposits and prepayments	24	793,752	734,060
Notes and loan receivables	19	41,699	2,318,802
Financial assets at fair value through profit or loss	25	732,251	463,846
Derivative financial instruments	20	53,504	20,954
Tax recoverable		23,315	78,189
Restricted cash	26	102,889	171,745
Time deposits with original maturity over three months	26	–	191,485
Bank balances and cash	26	6,119,146	7,378,111
		20,593,936	14,893,361
Current liabilities			
Creditors, deposits and accruals	27	7,194,736	5,035,056
Derivative financial instruments	20	5,641	49,980
Provision for taxation		529,863	459,097
Distribution payable		207,033	246,761
Borrowings due within one year	28	6,542,795	4,659,429
Medium term notes	29	643,000	–
Lease liabilities	30	11,121	9,267
		15,134,189	10,459,590
Net current assets		5,459,747	4,433,771
Total assets less current liabilities		104,117,046	101,320,001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Derivative financial instruments	20, 21	**90,065**	394,657
Borrowings due after one year	28	**19,174,451**	17,147,860
Medium term notes	29	**7,006,560**	7,608,548
Deferred taxation	31	**1,219,012**	1,282,957
Lease liabilities	30	**11,127**	11,114
		27,501,215	26,445,136
NET ASSETS		**76,615,831**	74,874,865
Equity attributable to:			
Owners of the Company			
Share capital	32	**365,520**	359,960
Share premium and reserves		**61,083,140**	58,451,432
		61,448,660	58,811,392
Non-controlling interests		**(618,377)**	(607,648)
		60,830,283	58,203,744
Net assets attributable to non-controlling unitholders of Champion REIT		**15,785,548**	16,671,121
		76,615,831	74,874,865

The consolidated financial statements on pages 131 to 273 were approved and authorised for issue by the Board of Directors on 4 March 2022 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 2021

	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 (note 12)	–	–	–	–	–	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 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
Loss for the year	–	–	–	–	–	–	–	–	–	–	(499,034)	(499,034)	(21,936)	(520,970)	(271,048)	(792,018)
Fair value gain on equity instruments at fair value through other comprehensive income	–	–	3,783,530	–	–	–	–	–	–	–	–	3,783,530	–	3,783,530	21,613	3,805,143
Share of other comprehensive income of an associate	–	–	3,303	–	–	–	–	–	–	–	–	3,303	–	3,303	–	3,303
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	56,614	–	–	56,614	–	56,614	27,928	84,542
Exchange differences arising on translation of foreign operations	–	–	618	–	–	–	(172,507)	–	–	(361)	–	(172,250)	1,681	(170,569)	(112)	(170,681)
Total comprehensive income (expense) for the year	–	–	3,787,451	–	–	–	(172,507)	–	56,614	(361)	(499,034)	3,172,163	(20,255)	3,151,908	(221,619)	2,930,289
Transaction with non-controlling unitholders of Champion REIT:																
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(439,329)	(439,329)
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(439,329)	(439,329)
Transactions with owners:																
Dividend paid (note 12)	–	–	–	–	–	–	–	–	–	–	(962,035)	(962,035)	–	(962,035)	–	(962,035)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	–	–	(3,973)	–	–	–	–	–	–	–	5,863	1,890	–	1,890	(1,890)	–
Shares issued at premium	5,124	254,338	–	–	–	–	–	–	–	–	–	259,462	–	259,462	–	259,462
Lapse of share options	–	–	–	–	–	–	–	(14,802)	–	–	14,802	–	–	–	–	–
Share issue expenses	–	(119)	–	–	–	–	–	–	–	–	–	(119)	–	(119)	–	(119)
Exercise of share options	436	24,698	–	–	–	–	–	(2,698)	–	–	–	22,436	–	22,436	–	22,436
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	19,373	–	–	–	19,373	–	19,373	–	19,373
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	124,098	–	124,098	9,526	133,624	(222,735)	(89,111)
At 31 December 2021	365,520	6,800,847	3,731,274	23,109	3,054	400,965	(549,879)	95,535	(26,998)	8,328,780	42,276,453	61,448,660	(618,377)	60,830,283	15,785,548	76,615,831

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 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Loss before tax	(482,999)	(12,398,274)
Adjustments for:		
Dividends received from equity securities held for trading	(5,288)	(3,571)
Dividends received from equity instruments at fair value through other comprehensive income	(10,173)	(4,657)
Gain on disposal of property, plant and equipment	(272)	–
Fitting-out works of hotel buildings written off	–	700
Other income	–	(2,595)
Interest income	(162,756)	(245,221)
Fair value changes on investment properties	2,178,596	14,252,703
Fair value changes on derivative financial instruments	(290,780)	194,050
Fair value changes on financial assets at fair value through profit or loss	47,172	(40,908)
Allowance for credit losses on notes receivables and interest receivables	108,396	–
Impairment loss on property, plant and equipment	–	347,898
Allowance for doubtful debts	5,617	607
Depreciation	849,367	831,868
Recognition of share-based payments	19,373	13,308
Interest expense	705,271	802,927
Share of results of joint ventures	(13,742)	16,972
Share of results of associates	(6,100)	(5,147)
Exchange differences	(1,927)	4,302
Operating cash flows before movements in working capital	2,939,755	3,764,962
(Increase) decrease in debtors, deposits and prepayments	(96,503)	70,215
(Increase) decrease in inventories	(32,032)	20,935
Increase (decrease) in creditors, deposits and accruals	192,760	(720,796)
(Increase) decrease in stock of properties	(319,818)	2,361,763
(Increase) decrease in equity securities held for trading	(327,356)	70,057
Cash generated from operations	2,356,806	5,567,136
Hong Kong Profits Tax paid	(346,661)	(621,237)
Other jurisdictions tax paid	(1,769)	(37,257)
Hong Kong Profits Tax refunded	7,059	–
Other jurisdictions tax refunded	94,541	3,122
Net cash from operating activities	2,109,976	4,911,764

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Investing activities		
Additions of equity instruments at fair value through other comprehensive income	(328,600)	(3,111)
Additions of financial assets at fair value through profit or loss	(916,245)	(658,566)
Additions of investment properties	(97,822)	(26,251)
Additions of loan and mortgage loan receivables	(12,315)	(392,663)
Additions of property, plant and equipment	(819,952)	(1,316,470)
Additions of notes receivables	(783,149)	(1,680,090)
Deposits paid for acquisition of an investment property	(26,078)	–
Dividends received from associates	6,277	2,373
Dividends received from		
– equity instruments at fair value through other comprehensive income	10,173	3,207
– equity securities held for trading	5,288	2,223
Distribution and repayment from a joint venture	61,735	–
Interest received	192,590	295,182
Advance to a joint venture	(290,780)	–
Withdrawal of restricted cash	70,295	44,546
Placement of restricted cash	–	(41,049)
Proceeds on disposal of		
– equity instruments at fair value through other comprehensive income	8,529	4,622
– financial assets at fair value through profit or loss	766,055	400,000
Proceeds on redemption of loan receivables	36,868	51,092
Proceeds on redemption of notes receivables	2,551,483	248,377
Proceeds on disposal of notes receivables	24,955	–
Proceeds on disposal of property, plant and equipment	582	465
Placement of time deposits with original maturity over three months	–	(191,485)
Withdrawal of time deposits with original maturity over three months	191,485	200,000
Net cash from (used in) investing activities	651,374	(3,057,598)
Financing activities		
Bank loans origination fees	(90,936)	(17,160)
Change of interests in subsidiaries	(89,111)	(394,763)
Distribution paid to non-controlling unitholders of Champion REIT	(478,741)	(505,847)
Distribution paid to non-controlling interests	–	(27,301)
Dividends paid to shareholders	(702,573)	(1,791,382)
Interest paid	(902,311)	(804,690)
Proceeds from exercise of share options	22,436	–
Transaction costs attributable to issue of shares	(119)	–
New bank loans raised	9,111,553	973,642
Proceeds from issuance of medium term notes	–	2,325,450
Repayments of bank loans	(10,992,503)	(5,047,671)
Repayments of lease liabilities	(10,846)	(12,450)
Interest paid for leases	(718)	(1,043)
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	(4,133,869)	(5,333,276)

	2021 HK$'000	2020 HK$'000
Net decrease in cash and cash equivalents	**(1,372,519)**	(3,479,110)
Bank deposit designated to settle consideration payable for notes receivables (note 27)	**–**	(775,350)
Effect of foreign exchange rates changes	**113,554**	150,717
Cash and cash equivalents at the beginning of the year	**7,378,111**	10,706,504
Cash and cash equivalents at the end of the year	**6,119,146**	6,602,761
Bank balance designated to settle consideration payable for notes receivable (note 27)	**–**	775,350
Bank balances and cash	**6,119,146**	7,378,111

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 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 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "*Interest Rate Benchmark Reform – Phase 2*"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements on applying HKFRS 7 "*Financial Instruments: Disclosures*" ("HKFRS 7").

As at 1 January 2021, the Group has several derivative financial instruments, bank borrowings and medium term notes, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The total amounts of these outstanding contracts are disclosed in note 41(c)(ii).

During the year, some of the Group's London Interbank Offered Rate ("LIBOR") bank loans with carrying amount of HK$1,783,885,000 in aggregate have been transitioned to Sterling Over Night Index Average ("SONIA"). Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 41.

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

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, 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.

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 liability 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.

Based on the Group's outstanding liabilities as at 31 December 2021, the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

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 and HKFRS Practice Statement 2 "*Disclosure of Accounting Policies*"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "*Making Materiality Judgements*" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 12 "*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "*Income Taxes*" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$13,120,000 and HK$22,248,000 respectively. The Group is still in the process of assessing the full impact on application of the amendments.

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 continue to have 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 continue to provide 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, segment loss of hotel operation, and receipt of government grants in respect of COVID-19-related subsidies as disclosed in the relevant notes.

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 are 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.

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 for 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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

(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.

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 (continued)

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 as 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, amounts due from joint ventures, 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.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

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)

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.

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 qualify 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.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

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.

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)

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 transactions 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.

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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (continued)

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

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 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).

	2021 **HK$'000**	2020 HK$'000
Hotel income	**2,816,730**	1,799,294
Rental income from investment properties	**2,581,484**	2,717,328
Building management service income	**289,296**	305,578
Sales of properties	**1,821,021**	5,178,149
Sales of goods	**125,942**	104,660
Dividend income	**15,461**	8,228
Others	**180,495**	192,050
	7,830,429	10,305,287

5. REVENUE (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

2021

	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	2,835,298	–	–	–	2,835,298	–	224,352	–	(242,920)	2,816,730
Building management service income	–	21,983	–	–	21,983	274,190	–	–	(6,877)	289,296
Sales of properties	–	–	1,801,960	–	1,801,960	–	–	19,061	–	1,821,021
Sales of goods	–	–	–	125,942	125,942	–	–	–	–	125,942
Others	–	–	–	549,732	549,732	–	–	–	(369,237)	180,495
Revenue from contracts with customers	2,835,298	21,983	1,801,960	675,674	5,334,915	274,190	224,352	19,061	(619,034)	5,233,484
Rental income from investment properties	–	122,843	–	–	122,843	2,495,023	–	33,791	(70,173)	2,581,484
Dividend income	–	–	–	13,490	13,490	–	–	–	1,971	15,461
	2,835,298	144,826	1,801,960	689,164	5,471,248	2,769,213	224,352	52,852	(687,236)	7,830,429

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

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers:

– by source of revenue:

2021

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	1,484,872	1,484,872
– food & beverage revenue	1,103,901	–	1,103,901
– others	123,482	104,475	227,957
Building management service income	–	289,296	289,296
Sales of properties	1,821,021	–	1,821,021
Sales of goods	121,881	4,061	125,942
Others	–	180,495	180,495
Revenue from contracts with customers	3,170,285	2,063,199	5,233,484
Rental income from investment properties			2,581,484
Dividend income			15,461
			7,830,429

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

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers: (continued)

– by geographical locations:

2021

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	2,516,594	692,134	3,208,728
The USA	198,578	676,477	875,055
The PRC	152,450	251,314	403,764
Canada	12,255	134,002	146,257
The United Kingdom	87,302	163,431	250,733
Australia	105,129	94,478	199,607
New Zealand	96,732	50,550	147,282
Others	1,245	813	2,058
Revenue from contracts with customers	3,170,285	2,063,199	5,233,484
Rental income from investment properties			2,581,484
Dividend income			15,461
			7,830,429

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

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:

2021

	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	**398,466**	**51,570**	**5,198**	**455,234**
Sales of properties	**608,001**	**–**	**–**	**608,001**
Sales of goods	**227,375**	**15,814**	**–**	**243,189**
Others	**13,497**	**–**	**–**	**13,497**
	1,247,339	**67,384**	**5,198**	**1,319,921**

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

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

2021

	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$'000 (note 1)	US Real Estate Fund HK$'000 (note 2)	Eliminations/ reclassification HK$'000	Consolidated HK$'000
REVENUE										
External revenue	2,814,748	143,433	1,801,960	319,927	5,080,068	2,693,556	1,982	52,852	1,971	7,830,429
Inter-segment revenue	20,550	1,393	–	369,237	391,180	75,657	222,370	–	(689,207)	–
Total	2,835,298	144,826	1,801,960	689,164	5,471,248	2,769,213	224,352	52,852	(687,236)	7,830,429

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$'000 (note 1)	US Real Estate Fund HK$'000 (note 2)	Eliminations/ reclassification HK$'000	Consolidated HK$'000
RESULTS										
Segment results	(105,412)	98,122	815,647	488,085	1,296,442	1,932,986	203,615	12,622	(75,348)	3,370,317
Depreciation					(637,148)	–	(224,675)	(360)	12,816	(849,367)
Operating profit (loss) after depreciation					659,294	1,932,986	(21,060)	12,262	(62,532)	2,520,950
Fair value changes on investment properties					(94,368)	(2,079,354)	–	(5,874)	1,000	(2,178,596)
Fair value changes on derivative financial instruments					228,810	–	61,970	–	–	290,780
Fair value changes on financial assets at FVTPL					(47,172)	–	–	–	–	(47,172)
Other income					9,276	–	1,218	329	(2,117)	8,706
Administrative and other expenses					(413,866)	(23,892)	(11,890)	(3,986)	7,036	(446,598)
Allowance for credit losses on notes receivables and interest receivables					(32,247)	(76,149)	–	–	–	(108,396)
Net finance costs					(80,715)	(351,289)	(114,892)	(1,817)	6,198	(542,515)
Share of results of joint ventures					(8,572)	22,314	–	–	–	13,742
Share of results of associates					6,100	–	–	–	–	6,100
Loss before tax					226,540	(575,384)	(84,654)	914	(50,415)	(482,999)
Income taxes					(65,173)	(255,981)	10,408	–	1,727	(309,019)
Loss for the year					161,367	(831,365)	(74,246)	914	(48,688)	(792,018)
Less: Loss attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(368)	271,048	22,762	(458)	–	292,984
Loss attributable to owners of the Company					160,999	(560,317)	(51,484)	456	(48,688)	(499,034)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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$'000 (note 1)	US Real Estate Fund HK$'000 (note 2)	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.

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)

Notes:

1. The inter-segment revenue of Langham mainly includes the rental income of three hotel properties receivable from Great Eagle.

2. During the year, income from sale of properties and rental income of HK$19,061,000 (2020: HK$70,280,000) and HK$33,791,000 (2020: HK$14,026,000) 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 2021

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	19,086,218	6,014,858	13,071,360
Property investment (note a)	6,034,509	49,365	5,985,144
Property development (note a)	12,896,718	7,169,091	5,727,627
Other operations (note a)	686,738	289,572	397,166
Unallocated (note a)	8,364,938	4,032,137	4,332,801
Great Eagle Operations (note b)	47,069,121	17,555,023	29,514,098
Champion REIT (note c)	45,990,748	12,378,549	33,612,199
Langham (note d)	10,139,666	4,727,395	5,412,271
US Real Estate Fund (note e)	426,046	154,373	271,673

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 (note a)	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

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, right-of-use assets, deposit for hotel renovation and acquisition of an investment property, 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$4,359,818,000 (2020: HK$5,555,339,000) and borrowings of HK$11,573,080,000 (2020: HK$6,374,503,000), representing net debt of HK$7,213,262,000 as at 31 December 2021 (2020: HK$819,164,000).

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 67.76% (2020: 67.22%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK$435,128,000 (2020: HK$506,019,000).

(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 69.39% (2020: 69.24%). It includes three hotel properties with appraised value of HK$14,407,000,000 as at 31 December 2021 (2020: HK$14,802,000,000). 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$3,591,409,000 (2020: HK$3,743,680,000) 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% (2020: 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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**5,769,654**	8,967,662	**74,882,098**	77,094,626
The USA	**911,075**	493,345	**8,194,219**	8,100,936
The PRC	**403,764**	297,667	**3,004,657**	3,043,054
Canada	**146,257**	110,752	**592,741**	603,338
The United Kingdom	**250,733**	137,974	**1,568,657**	1,654,864
Australia	**199,607**	156,195	**752,610**	838,465
New Zealand	**147,281**	139,902	**1,291,910**	1,035,523
Japan	**–**	–	**1,804,921**	1,962,804
Italy	**–**	–	**328,795**	343,793
Others	**2,058**	1,790	**–**	–
	7,830,429	10,305,287	**92,420,608**	94,677,403

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

	2021 HK$'000	2020 HK$'000
Interest income on:		
Bank deposits	25,170	149,358
Financial assets at FVTPL	21,088	11,124
Notes receivable	108,255	61,091
Others	8,243	23,648
	162,756	245,221
Government subsidy (note)	173,480	261,468
Gain on disposal of property, plant and equipment	272	–
Sundry income	8,440	11,801
Net exchange gain	–	15,897
	344,948	534,387

Note: During the current year, the Group recognised government grants of HK$173,480,000 (2020: HK$261,468,000) in respect of COVID-19-related subsidies.

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank and other borrowings	564,234	562,623
Interest on medium term notes	246,514	225,188
Interest on lease liabilities	718	1,043
Other borrowing costs	125,946	56,775
	937,412	845,629
Less: amount capitalised (note)	(232,141)	(42,702)
	705,271	802,927

Note: Interest were capitalised at an average annual rate of 2.32% (2020: 0.97%) to property development projects.

9. INCOME TAXES

	2021 HK$'000	2020 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	404,885	592,455
Other jurisdictions	8,841	2,203
	413,726	594,658
Overprovision in prior years:		
Hong Kong Profits Tax	(2,924)	(2,897)
Other jurisdictions	(38,562)	(6,785)
	(41,486)	(9,682)
	372,240	584,976
Deferred tax (note 31):		
Current year	14,686	(165,436)
Overprovision in prior years	(77,907)	(15,729)
	(63,221)	(181,165)
	309,019	403,811

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 29% (2020: 28%) of the estimated assessable profit for current year.

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:

	2021 HK$'000	2020 HK$'000
Loss before tax	(482,999)	(12,398,274)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	(79,695)	(2,045,715)
Tax effect of expenses that are not deductible for tax purpose	423,004	2,424,664
Tax effect of income that is not taxable for tax purpose	(73,429)	(50,679)
Overprovision in prior years	(119,393)	(25,411)
Tax effect of share of results of associates	(1,006)	(849)
Tax effect of share of results of joint ventures	(2,268)	2,800
Tax effect of tax losses not recognised	140,195	149,844
Utilisation of tax losses previously not recognised	(2,734)	(4,356)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,875)	(71,173)
Others	27,220	24,686
Tax charge for the year	309,019	403,811

10. LOSS FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**1,895,035**	1,746,906
Share-based payments (including Directors' emoluments)	**19,373**	13,308
	1,914,408	1,760,214
Depreciation	**849,367**	831,868
Auditor's remuneration	**16,225**	15,331
Trustee's remuneration	**10,131**	12,852
Cost of inventories recognised as an expense	**1,352,495**	3,267,544
Net exchange loss (included in administrative and other expenses)	**1,058**	–
Fitting-out works of hotel buildings written off	**–**	700
Allowance for doubtful debts	**5,617**	1,608
Share of tax of associates (included in the share of results of associates)	**43**	11
Share of tax of a joint venture (included in the share of results of joint ventures)	**3,015**	–
and after crediting:		
Gain on disposal of property, plant and equipment (included in other income)	**272**	–
Net exchange gain (included in other income)	**–**	15,897
Dividend income from		
– equity instruments at FVTOCI	**10,173**	4,657
– financial assets at FVTPL	**5,288**	3,571
Rental income from investment properties less related outgoings of HK$256,226,000 (2020: HK$243,731,000)	**2,325,258**	2,473,597

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2020: fourteen) Directors were as follows:

	2021					
	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	14,392	3,164	2,990	612	21,378
Mr. LO Hong Sui, Antony	220	1,658	169	438	85	2,570
Madam LAW Wai Duen	220	675	69	438	35	1,437
Mr. KAN Tak Kwong	220	6,905	1,819	1,780	352	11,076
Mr. CHU Shik Pui	220	4,907	1,418	1,473	250	8,268
Mr. LO Alexander Chun Him	220	1,657	220	1,012	77	3,186
Mr. Poon Ka Yeung, Larry (note)	492	81	–	–	4	577
Sub-total	1,812	30,275	6,859	8,131	1,415	48,492

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	2021					
	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)

	2021					
	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
Sub-total	2,070	–	–	–	–	2,070

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	51,222

Note:

Redesignated from independent non-executive director to executive director of the Company on 22 December 2021.

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
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

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 2021 and 31 December 2020.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2020: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2020: two) individuals were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**10,803**	13,156
Discretionary bonuses	**560**	274
Share options	**658**	1,414
Retirement benefits scheme contributions	**1,026**	1,208
	13,047	16,052

	2021 Number of employees	2020 Number of employees
Bands:		
HK$6,000,001 - HK$6,500,000	**1**	–
HK$6,500,001 - HK$7,000,000	**1**	1
HK$9,000,001 - HK$9,500,000	**–**	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

	2021 HK$'000	2020 HK$'000
Dividends paid:		
– Final dividend of HK50 cents in respect of the financial year ended 31 December 2020 (2020: HK50 cents in respect of the financial year ended 31 December 2019) per ordinary share	**360,396**	354,190
– Special final dividend of HK50 cents in respect of the financial year ended 31 December 2020 (2020: HK50 cents in respect of the financial year ended 31 December 2019) per ordinary share	**360,396**	354,191
	720,792	708,381
– Interim dividend of HK33 cents in respect of the financial year ended 31 December 2021 (2020: HK33 cents in respect of the financial year ended 31 December 2020) per ordinary share	**241,243**	237,574
– Special interim dividend of HK$1.5 in respect of the financial year ended 31 December 2020	**–**	1,079,880
	241,243	1,317,454
	962,035	2,025,835

On 21 June 2021, 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 2020.

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.

The scrip dividend alternatives were accepted by the shareholders as follows:

	2021 HK$'000	2020 HK$'000
Dividends:		
Cash	**100,934**	119,737
Share alternative (note 34)	**259,462**	234,453
	360,396	354,190

12. DIVIDENDS (continued)

	2021 HK$'000	2020 HK$'000
Dividends proposed:		
– Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2021 (2020: HK50 cents in respect of the financial year ended 31 December 2020) per ordinary share	**365,520**	359,960
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2021 (2020: HK50 cents in respect of the financial year ended 31 December 2020) per ordinary share	**365,520**	359,960
	731,040	719,920

The proposed final dividends in respect of the financial year ended 31 December 2021 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:

	2021 HK$'000	2020 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(499,034)**	(8,540,252)

	2021	2020
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**726,045,117**	714,970,724

For the year ended 31 December 2021 and 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

	2021 HK$'000	2020 HK$'000
FAIR VALUE		
At 1 January	**73,111,626**	87,322,962
Exchange adjustments	**10,893**	16,043
Additions	**120,011**	25,727
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	**(2,178,596)**	(14,252,703)
At 31 December	**71,063,934**	73,111,626

(a) The Group's property interests situated in Hong Kong of HK$70,250,000,000 (2020: HK$72,304,224,000), in the USA of HK$549,795,000 (2020: HK$550,449,000) and in the PRC of HK$264,139,000 (2020: HK$256,953,000) 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.

(c) Included in the fair value of investment properties as at 31 December 2021 is HK$70,961,034,000 (2020: HK$73,014,926,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2021 HK$'000	2020 HK$'000
FAIR VALUE		
At 1 January	**73,014,926**	87,223,762
Exchange adjustments	**10,893**	16,043
Additions	**120,011**	25,727
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	**(2,184,796)**	(14,250,203)
At 31 December	**70,961,034**	73,014,926

Unrealised loss on property revaluation included in profit or loss amounted to HK$2,184,796,000 (2020: HK$14,250,203,000). There were no transfers into or out of Level 3 during the year.

14. INVESTMENT PROPERTIES (continued)

(d) The carrying amount of investment properties includes land and buildings situated in Hong Kong and outside Hong Kong is as follows:

	2021 HK$'000	2020 HK$'000
Leases in Hong Kong	70,250,000	72,304,224
Leases outside Hong Kong	813,934	807,402
	71,063,934	73,111,626

(e) The fair value of the Group's investment properties at 31 December 2021 and 2020 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 - Cushman & Wakefield Limited and Savills Valuation and Professional Services Limited (2020: 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 2021						
Commercial property in Wan Chai, Hong Kong	3,824,100	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	39,868,000	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	25,428,000	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	1,027,000	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 2021 (continued)						
Commercial properties in Shanghai, the PRC	264,139	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	549,795	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 3.75%.	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	102,900	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 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	

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 1 January 2020	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
Exchange adjustments	(204,624)	–	653	62,899	(30,417)	–	(36,669)	13	1	(208,144)
Additions	–	–	12,505	98,329	439,417	54,646	217,038	1,217	–	823,152
Transfer in (out)	–	–	–	1,800,648	(1,930,657)	–	130,009	–	–	–
Disposals/written off	–	–	–	–	–	–	(147,910)	–	–	(147,910)
At 31 December 2021	4,080,982	2,349,418	58,458	17,885,587	1,343,891	1,100,409	4,332,985	5,942	167	31,157,839
DEPRECIATION AND IMPAIRMENT										
At 1 January 2020	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
Exchange adjustments	(550)	–	571	(3,818)	–	–	(21,782)	12	1	(25,566)
Charge for the year	–	44,765	5,258	388,055	–	65,274	345,528	477	10	849,367
Eliminated on disposals/written off	–	–	–	–	–	–	(147,600)	–	–	(147,600)
At 31 December 2021	114,873	1,180,972	45,338	5,545,689	–	285,923	2,623,916	4,330	124	9,801,165
CARRYING AMOUNTS										
At 31 December 2021	3,966,109	1,168,446	13,120	12,339,898	1,343,891	814,486	1,709,069	1,612	43	21,356,674
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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$217,038,000 (2020: HK$218,356,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$69,918,000 (2020: HK$37,005,000), HK$7,966,000 (2020: HK$266,000) and HK$1,329,000 (2020: HK$2,237,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2021, the leasehold land with carrying amounts of HK$1,168,446,000 (2020: HK$1,213,211,000) 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 (2021: 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) (2021: 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 continues to lead 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$20,319,395,000 (2020: HK$20,528,541,000).

For the purpose of impairment assessment of hotel properties, the relevant freehold land, right-of-use leasehold land, hotel buildings, hotel buildings under developments 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$5,315,895,000 (2020: 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. The carrying amount of the relevant hotel properties does not exceed the recoverable amount based on fair value less costs of disposal and no impairment has been recognised in current and prior year.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

For other CGUs of hotel properties with carrying amounts of HK$11,698,860,000 (2020: HK$9,900,170,000), 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 2023-2024; (ii) the use of pre-tax discount rates from 5.5% to 9.25% as at 31 December 2021 (2020: 6.25% to 10%); and (iii) the use of terminal capitalisation rates from 3.5% to 8.37% (2020: 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. The carrying amount of the relevant hotel properties does not exceed the recoverable amount based on value in use and no impairment has been recognised during the year ended 31 December 2021.

Based on the result of the assessment at 31 December 2020, a hotel property in Boston, USA ("The Langham, Boston") were written down to its recoverable amount of HK$1,190,596,000, and accordingly, an impairment loss of HK$271,467,000 was recognised during the year ended 31 December 2020. 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 was not reduced below the highest of its fair value less cost of disposal, its value in use and zero. There was 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$3,287,477,000 (2020: 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. The carrying amount of the relevant hotel properties under development does not exceed the recoverable amount and no impairment has been recognised in current and prior year.

As at 31 December 2021, the carrying amounts of the flexible workspace operation were HK$17,163,000 (2020: HK$19,010,000). The carrying amount of the relevant flexible workspace operation does not exceed the recoverable amount and no impairment has been recognised during the year ended 31 December 2021.

Based on the result of the assessment at 31 December 2020, the flexible workspace operation in Hong Kong were written down to their recoverable amounts of HK$19,010,000 based on a value in use calculation by 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 were written down to their recoverable amounts and, accordingly, an impairment loss of HK$63,024,000 was recognised during the year ended 31 December 2020.

There is no impairment recognised for the Group of other CGUs that include allocation of corporate assets for the current and prior year.

16. INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Cost of investments in joint ventures (note 1)	413,332	241,201
Share of post-acquisition results and other comprehensive income	(132,928)	(146,726)
	280,404	94,475
Amounts due from joint ventures (note 2)	57,339	292
	337,743	94,767

Notes:

1. Included an amount due from a joint venture of HK$233,733,000 which is non-interest bearing and such amount is treated as capital contribution to the joint venture.

2. Included an amount due from a joint venture of HK$57,047,000 which is denominated in Pound Sterling and is unsecured, repayable on demand and carrying interest at market rate agreed between the lender and the borrower reasonably and in good faith from time to time.

In determining whether there exists any objective evidence of impairment of the Group's interests in joint ventures, 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 joint ventures. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

The Group's interests in joint ventures amounting to HK$280,404,000 as at 31 December 2021 (2020: HK$94,475,000) are accounted for using the equity method in these consolidated financial statements.

Pursuant to the shareholders' agreement signed between an indirect wholly-owned subsidiary of the Company and various independent third party investors on 9 April 2021, Athene Investment (BVI) Limited ("Athene Investment") was established as a joint venture for holding the leasehold interests in a property situated in London, the UK. The Group owns 27% shareholding interest in Athene Investment.

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.

In 2020, 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 of 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.

16. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint venture

The summarised financial information in respect of the Group's material joint venture at 31 December 2021 is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with International Financial Reporting Standards.

Athene Investment

	2021 HK$'000
Current assets	105,398
Non-current assets	2,617,372
Current liabilities	238,328
Non-current liabilities	1,537,384
The above amounts of assets and liabilities include the followings:	
Investment properties	2,568,710
Cash and cash equivalents	97,135
Current financial liabilities (excluding trade and other payable and provisions)	211,287
Non-current financial liabilities (excluding trade and other payable and provisions)	1,526,488
Net property income	72,772
Profit from continuing operations	82,645
Total comprehensive income for the year	82,304
The above profit for the year includes the followings:	
Interest expense	32,117
Income tax expense	11,166

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2021 HK$'000
Net assets of Athene Investment	947,058
Proportion of the Group's ownership interest in Athene Investment	27%
Carrying amount of the Group's interest in Athene Investment	255,706

16. INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material

	2021 HK$'000	2020 HK$'000
The Group's share of results for the year	**(8,572)**	(16,972)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive expense	**(8,572)**	(16,972)
Aggregate carrying amount of the Group's interests in the joint ventures	**24,698**	94,475

17. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of investment in associates	**108**	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	**56,286**	53,160
	56,394	53,268

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 2021 and 2020, 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

	2021 HK$'000	2020 HK$'000
The Group's share of profit for the year	6,100	5,147
The Group's share of other comprehensive income (expense)	3,303	(5,206)
The Group's share of total comprehensive income (expense)	9,403	(59)
Dividends received from associates during the year	6,277	2,373
Aggregate carrying amount of the Group's interests in these associates	56,394	53,268

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
Listed equity securities in Hong Kong	281,123	214,596
Listed equity securities outside Hong Kong	4,003,540	1,278
Unlisted equity securities in Hong Kong	152,946	114,615
Unlisted equity securities outside Hong Kong	757,974	735,100
	5,195,583	1,065,589

At the end of the reporting period, 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(g). Included in listed equity securities outside Hong Kong is an equity investment in an electric vehicle company, Lucid Group, Inc. ("Lucid"), listed in the USA. As at 31 December 2021, the Group holds approximately 13.4 million shares (representing 0.83% shareholding) of Lucid with fair value of approximately HK$4,002,358,000 as set out in note 41(g).

The Directors have elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

19. NOTES AND LOAN RECEIVABLES

	2021 HK$'000	2020 HK$'000
Notes receivables (note a)	**232,481**	2,881,577
Loan receivables (note b)	**218,358**	253,730
Mortgage loan receivables (note c)	**191,012**	178,698
	641,851	3,314,005
Less: Amounts due within one year shown under current assets	**(41,699)**	(2,318,802)
Amounts due after one year	**600,152**	995,203

Notes:

(a) Notes receivables

At 31 December 2021, the Group held secured bonds with principal amount of HK$23,494,000 (2020: HK$476,542,000) and unsecured bonds with principal amounts of HK$208,987,000 (2020: HK$2,405,035,000) denominated in US$ with nominal values ranging from US$500,000 to US$8,000,000 (2020: US$200,000 to US$100,000,000) which bear interest at fixed interest rates ranging from 3.75% to 11.50% (2020: 3.75% to 11.50%) per annum and have maturity dates ranging from January 2022 to October 2025 (2020: January 2021 to October 2025).

Included in the carrying amount of notes receivables as at 31 December 2021 is accumulated allowance for credit losses of HK$105,814,000 (2020: nil). During the year, the Group recognised HK$105,466,000 allowance for credit losses on notes receivables. Details of impairment assessment of notes receivables are set out in note 41.

(b) 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), which bore interest at 18% per annum and had a maturity date on 31 December 2022. It was fully repaid during the year ended 31 December 2021.

The US Real Estate Fund entered into unsecured promissory note in 2020 for a loan receivable of US$28,000,000 (equivalent to approximately HK$218,358,000) (2020: 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.

(c) 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

	2021		2020	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	**–**	**63,122**	–	161,771
Cross currency swaps	**53,504**	**–**	–	138,313
Foreign currency derivative contracts	**–**	**–**	20,954	21,266
	53,504	**63,122**	20,954	321,350
Less: Would be matured within one year shown under current assets/liabilities	**(53,504)**	**(5,641)**	(20,954)	(26,276)
Would be matured after one year	**–**	**57,481**	–	295,074

The Group entered into interest rate swaps with aggregate notional amount of HK$3,200,000,000 (2020: HK$5,700,000,000) 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 Hong Kong Interbank Offered Rate ("HIBOR") to fixed rate ranging from 0.83% to 2.545% (2020: 0.83% 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 for the year ended 31 December 2020.

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 interest rate swaps and cross currency swaps will be due in June 2022 to December 2023 and June 2022, respectively.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2021 HK$'000	2020 HK$'000
Non-current assets		
Cash flow hedge - cross currency swap (note ii)	15,732	–
Non-current liabilities		
Cash flow hedge - cross currency swaps (note ii)	2,370	1,172
Cash flow hedge - interest rate swaps (note i)	30,214	98,411
	32,584	99,583
Current liability		
Cash flow hedge - interest rate swaps (note i)	–	23,704

Notes:

(i) Interest rate swaps

As at 31 December 2021 and 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% (2020: 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.

	2021	2020
Carrying amount (HK$'000)	(30,214)	(122,115)
Notional amount (HK$'000)	2,900,000	6,350,000
Maturity date	28 June 2024	28 June 2021 to 28 June 2024
Change in fair value of hedging instruments during the year (HK$'000)	33,783	(184,977)
Change in value of hedged item used to determine hedge effectiveness during the year (HK$'000)	(33,783)	184,977
Weighted average swap rate per annum (before interest margin)	1.27%	1.42%

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

(ii) Cross currency swaps

As at 31 December 2021 and 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.

	2021	2020
Carrying amount (HK$'000)	**13,362**	(1,172)
Notional amount (US$'000)	**476,400**	386,400
Maturity date	**17 January 2023 to 15 June 2030**	17 January 2023
Change in fair value of hedging instruments during the year (HK$'000)	**13,803**	(27,678)
Change in value of hedged item used to determine hedge effectiveness during the year (HK$'000)	**(13,803)**	27,678
Weighted average exchange rate (US$: HK$)	**7.7640**	7.7595

(iii) Hedging reserve

	Cross currency swaps HK$'000	**Interest rate swaps** HK$'000	**Total hedge reserves** HK$'000
As at 1 January 2020	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 adjustments to profit or loss	13,988	29,736	43,724
Reclassification to 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)
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	**13,803**	**33,783**	**47,586**
Reclassification of fair value adjustments to profit or loss	**(20,683)**	**57,639**	**36,956**
Reclassification to amount attributable to non-controlling unitholders of Champion REIT	**(11,627)**	**(16,301)**	**(27,928)**
As at 31 December 2021	**(20,414)**	**(6,584)**	**(26,998)**

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

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

	2021 HK$'000	2020 HK$'000
Properties under development for sale (note a)	**10,041,857**	–
Properties held for sale (note b)	**2,547,605**	3,430,283
	12,589,462	3,430,283

Notes:

(a) In February 2021, the Group entered into various agreements with MTR Corporation Limited (the original owner of a piece of land in Ho Man Tin, Kowloon, which is subject to development) and other interest parties including the preceding developer for the development of the relevant land (the "HMT Project"). Pursuant to the terms of these agreements, the Group became the succeeding developer of the HMT Project.

The consideration of the HMT Project consists of a lump sum payment and a sharing of surplus proceeds as defined in the agreements. During the year ended 31 December 2021, a partial lump sum payment of HK$1,000,000,000 was paid to MTR Corporation Limited and the property under development and borrowings was assumed from previous developer to the Group.

(b) Properties held for sale 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. As at 31 December 2020, properties held for sale included this residential development which was completed in 2017. During the year ended 31 December 2021, all units were sold and delivered to buyers.

(ii) Properties held for sale includes 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.

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 2021 and 2020.

23. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	13,763	7,890
Trading goods	2,176	2,252
Provisions and beverages	44,705	41,150
Work-in-progress	77,274	54,594
	137,918	105,886

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade debtors, net of allowance for doubtful debts	176,643	114,923
Deferred lease receivables	147,349	169,381
Retention money receivables	8,042	11,079
Other receivables, net of credit losses on interest receivables	216,993	188,875
Deposits and prepayments	244,725	249,802
	793,752	734,060

Included in the balance of debtors, deposits and prepayments are trade debtors (net of allowance of doubtful debts) of HK$176,643,000 (2020: HK$114,923,000). 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:

	2021 HK$'000	2020 HK$'000
Trade receivables from contracts with customers	119,123	55,697
Retention money receivables	8,042	11,079
Amount due within one year	(5,771)	(4,915)
Amount due after one year	2,271	6,164

As at 1 January 2020, trade receivables from contracts with customers and retention money receivables amounted to HK$163,359,000 and HK$14,731,000, 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:

	2021 HK$'000	2020 HK$'000
Within 3 months	**115,789**	72,033
More than 3 months but within 6 months	**19,142**	20,955
Over 6 months	**41,712**	21,935
	176,643	114,923

As at 31 December 2021, included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK$87,549,000 (2020: HK$74,506,000) 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 2021 are set out in note 41.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Equity linked notes	**81,003**	97,449
Currency linked notes	**162,861**	161,221
Listed equity securities held for trading	**488,387**	205,176
	732,251	463,846

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.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Group had entered into equity and currency linked notes with banks, the redemption amount and interest rates vary depending on various conditioning terms and different strike prices, further details are as follows:

2021

	Nominal values	Maturity period
Equity linked notes		
– HK dollars	**HK$4,000,000 to HK$10,000,000**	**4 months**
Currency linked notes		
– Japanese yen	**JPY100,000,000 to JPY380,000,000**	**6 months**
– US dollars	**US$1,000,000 to US$2,500,000**	**3 to 6 months**

2020

	Nominal values	Maturity period
Equity linked notes		
– HK dollars	HK$5,000,000 to HK$20,000,000	4 to 6 months
– US dollars	US$200,000 to US$500,000	3 to 6 months
Currency linked notes		
– HK dollars	HK$20,000,000 to HK$80,000,000	3 to 6 months

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$102,889,000 (2020: HK$171,745,000) carried market interest rates ranging from 0% to 1.495% (2020: 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% per annum with original maturity over three months but not exceeding one year for the year ended 31 December 2020.

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 0.001% to 2.6% (2020: 0.0005% to 3.255%) per annum.

27. CREDITORS, DEPOSITS AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Trade creditors	**398,685**	203,987
Deposits received	**776,500**	789,414
Customer deposits and other deferred revenue	**418,706**	451,150
Construction fee payable and retention money payable	**762,991**	850,484
Accruals, interest payable and other payables (note)	**4,837,854**	2,740,021
	7,194,736	5,035,056

Note: With reference to the consideration of the HMT Project as disclosed in note 22, the aggregate of the remaining lump sum payment and the estimated sharing of surplus proceeds amounted to HK$2,830,300,000, which is measured at fair value, is included in the accruals, interest payable and other payable as at 31 December 2021.

In determining the sharing of surplus proceeds of the HMT Project, the Directors has taken into account the expectation of forecast sales and budgeted costs of the development, which involves the application of significant judgement and estimates. Inputs and assumption reflect the best estimation of the Directors are used based on the then available information. Notwithstanding periodic reviews and revisions of these estimates at each subsequent reporting dates, the assumptions and expectations may change when more information become known and/or available so that the actual sharing of surplus proceeds may be higher or lower than the estimated amount. Any changes would be reflected in the financial statements in the period when such changes occur.

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (2020: 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 of 2020 was HK$775,350,000 consideration payable in relation to notes receivable purchased in December 2020. The amount had been paid during the current year.

The following is an analysis of trade creditors by age, presented based on the invoice date:

	2021 HK$'000	2020 HK$'000
Within 3 months	**382,361**	188,423
More than 3 months but within 6 months	**2,143**	2,280
Over 6 months	**14,181**	13,284
	398,685	203,987

27. CREDITORS, DEPOSITS AND ACCRUALS (continued)

Customer deposits and other deferred revenue comprised:

	2021 HK$'000	2020 HK$'000
Hotel operations	240,627	269,523
Sales of properties	153,462	168,144
Sales of goods	3,757	1,325
Others	20,860	12,158
	418,706	451,150

As at 1 January 2020, customer deposits and other deferred revenue amounted to HK$898,412,000.

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).

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.

	2021 HK$'000	2020 HK$'000
Hotel operations	121,732	120,048
Sales of properties	83,420	610,961
Sales of goods	1,067	3,025
Others	15,603	34,670
	221,822	768,704

28. BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans and revolving loans	25,588,014	21,905,486
Other loans	218,358	–
	25,806,372	21,905,486
Loan front-end fee	(89,126)	(98,197)
	25,717,246	21,807,289

28. BORROWINGS (continued)

The maturity of the above loans based on scheduled repayment terms is as follows:

	2021 HK$'000	2020 HK$'000
Within one year	6,542,795	4,659,429
More than one year but not exceeding two years	6,916,926	3,719,780
More than two years but not exceeding five years	12,257,525	13,428,080
	25,717,246	21,807,289
Less: Amounts due within one year shown under current liabilities	(6,542,795)	(4,659,429)
Amounts due after one year shown under non-current liabilities	19,174,451	17,147,860

Borrowings amounting to HK$14,264,826,000 (2020: HK$14,696,243,000) 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:

	2021 HK$'000	2020 HK$'000
More than one year but not exceeding two years	–	39,343
More than four years but not exceeding five years	232,794	34,569
	232,794	73,912

The exposure of the Group's floating-rate borrowings and the contractual maturity dates are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	6,542,795	4,659,429
More than one year but not exceeding two years	6,916,926	3,680,437
More than two years but not exceeding three years	10,277,603	6,884,465
More than three years but not exceeding four years	440,109	6,090,065
More than four years but not exceeding five years	1,307,019	418,981
	25,484,452	21,733,377

The ranges of effective interest rates (which approximate to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	1% to 2.86%	2.55%
Variable-rate borrowings	0.33% to 4.98%	0.33% to 4.87%

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

	2021 HK$'000	2020 HK$'000
Medium term notes	7,695,890	7,664,522
Origination fees	(46,330)	(55,974)
	7,649,560	7,608,548
Less: Amount due within one year shown under current liabilities	(643,000)	–
Amount due after one year shown under non-current liabilities	7,006,560	7,608,548

The maturity of the medium term notes is as follows:

	2021 HK$'000	2020 HK$'000
Within one year	643,000	–
More than one year but not exceeding two years	3,008,647	643,000
More than two years but not exceeding five years	1,416,401	4,400,905
Over five years	2,581,512	2,564,643
	7,649,560	7,608,548
Less: Amount due within one year shown under current liabilities	(643,000)	–
Amount due after one year shown under non-current liabilities	7,006,560	7,608,548

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 2021 and 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%

The Group also entered into interest rate swaps and cross currency swaps, details of which are set out in note 21.

30. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Within one year	**11,121**	9,267
More than one year but not exceeding two years	**5,156**	7,787
More than two years but not exceeding five years	**5,104**	3,327
Over five years	**867**	–
	22,248	20,381
Less: Amount due within one year shown under current liabilities	**(11,121)**	(9,267)
Amount due after one year shown under non-current liabilities	**11,127**	11,114

The weighted average incremental borrowing rates applied to lease liabilities range from 1.07% to 4.75% (2020: 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:

	2021 HK$'000	2020 HK$'000
US$	**8,934**	14,310
RMB	**2,005**	4,129

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 2020	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
Exchange differences	**818**	**(1,268)**	**(274)**	**(724)**
Charge (credit) to profit or loss for the year	**36,626**	**(30,992)**	**(68,855)**	**(63,221)**
At 31 December 2021	**1,487,800**	**(231,180)**	**(37,608)**	**1,219,012**

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$5,178,134,000 (2020: HK$4,587,520,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$1,168,524,000 (2020: HK$997,984,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$4,009,610,000 (2020: HK$3,589,536,000) 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 (2020: HK$608,249,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$608,249,000 (2020: HK$608,249,000) 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$1,510,750,000 (2020: HK$1,822,501,000). 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

		2021		2020	
		Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'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	**719,920**	**359,960**	708,382	354,191
	Issued upon exercise of share options under the share option schemes	**873**	**436**	–	–
	Issued as scrip dividends	**10,247**	**5,124**	11,538	5,769
	Balance carried forward	**731,040**	**365,520**	719,920	359,960

During the year ended 31 December 2021, 10,247,300 (2020: 11,538,064) shares of HK$0.50 each in the Company were issued at HK$25.32 (2020: HK$20.32) 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 2021 amounting to HK$2,920,000 (2020: HK$2,733,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2021 charged to the consolidated income statement amounted to HK$74,273,000 (2020: HK$65,963,000). As at 31 December 2021, contributions of HK$3,465,000 (2020: HK$3,657,000) 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 2021, bank borrowings of HK$5,877,000,000 was assumed from previous developer to the Group, as set out in note 22.

During the year ended 31 December 2021, 10,247,300 (2020: 11,538,064) shares of HK$0.50 each in the Company were issued at HK$25.32 (2020: HK$20.32) 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 2021, 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$264,139,000 (2020: HK$21,786,903,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$11,659,155,000 (2020: HK$11,791,242,000); and

(c) the Group's stock of properties with a total carrying value of HK$8,571,518,000 (2020: nil).

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 the 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 9.58% of the issued shares of the Company as at the date of approval for issuance of these consolidated financial statements.

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 of the Company 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)

Further details of the 2019 Share Option Scheme (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 2021 Year of grant of options	Number of shares Outstanding options at 1 January 2021	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2021
2016	**1,402,000**	**–**	**(873,000)**	**(529,000)**	**–**
2017	**3,235,000**	**–**	**–**	**(393,000)**	**2,842,000**
2018	**4,506,000**	**–**	**–**	**(887,000)**	**3,619,000**
2019	**4,858,000**	**–**	**–**	**(738,000)**	**4,120,000**
	14,001,000	**–**	**(873,000)**	**(2,547,000)**	**10,581,000**
Exercisable at end of the year					**10,581,000**
Weighted average exercise price	**HK$38.28**	**N/A**	**HK$25.70**	**HK$36.73**	**HK$39.69**

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

36. SHARE OPTIONS (continued)

2019 Share Option Scheme

In 2021 Year of grant of options	Number of shares Outstanding options at 1 January 2021	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2021
2020	**5,312,000**	**–**	**–**	**(787,000)**	**4,525,000**
2021	**–**	**4,990,000**	**–**	**(713,000)**	**4,277,000**
	5,312,000	**4,990,000**	**–**	**(1,500,000)**	**8,802,000**
Exercisable at end of the year					**–**
Weighted average exercise price	**HK$21.65**	**HK$28.45**	**N/A**	**HK$24.88**	**HK$24.95**

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
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

36. SHARE OPTIONS (continued)

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

	Number of shares				
In 2021 **Year of grant of options**	**Outstanding options at 1 January 2021**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2021**
2016 - 2019	**5,644,000**	**–**	**(400,000)**	**(310,000)**	**4,934,000**

	Number of shares				
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
2015 - 2019	6,224,000	–	–	(580,000)	5,644,000

2019 Share Option Scheme

	Number of shares				
In 2021 **Year of grant of options**	**Outstanding options at 1 January 2021**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2021**
2020 - 2021	**1,840,000**	**1,656,000**	**–**	**–**	**3,496,000**

	Number of shares				
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
2020	–	1,840,000	–	–	1,840,000

The weighted average price of the shares on the date the options exercised was HK$26.54 under the 2009 Share Option Scheme for the year ended 31 December 2021.

No option has been exercised under the 2009 Share Option Scheme and 2019 Share Option Scheme for the year ended 31 December 2020.

36. SHARE OPTIONS (continued)

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			
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
2021	18.3.2021	19.3.2023 - 18.3.2026	28.45

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	Risk free interest rate (note c)	Fair value per option HK$
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
18.3.2021	28.45	28.45	34.58%	3.36%	5 years	1.01%	6.89

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$19,373,000 for the year ended 31 December 2021 (2020: HK$13,308,000) 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 2021, 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$9,386,652,000 (2020: HK$9,410,227,000) in aggregate of which HK$888,306,000 (2020: HK$774,219,000) 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$2,581,484,000 (2020: HK$2,717,328,000). 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 2021 amounted to HK$39,051,000 (2020: HK$18,834,000).

Minimum lease payments receivable on leases are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	**2,281,948**	2,291,327
In the second year	**1,601,087**	1,661,843
In the third year	**771,745**	875,176
In the fourth year	**276,581**	356,667
In the fifth year	**41,471**	91,744
After five years	**9,794**	9,318
	4,982,626	5,286,075

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$3,444,000 (2020: HK$1,984,000) 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.

	2021 HK$'000	2020 HK$'000
Transaction with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee income	1,344	1,344

	2021 HK$'000	2020 HK$'000
Transactions with related companies for the year ended 31 December		
Shui On Land Limited and its subsidiaries[1]		
Lease payment	1,899	1,771
Hotel income	–	340
Management fee expenses	3,631	3,583
Shui Sing Holdings Limited and its subsidiaries[2]		
Management fee income	264	264
Repair and maintenance income	369	104
Agency fee income	50	13
Healthy Seed[3]		
Management fee income	143	143
Rental income	259	401
Building management fee income	166	166
Repair and maintenance income	31	136

Transactions with related companies are also connected transactions as defined in the chapter 14A of the Listing Rules.

39. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2021 HK$'000	2020 HK$'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[1]	117	141
Shui On Land Limited and its subsidiaries[1]	1,961	1,906
Shui Sing Holdings Limited and its subsidiaries[2]	559	406
	2,637	2,453
Amounts due from related parties		
(included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	–	112
Mr. Lo Kai Shui	664	664
	664	776
Amounts due to related companies		
(included in creditors, deposits and accruals and lease liabilities)		
SFK Construction Holdings Limited and its subsidiaries[4]	–	598
Shui On Land Limited and its subsidiaries[1]	525	2,724
Healthy Seed[3]	96	147
Shui Sing Holdings Limited and its subsidiaries[2]	1,058	339
	1,679	3,808

Balances with related companies are unsecured, interest-free and repayable on demand. Other than the above balances and amounts due from joint ventures as disclosed in note 16, the Group has no other related company balances.

Notes:

1 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.

2 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 33.78% (2020: 33.64%) interest of the Company.

39. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

Notes: (continued)

[3] Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, are directors of this company.

[4] 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.

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, 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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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, mortgage loan receivables and bank balances at the end of the reporting period. 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 (2020: 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 2021 would increase/decrease by HK$78,841,000 (2020: HK$23,727,000).

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 has certain medium term notes which are 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$476,400,000 (2020: 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. As the foreign currency risk of part of its medium term notes is hedged, no sensitivity analysis has been prepared accordingly.

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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**8,970,761**	5,246,795	**1,608,709**	2,290,427
RMB	**48,880**	107,245	**–**	–
Pound Sterling	**624,009**	1,853	**305,298**	–
Euro dollars	**71,344**	46,125	**3,012**	2,700
Australian dollars	**83,456**	23,349	**–**	–
Macau pataca	**4,605**	2,563	**–**	–
Singapore dollars	**92,262**	93,761	**–**	–

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% (2020: 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% (2020: 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% (2020: 10%) change in foreign currency rate. A positive number below indicates a decrease in loss before tax where Hong Kong dollars weaken 10% (2020: 10%) against the relevant currency. For a 10% (2020: 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.

	2021 **HK$'000**	2020 HK$'000
RMB	**4,888**	10,725
Pound Sterling	**31,871**	185
Euro dollars	**6,833**	4,343
Australian dollars	**8,346**	2,335
Macau pataca	**461**	256
Singapore dollars	**9,226**	9,376

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% (2020: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$519,558,000 (2020: HK$106,559,000) 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% (2020: 10%) higher/lower, fair value changes on financial assets at FVTPL would increase/decrease by HK$48,839,000 (2020: HK$20,518,000) 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$6,119,146,000 as at 31 December 2021 (2020: HK$7,378,111,000). 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$9,059,092,000 as at 31 December 2021 (2020: HK$4,812,182,000).

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 2021 (2020: HK$2,343,000,000 and US$686,400,000).

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
2021								
Rental deposit received	–	226,086	219,152	134,607	63,431	6,044	649,320	649,320
Non-interest bearing	–	2,045,961	–	–	–	–	2,045,961	2,045,961
Financial liability designated as at fair value	–	1,064,100	–	–	643,500	1,122,700	2,830,300	2,830,300
Fixed interest rate instruments	1.00% to 4.00%	240,190	3,140,530	327,190	1,345,526	2,872,987	7,926,423	7,239,354
Variable interest rate instruments	0.33% to 4.98%	6,936,627	7,180,089	11,097,898	459,971	1,317,894	26,992,479	26,127,452
Lease liabilities	1.07% to 4.75%	11,529	5,272	1,740	1,740	2,615	22,896	22,248
		10,524,493	10,545,043	11,561,435	2,514,168	5,322,240	40,467,379	38,914,635
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

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$'000	Over 5 years HK$'000	Total amount HK$'000	Total carrying amount HK$'000
2021						
Derivatives net settlement						
Interest rate swaps	(52,238)	(38,045)	(15,367)	–	(105,650)	(93,336)
Cross currency swaps	54,360	(9,042)	1,390	1,603	48,311	66,866

	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)

(c) Interest rate benchmark reform

As disclosed in note 2, some of the Group's derivative financial instruments, bank borrowings and medium term notes will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all Pound Sterling, Euro dollars, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and

- immediately after 30 June 2023, in the case of the remaining US dollar settings.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate benchmark reform (continued)

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate benchmark reform (continued)

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, LIBOR bank loans with carrying amount of HK$1,783,885,000 in aggregate, which are maturing in 2022 and 2023, have been transitioned to SONIA.

The remaining LIBOR bank loans with carrying amount of HK$1,468,726,000 in aggregate, which are maturing in 2022 and 2023, and an LIBOR interest rate swap with notional amount of HK$926,072,000, which is maturing in 2023, are expected to transit in latest by June 2023.

For the rest of the Group's derivative financial instruments, bank loans and medium term notes that are linked to respective IBORs, the transition is subject to negotiation between the Group and the relevant counterparties.

(d) 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 2021 and 2020 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 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 - not credit-impaired	12m ECL
Watch list	Debtor repays by frequent instalments and usually makes full settlement after due date.	Lifetime ECL - not 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 - not credit-impaired	Lifetime ECL - not 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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and other item, which are subject to ECL assessment.

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000
Financial assets					
Note receivables	19	Low risk	12m ECL	**171,803**	2,881,577
		Doubtful	Lifetime ECL (not credit-impaired)	**62,373**	–
		Loss	Lifetime ECL (credit-impaired)	**104,119**	–
				338,295	2,881,577
Loan receivables and mortgage loan receivables	19	Low risk	12m ECL	**409,370**	432,428
Trade debtors	24	Low risk	Lifetime ECL	**202,433**	136,097
Other receivables	24	Low risk	12m ECL	**146,174**	106,101
		Loss	Lifetime ECL (credit-impaired)	**2,939**	–
				149,113	106,101
Amounts due from joint ventures	16	Low risk	12m ECL	**57,339**	292
Restricted cash	26	Low risk	12m ECL	**102,889**	171,745
Time deposits with original maturity over three months	26	Low risk	12m ECL	**–**	191,485
Bank balances	26	Low risk	12m ECL	**6,112,094**	7,372,082
Other item					
Deferred lease receivables	24	Low risk	Lifetime ECL	**147,349**	169,381

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information (if applicable) to assess whether credit risk has increased significantly since initial recognition.

(ii) For trade debtors and deferred lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk and impairment assessment (continued)

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.

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, amounts due from joint ventures 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 2021, loss allowance provision of HK$5,617,000 (2020: HK$1,608,000) for trade debtors was recognised.

For notes receivables and the related interest receivables (included in other receivables), the Group measures the credit risk by referencing to the credit-ratings of the issuers assigned by international credit-rating agencies. For notes receivables with gross carry amount of HK$171,803,000, the Directors considered that the credit risk is limited because the counterparties are listed entities with high credit-ratings.

For the remaining notes receivables with gross carry amount of HK$166,492,000, the Group measures the loss allowance at lifetime ECL, in view of the significant deterioration in credit-ratings of the issuers or recent evidences for default payments. During the year ended 31 December 2021, the Group has provided HK$1,689,000 allowance for credit losses (lifetime (not credit-impaired)) and HK$103,777,000 allowance for credit losses (lifetime (credit-impaired)) on notes receivables respectively, and HK$2,930,000 allowance for credit losses (lifetime (not credit-impaired)) on the related interest receivables (included in other receivables). .

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognised as trade debtors under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2020	1,669	17,897	19,566
Increase in allowance recognised in profit or loss	607	1,001	1,608
As at 31 December 2020	2,276	18,898	21,174
Increase in allowance recognised in profit or loss	–	5,617	5,617
Amounts written off	–	(1,001)	(1,001)
As at 31 December 2021	2,276	23,514	25,790

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The following tables show reconciliation of loss allowances that has been recognised for notes receivables.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2020 and 31 December 2020	–	–	–
Increase in allowance recognised in profit or loss	1,689	103,777	105,466
Exchange difference	6	342	348
As at 31 December 2021	1,695	104,119	105,814

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Categories of financial instruments

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 January 2020 and 31 December 2020	–	–	–
Increase in allowance recognised in profit or loss	–	2,930	2,930
Exchange difference	–	9	9
As at 31 December 2021	–	2,939	2,939

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Categories of financial instruments (continued)

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade debtors	176,643	114,923
Other receivables	146,174	106,101
Notes receivable	232,481	2,881,577
Loan receivables	218,358	253,730
Mortgage loan receivables	191,012	178,698
Amounts due from joint ventures	57,339	292
Restricted cash	102,889	171,745
Time deposits with original maturity over three months	–	191,485
Bank balances and cash	6,119,146	7,378,111
	7,244,042	11,276,662
Financial assets mandatorily measured at FVTPL		
Equity and currency linked notes	243,864	258,670
Financial assets held for trading	488,387	205,176
	732,251	463,846
Equity instruments at FVTOCI		
Equity instruments at FVTOCI	5,195,583	1,065,589
Derivative financial instruments	53,504	20,954
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	15,732	–
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	398,685	203,987
Other payables	677,252	1,463,148
Rental deposits received	649,320	676,020
Construction fee payable and retention money payable	762,991	850,484
Distribution payable	207,033	246,761
Borrowings	25,717,246	21,807,289
Medium term notes	7,649,560	7,608,548
	36,062,087	32,856,237
Derivative financial instruments	63,122	321,350
Financial liability designated as at fair value	2,830,300	–
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	32,584	123,287

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value

The fair values of financial assets and financial liabilities, including equity instruments at FVTOCI, derivative financial instruments, financial assets at FVTPL and financial liability designated as at fair value are determined as detailed in note 41(g). 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.

(g) 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. For instruments with significant unobservable inputs under Level 3, the Group establishes the appropriate valuation techniques and inputs to the model as detailed in note 41(g). 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
2021				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Equity and currency linked notes	–	–	243,864	243,864
Derivative financial instruments	–	53,504	–	53,504
Derivative financial instruments under hedge accounting	–	15,732	–	15,732
Listed equity securities held for trading	488,387	–	–	488,387
Equity investments at FVTOCI				
Listed equity securities	4,284,663	–	–	4,284,663
Unlisted equity securities	696,221	–	214,699	910,920
Total	5,469,271	69,236	458,563	5,997,070
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	63,122	–	63,122
Derivative financial instruments under hedge accounting	–	32,584	–	32,584
Financial liability designated as at fair value	–	–	2,830,300	2,830,300
Total	–	95,706	2,830,300	2,926,006

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) 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
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

There were no transfers between level 1 and 2 in both years.

As at 31 December 2021, the Group holds an equity interest of approximately 0.83% shareholding in Lucid which is classified as equity instruments at FVTOCI. As at 31 December 2020, it was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. During the year ended 31 December 2021, it has become a listed entity with its shares traded in an active market. Therefore, the fair value of the investment as at 31 December 2021 was determined based on a published price quotation available in an active market and was classified as Level 1 of the fair value hierarchy.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) 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 2021 HK$'000	Fair value as at 31 December 2020 HK$'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.	**4,284,663**	215,874	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the consolidated statement of financial position.	**488,387**	205,176	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.	**696,221**	768,586	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	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.	**(93,336)**	(283,886)	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.	**69,236** **(2,370)**	(139,485)	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)

(g) Fair value measurements recognised in the consolidated statement of financial position (continued)

Financial assets (liabilities)	Fair value as at 31 December 2021 HK$'000	2020 HK$'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.	**214,699**	81,129	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.	**243,864**	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 contacted 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)
Other payable classified as financial liability designated as at fair value in the consolidated statement of financial position.	**2,830,300**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on the forecast sales and budgeted costs to completion, discounted at a rate that reflects the risk of counterparty.	Forecast sales, budgeted costs to completion and discount rate. (Note c)

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.

(c) The higher the forecast sales, the higher the fair value of other payable. The higher the budgeted costs to completion, the lower the fair value of other payable. The higher the discount rate, the lower the fair value of other payable. 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)

(h) Reconciliation of Level 3 fair value measurements

	Other payable HK$'000	Equity and currency linked notes HK$'000	Unlisted equity securities HK$'000
As at 1 January 2020	–	–	156,197
Increase	–	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
Increase	**2,830,300**	**916,244**	**289,702**
Decrease	–	**(927,276)**	–
Transfer to level 1	–	–	**(2,541,785)**
Change in fair value	–	**(3,774)**	**2,385,653**
As at 31 December 2021	**2,830,300**	**243,864**	**214,699**

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 gain (loss) 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 2020	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
Distribution declared	–	–	–	–	–	962,035	439,329	1,401,364
Interest expenses (note)	–	598,655	38,385	9,873	718	–	–	647,631
Fair value adjustment	(338,364)	–	–	–	–	–	–	(338,364)
New leases entered/lease modified	–	–	–	–	12,505	–	–	12,505
Financing cash flows	(70,580)	(831,731)	(1,971,886)	–	(11,564)	(702,573)	(478,741)	(4,067,075)
Foreign exchange translations	–	–	(4,827)	31,139	208	–	–	26,520
Interest capitalisation	–	232,141	–	–	–	–	–	232,141
Other non-cash changes	11,731	–	5,848,285	–	–	(259,462)	(316)	5,600,238
At 31 December 2021	26,470	89,672	25,717,246	7,649,560	22,248	–	207,033	33,712,229

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 2021 and 2020 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 2021	2020
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 2021	2020
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%**	94.5%
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 Club Limited*	1	1	Flexible workspace operation	**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%
Frequent Investments Limited	2	2	Investment holding	**100%**	100%
G. E. Secretaries Limited	2	2	Provision of secretarial services	**100%**	100%
GE Hospitality Asset Management Limited	1	1	Asset management	**100%**	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	**100%**	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

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 2021	2020
Incorporated and operating in Hong Kong (continued)					
Great Eagle (China) Investment Limited	1	1	Investment holding and provision of property consultancy and advisory service	100%	100%
Great Eagle Project Advisory Company Limited	1	1	Provision of project advisory 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%	94.5%
Ka Yick Company Limited	100,000	100,000	Property development and investment	100%	100%
Keysen Engineering Company, Limited	2	2	Repairs and maintenance services	100%	100%
Keysen Properties Management Company Limited	1	1	Property management	100%	100%
Keysen Property Management Services Limited	1,800,000	1,800,000	Property management and investment holding	100%	100%
LP Beauty Limited*	1	1	Management services	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%
Leader Treasure Limited	1	1	Warehousing and property investment	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%
Magic Energy Limited*	1	1	Property development	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

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 2021	2020
Incorporated and operating in Hong Kong (continued)					
Mega Bloom (China) Limited	1	1	Investment holding	100%	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	100%	100%
Ropark Company Limited	2	2	Property development and investment	100%	100%
Selex Engineering Services Limited	2	2	Repairs and maintenance services	100%	100%
Sharp Bloom Limited	1	1	Treasury management	100%	100%
Shung Kai Development Company Limited	1,000	100,000	Property development and investment	100%	100%
Sunlight Fortune Limited *	1	1	Property development and investment	100%	–
Sunrise Success Limited *	1	1	Property development and investment	100%	–
Sunshine Gain Limited *	1	1	Property development and investment	100%	–
Sunshine Horizon Limited *	1	1	Property development and investment	100%	–
Sunshine Prospect Limited *	1	1	Property development and investment	100%	–
Sunshine Strength Limited *	1	1	Property development and investment	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%	94.5%
Toptech Co. Limited	2,000,000	2,000,000	Trading of building materials	94.5%	94.5%
Totipotent Investment Limited	1	1	Treasury management	100%	100%
Venus Glory Company Limited	2	2	Property investment	100%	100%
Wai Cheong Company Limited	5,000	500,000	Property development and investment	100%	100%
Wisdom Living Limited	1	1	Operation of loyalty membership platform	100%	100%
Worth Bright Company Limited	2	2	Property investment	100%	100%
Zamanta Investments Limited	100	1,000	Property investment	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

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 2021	2020
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT					
Benington Limited	100	1,000	Property investment	67.76%	67.22%
CP (A1) Limited	1	1	Property investment	67.76%	67.22%
CP (B1) Limited	1	1	Property investment	67.76%	67.22%
CP (MC) Limited	1	1	Property investment	67.76%	67.22%
CP (PH) Limited	1	1	Property investment	67.76%	67.22%
CP (SH) Limited	1	1	Property investment	67.76%	67.22%
CP (WC) Limited	1	1	Property investment	67.76%	67.22%
CP Finance Limited	1	1	Financing	67.76%	67.22%
CP (Portion A) Limited	2	2	Property investment	67.76%	67.22%
CP (Portion B) Limited	2	2	Property investment	67.76%	67.22%
CP Success Limited	1	1	Financing	67.76%	67.22%
CP Wealth Limited	1	1	Financing and treasury	67.76%	67.22%
Elegant Wealth Limited	1	1	Property investment	67.76%	67.22%
Langham Beauty Limited*	1	1	Beauty store operations	67.76%	–
Maple Court Limited	2	2	Property investment	67.76%	67.22%
Panhy Limited	2	2	Property investment	67.76%	67.22%
Renaissance City Development Company Limited	2	20	Property investment	67.76%	67.22%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	67.76%	67.22%
Trump Treasure Limited	1	1	Treasury	67.76%	67.22%
Well Charm Development Limited	2	2	Property investment	67.76%	67.22%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham					
Cordis Hong Kong Limited	2	2	Property investment	69.39%	69.24%
Grow On Development Limited	5,000	5,000	Property investment	69.39%	69.24%
Harvest Star International Limited	2	2	Property investment	69.39%	69.24%
LHIL Finance Limited	1	1	Financing	69.39%	69.24%
LHIL Treasury (HK) Limited	1	1	Financing	69.39%	69.24%
LHIL Treasury Company Limited	1	1	Treasury management	69.39%	69.24%

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 2021	2020
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%
G. E. Investments Holdings Limited	1 share of US$1	Investment holding	100%	100%
GE (MTN) Limited*	1 share of US$1	Medium term notes issuer	100%	–
Great Eagle Investments Limited*	1 share of US$1	Investment holding	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%
Wellsmart Assets Limited	1 share of US$1	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	67.76%	67.22%
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%
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 operating in New Zealand				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Hotel ownership	100%	100%
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 in the Cayman Islands and indirectly owned and controlled by Champion REIT				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	67.76%	67.22%
Ernest Limited	100 shares of US$1 each	Investment holding	67.76%	67.22%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ contribution paid/ registerd capital	Principal activities	Percentage of issued equity share capital held by the Company 2021	2020
Incorporated and operating in Australia				
Langham Hotels Management (Aust) Pty Limited	1 share of A$1	Hotel management	**100%**	100%
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 Canada				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	**100%**	100%
Incorporated and operating in Indonesia				
PT. Langham Hotels Management Indonesia	IDR10,000,000,000	Hotel management	**100%**	100%
Incorporated and operating in Italy				
Rio dei Vetrai S.r.l.	EUR100,000	Hotel development	**100%**	100%
Incorporated and operating in Luxembourg				
Yeni International Investments S.à r.l.	12,000 shares of EUR1 each	Investment holding	**100%**	100%
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 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 PRC				
卓環管理咨詢(上海)有限公司 **	US$100,000	Provision of procurement services	**94.5%**	94.5%
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%**	94.5%
高端星(上海)貿易有限公司 **	RMB1,000,000	General trading business	**94.5%**	94.5%
Incorporated and operating in Singapore				
Langham Hospitality Singapore Pte. Limited	1 share of SGD1	Hotel management	**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 2021	2020
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	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 investment	**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%

* All these subsidiaries commenced its business during the year ended 31 December 2021.

** All these subsidiaries are registered as 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 2021 and 2020 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 2021 and 2020:

Indirect subsidiaries	Place of incorporation and principal activities	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders		Gain (loss) allocated to non-controlling interests/unitholders		Accumulated non-controlling interests/unitholders	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
Champion REIT	HK/Property investment	**32.24%**	32.78%	**(271,048)**	(4,148,346)	**15,785,548**	16,671,121
Langham	Cayman Islands/Property investment	**30.61%**	30.76%	**(22,762)**	(107,991)	**(907,779)**	(894,543)
US Real Estate Fund	the USA/Property investment	**50.03%**	50.03%	**458**	(6,543)	**266,892**	264,873

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 2021 has 67.76% and 69.39% (2020: 67.22% and 69.24%) 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 2021 has 49.97% (2020: 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

	2021 HK$'000	2020 HK$'000
Current assets	**1,947,222**	4,054,758
Non-current assets	**65,925,782**	67,638,474
Current liabilities	**(4,918,080)**	(7,121,020)
Non-current liabilities, excluding net assets attributable to unitholders	**(13,992,305)**	(13,714,614)
Net assets attributable to non-controlling unitholders of Champion REIT	**15,785,548**	16,671,121
Revenue	**2,769,213**	2,920,320
Expenses	**(1,293,425)**	(1,353,693)
Loss for the year, before distribution to unitholders	**(831,364)**	(12,497,090)
Distribution to unitholders	**(1,352,982)**	(1,476,445)
Loss for the year, after distribution to unitholders (note a)	**(2,184,346)**	(13,973,535)
Other comprehensive income (expense) for the year (note b)	**151,594**	(147,930)
Total comprehensive expense for the year (note c)	**(2,032,752)**	(14,121,465)
Attributable to non-controlling unitholders of Champion REIT:		
Loss for the year, before distribution to unitholders	**(271,048)**	(4,148,346)
Other comprehensive income (expense) for the year	**49,429**	(48,937)
Total comprehensive expense for the year	**(221,619)**	(4,197,283)
Distributions to non-controlling unitholders of Champion REIT	**439,329**	488,393
Net cash inflow from operating activities	**1,495,200**	1,075,637
Net cash inflow (outflow) from investing activities	**1,124,918**	(1,104,097)
Net cash outflow from financing activities	**(2,633,487)**	(91,101)
Net cash outflow	**(13,369)**	(119,561)

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

		2021 HK$'000	2020 HK$'000
(a)	Loss for the year, after distributions to unitholders		
	attributable to owners of the Company	**(1,473,969)**	(9,336,796)
	attributable to non-controlling unitholders of Champion REIT	**(710,377)**	(4,636,739)
		(2,184,346)	(13,973,535)
(b)	Other comprehensive income (expense) for the year		
	attributable to owners of the Company	**102,165**	(98,993)
	attributable to non-controlling unitholders of Champion REIT	**49,429**	(48,937)
		151,594	(147,930)
(c)	Total comprehensive expense for the year		
	attributable to owners of the Company	**(1,371,804)**	(9,435,789)
	attributable to non-controlling unitholders of Champion REIT	**(660,948)**	(4,685,676)
		(2,032,752)	(14,121,465)

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2021 HK$'000	2020 HK$'000
Current assets	**198,956**	274,094
Non-current assets	**14,413,620**	14,805,484
Current liabilities	**(417,445)**	(510,931)
Non-current liabilities	**(6,395,345)**	(6,439,050)
Equity attributable to non-controlling interests before intragroup eliminations	**2,387,514**	2,500,664
Equity attributable to non-controlling interests after intragroup eliminations (note)	**(907,779)**	(894,543)
Revenue	**224,352**	208,256
Expenses	**(150,020)**	(224,232)
Loss and total comprehensive expense for the year	**(346,562)**	(2,832,807)
Attributable to non-controlling interests of Langham: Loss and total comprehensive expense for the year (note)	**(22,762)**	(107,991)
Distributions to non-controlling interests of Langham	**–**	26,543
Net cash inflow from operating activities	**89,797**	12,442
Net cash outflow from investing activities	**(26,259)**	(79,792)
Net cash (outflow) inflow from financing activities	**(101,969)**	209,231
Net cash (outflow) inflow	**(38,431)**	141,881

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

	2021 HK$'000	2020 HK$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	271,673	269,718
Equity attributable to non-controlling interests after intragroup eliminations (note)	266,892	264,873
Loss and total comprehensive income (expense) for the year	914	(13,078)
Attributable to non-controlling interests of US Real Estate Fund: Loss and total comprehensive income (expense) for the year (note)	458	(6,543)
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 2021 and 2020 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 2021	2020
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 British Virgin Islands and directly owned and controlled by Champion REIT				
Athene Investment (BVI) Limited	100 shares of US$1 each	Property investment	27%	N/A
Incorporated in the USA				
8701 Collins Avenue, LLC	US$26,112,500	Investment holding of a subsidiary which is engaged in property development	33%	33%

45. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2021 and 2020 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 2021	2020
Incorporated in the British Virgin Islands				
City Apex Ltd.	3,500 shares of US$1 each	Investment holding	23%	23%
Incorporated in the Cayman Islands				
Redwood Peak Partners	50,000 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

	2021 HK$'000	2020 HK$'000
Non-current assets		
Investment in a subsidiary	4,290,402	4,290,402
Amount due from a subsidiary	19,032,836	17,148,073
	23,323,238	21,438,475
Current assets		
Prepayments	222	505
Amount due from a subsidiary	720,792	365,116
Bank balances and cash	9,076	9,330
	730,090	374,951
Current liability		
Accruals and other payables	11,129	10,432
Net current assets	718,961	364,519
NET ASSETS	24,042,199	21,802,994
Share capital and reserves		
Share capital	365,520	359,960
Reserves	23,676,679	21,443,034
TOTAL EQUITY	24,042,199	21,802,994

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 2020	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
Shares issued at premium	279,036	–	–	(2,698)	–	276,338
Share issue expenses	(119)	–	–	–	–	(119)
Lapse of share options	–	–	–	(14,802)	14,802	–
Recognition of equity-settled share-based payments	–	–	–	19,373	–	19,373
Profit and total comprehensive income for the year	–	–	–	–	2,900,088	2,900,088
Dividend paid	–	–	–	–	(962,035)	(962,035)
At 31 December 2021	6,800,847	3,054	424,627	95,535	16,352,616	23,676,679

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 2021, total profits (including contributed surplus) available for distribution to shareholders was HK$14,256,501,000.

47. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group completed the acquisition of two shops in Tak Woo House, Central with a gross floor area of 1,500 sq. ft. at a consideration of HK$183,000,000, in which deposit of HK$18,300,000 was paid as at 31 December 2021. The acquisition was completed on 12 January 2022.

APPENDIX I
LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR INVESTMENT

Name and location	Use	Approximate gross 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	69.39%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	375,000	69.39%
Cordis, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	580,000	69.39%
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	67.76%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	67.76%
Cordis, Shanghai Hongqiao 333 Shen Hong Road, Minhang District, Shanghai 201106, the PRC	Hotel/Commercial	505,000	100%

PROPERTIES HELD FOR INVESTMENT **(continued)**

Name and location	Use	Approximate gross floor area (sq. ft.)	Group's interests
ON FREEHOLD LAND			
The Langham, London 1B & 1C Portland Place, Regent Street, London, W1B 1JA, the United Kingdom	Hotel/Commercial	363,000	100%
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	606,000	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%
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, DC20005, the USA	Hotel	173,000	100%

PROPERTIES UNDER DEVELOPMENT

Name and location	Use	Approximate gross 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	380,000	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 gross 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%
Kowloon Inland Lot No. 11264 Ho Man Tin, Kowloon, Hong Kong (note c)	Residential	742,000	(note c)

Notes:

(a) Under design and planning.

(b) Construction have been completed, sales in progress.

(c) The Group has development rights in this project. Currently, main contract tendering in progress.

APPENDIX II
FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
RESULTS					
Revenue	8,948,104	10,156,180	9,236,830	10,305,287	**7,830,429**
Profit (loss) before tax	13,166,490	8,914,195	(146,283)	(12,398,274)	**(482,999)**
Income taxes	(377,559)	(526,500)	(429,789)	(403,811)	**(309,019)**
Profit (loss) for the year	12,788,931	8,387,695	(576,072)	(12,802,085)	**(792,018)**
Attributable to:					
Owners of the Company	8,817,852	5,810,713	(337,790)	(8,540,252)	**(499,034)**
Non-controlling unitholders of Champion REIT	3,825,235	2,667,742	(188,831)	(4,148,346)	**(271,048)**
Non-controlling interests	145,844	(90,760)	(49,451)	(113,487)	**(21,936)**
	12,788,931	8,387,695	(576,072)	(12,802,085)	**(792,018)**
Earnings (loss) per share					
Basic	HK$12.83	HK$8.33	(HK$0.48)	(HK$11.94)	**(HK$0.69)**
Diluted	HK$12.74	HK$8.31	(HK$0.48)	(HK$11.94)	**(HK$0.69)**
ASSETS AND LIABILITIES					
Total assets	121,003,536	128,425,457	127,960,446	111,779,591	**119,251,235**
Total liabilities	(36,175,105)	(36,915,214)	(38,050,672)	(36,904,726)	**(42,635,404)**
	84,828,431	91,510,243	89,909,774	74,874,865	**76,615,831**
Attributable to:					
Owners of the Company	64,468,712	69,352,812	68,922,297	58,811,392	**61,448,660**
Non-controlling unitholders of Champion REIT	20,706,511	22,705,392	21,901,034	16,671,121	**15,785,548**
Non-controlling interests	(346,792)	(547,961)	(913,557)	(607,648)	**(618,377)**
	84,828,431	91,510,243	89,909,774	74,874,865	**76,615,831**

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 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 67.76% as at 31 December 2021
"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 69.39% as at 31 December 2021

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 2021

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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