



鷹君集團有限公司 Great Eagle Holdings Limited

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



ANNUAL REPORT 2022





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 68.28% interest (as at 31 December 2022) in Champion Real Estate Investment Trust ("Champion REIT"), and a 69.70% interest (as at 31 December 2022) in Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHI"). Champion REIT owns 1.64 million sq. ft. 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 sq. ft. in the prime shopping district of Mongkok, Kowloon. Besides, Champion REIT also holds 27% interest in a Grade-A commercial complex located in 66 Shoe Lane of Central London. As for LHI, it holds three high quality hotels in the heart of Kowloon, including the 498-room The Langham hotel in the prime shopping district of Tsimshatsui, the 669-room Cordis hotel in the prime shopping area of Mongkok which is connected to the Langham Place Office and Mall, and the 465-room Eaton hotel located on the busy arterial Nathan Road.

The Group's development projects include 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-nine properties with more than 10,000 rooms, including twenty-five luxury hotels branded under The Langham, Langham Place and Cordis brands in Hong Kong, Jakarta, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Gold Coast, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Haining, Haikou, Ningbo, Xiamen, Hefei, Hangzhou and Changsha; two Eaton hotels in Washington D.C. and Hong Kong; Ying'nFlo in 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 holding company of the Group in place of The Great Eagle Company, Limited.

The Group had a core profit after tax of approximately HK\$1,403 million in the financial year 2022 and a net asset value (based on share of net assets of Champion REIT and LHI) of approximately HK\$64,504 million as of 31 December 2022.



The Great Eagle
Group of Companies

CONTENTS

Corporate Information	2
Dividend Notice	3
Financial Highlights and Financial Calendar	4
Chairman's Statement	7
Overview	
Business Review	
Financial Review	
Outlook	
Environmental, Social and Governance Report	28
Corporate Governance Report	82
Biographical Details of Directors and Senior Management	111
Report of the Directors	119
Independent Auditor's Report	139
Consolidated Income Statement	145
Consolidated Statement of Comprehensive Income	146
Consolidated Statement of Financial Position	147
Consolidated Statement of Changes in Equity	149
Consolidated Statement of Cash Flows	151
Notes to the Consolidated Financial Statements	153
Appendix I – List of Major Properties	283
Appendix II – Five Years' Financial Summary	286
Glossary of Terms	287



CORPORATE INFORMATION

DIRECTORS

LO Ka Shui (*Chairman and Managing Director*)
LO TO Lee Kwan[#]
WONG Yue Chim, Richard*
LEE Pui Ling, Angelina*
ZHU Qi*
HO Shut Kan*
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

ZHU Qi (*Chairman*)
WONG Yue Chim, Richard
LEE Pui Ling, Angelina
HO Shut Kan

REMUNERATION COMMITTEE

LEE Pui Ling, Angelina (*Chairwoman*)
WONG Yue Chim, Richard
ZHU Qi
HO Shut Kan

NOMINATION COMMITTEE

WONG Yue Chim, Richard (*Chairman*)
LEE Pui Ling, Angelina
ZHU Qi
HO Shut Kan

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
Jones Day
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

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

33rd Floor, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
Tel : (852) 2827 3668
Fax : (852) 2827 5799

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.GreatEagle.com.hk

STOCK CODE

41

DIVIDEND NOTICE

FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend in the form of cash in the amount of HK50 cents per share (“2022 Final Dividend”) for the year ended 31 December 2022 to the Shareholders whose names appear on the Registers of Members of the Company on Wednesday, 31 May 2023 subject to the approval of the Shareholders at the forthcoming 2023 Annual General Meeting.

Taken together with the interim dividend of HK33 cents per share paid on 13 October 2022, the total dividend for the year 2022 is HK83 cents per share (2021 total dividend: HK\$1.33 per share, comprising an interim dividend of HK33 cents per share, a final dividend of HK50 cents per share and a special final dividend of HK50 cents per share).

Dividend warrants in respect of the proposed 2022 final dividend are expected to be despatched to the Shareholders on 13 June 2023.

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 2023 Annual General Meeting

For the purpose of ascertaining the Shareholders’ entitlement to attend and vote at the 2023 Annual General Meeting, the Registers of Members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, both days inclusive.

In order to be eligible to attend and vote at the 2023 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 Friday, 12 May 2023.

(ii) To qualify for the proposed 2022 Final Dividend

For the purpose of ascertaining the Shareholders’ entitlement to the proposed 2022 Final Dividend, the Registers of Members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive.

In order to qualify for the proposed 2022 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 Wednesday, 24 May 2023.

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
Key Financials on Income Statement			
Based on core business¹			
Revenue based on core business	6,536.3	5,696.9	+14.7%
Core profit after tax attributable to equity holders	1,402.6	1,360.6	+3.1%
Core profit after tax attributable to equity holders (per share)	HK\$1.90	HK\$1.87	
Based on statutory accounting principles²			
Revenue based on statutory accounting principles	8,884.8	7,830.4	+13.5%
Statutory loss attributable to equity holders	(181.4)	(499.0)	-63.6%
Interim dividend (per share)	HK\$0.33	HK\$0.33	
Final dividend (per share)	HK\$0.50	HK\$0.50	
Special final dividend (per share)	–	HK\$0.50	
Total dividend (per share)	HK\$0.83	HK\$1.33	

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

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

	As at the end of	
	December 2022	June 2022
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	11.1%	10.9%
Book value (per share)	HK\$86.3	HK\$88.7
Based on statutory accounting principles²		
Net gearing ³	36.9%	36.4%
Book value (per share)	HK\$76.0	HK\$78.3

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 owned a 68.28%, 69.70% and 49.97% equity stakes in Champion REIT, LHI and the U.S. Fund respectively as at the end of December 2022.

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.

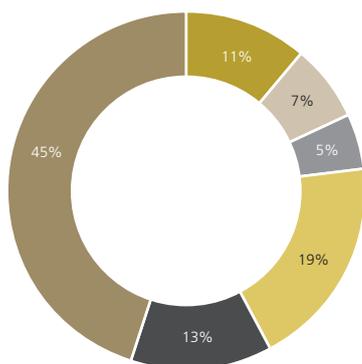
FINANCIAL CALENDAR

2022 Interim Results Announcement	:	26 August 2022
Payment of 2022 Interim Dividend	:	13 October 2022
2022 Annual Results Announcement	:	3 March 2023
Closure of Registers for ascertaining the entitlement to attend and vote at the 2023 Annual General Meeting	:	15 May 2023 – 18 May 2023 (both days inclusive)
2023 Annual General Meeting	:	18 May 2023
Ex-dividend Date	:	23 May 2023
Closure of Registers for ascertaining the entitlement to the proposed 2022 Final Dividend	:	25 May 2023 – 31 May 2023 (both days inclusive)
Record Date for the proposed 2022 Final Dividend	:	31 May 2023
Payment of the proposed 2022 Final Dividend	:	13 June 2023

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

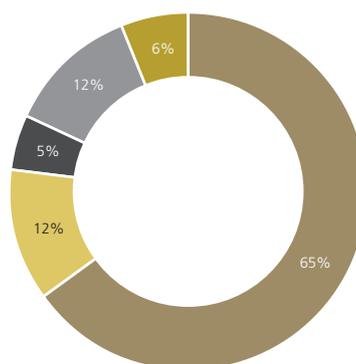
ASSETS EMPLOYED

Total Assets HK\$98,727 million



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

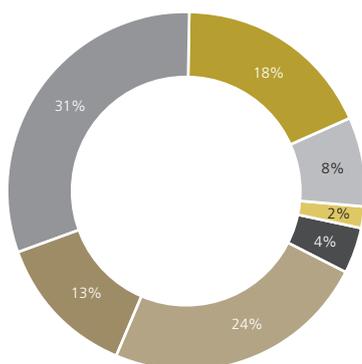
FINANCED BY



- 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

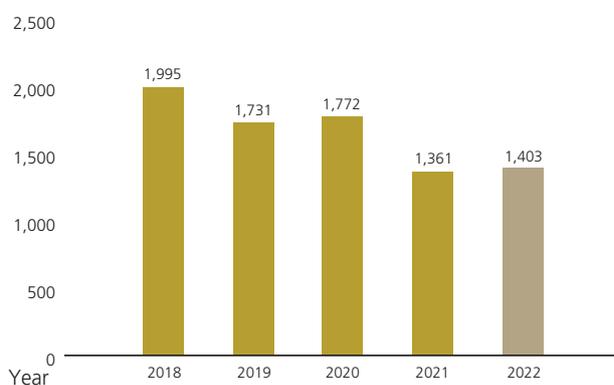
HK\$2,563 million



- 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



CHAIRMAN'S STATEMENT

CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
Revenue from core business			
Revenue from property sales	920.0	1,802.0	-48.9%
Hotels Division	3,929.1	2,085.7	+88.4%
Management fee income from Champion REIT	333.4	365.4	-8.8%
Distribution income from Champion REIT [^]	796.8	914.6	-12.9%
Distribution income from LHI [^]	66.2	60.7	+9.1%
Gross rental income	151.1	144.8	+4.4%
Other operations	339.7	323.7	+4.9%
Total revenue	6,536.3	5,696.9	+14.7%
Income from property sales	457.3	815.6	-43.9%
Hotels EBITDA	615.9	(105.4)	n.m.
Management fee income from Champion REIT	333.4	365.4	-8.8%
Distribution income from Champion REIT [^]	796.8	914.6	-12.9%
Distribution income from LHI [^]	66.2	60.7	+9.1%
Net rental income	97.1	98.1	-1.0%
Operating income from other operations	196.7	122.7	+60.3%
Operating income from core business	2,563.4	2,271.7	+12.8%
Depreciation	(347.1)	(332.0)	+4.5%
Administrative, selling and other expenses	(500.3)	(437.7)	+14.3%
Other income	13.6	9.3	+46.2%
Interest income	67.2	78.8	-14.7%
Finance costs	(238.7)	(159.5)	+49.7%
Share of results of joint ventures	(0.7)	(8.6)	-91.9%
Share of results of associates	17.1	6.1	+180.3%
Core profit before tax	1,574.5	1,428.1	+10.3%
Income taxes	(171.0)	(67.1)	+154.8%
Core profit after tax	1,403.5	1,361.0	+3.1%
Non-controlling interest	(0.9)	(0.4)	+125.0%
Core profit attributable to equity holders	1,402.6	1,360.6	+3.1%

[^] 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.

CHAIRMAN'S STATEMENT

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 operating segments:

31 December 2022

	Assets HK\$ million	Liabilities HK\$ million	Net Assets HK\$ million
Great Eagle operations	43,282	17,356	25,926
Champion REIT	44,539	11,926	32,613
LHI	10,471	4,783	5,688
U.S. Fund	435	158	277
	98,727	34,223	64,504

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

FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
Revenue based on statutory accounting principles			
Revenue from property sales	920.0	1,802.0	-48.9%
Hotels Division	4,872.8	2,835.3	+71.9%
Gross rental income	151.1	144.8	+4.4%
Other operations (including management fee income from Champion REIT)	673.1	689.2	-2.3%
Gross rental income – Champion REIT	2,625.3	2,769.2	-5.2%
Gross rental income – LHI	375.9	224.3	+67.6%
Gross revenue – U.S. Fund	41.1	52.8	-22.2%
Elimination on intragroup transactions	(774.5)	(687.2)	+12.7%
Consolidated total revenue	8,884.8	7,830.4	+13.5%
Income from property sales	457.3	815.6	-43.9%
Hotels EBITDA	615.9	(105.4)	n.m.
Net rental income	97.1	98.1	-1.0%
Operating income from other operations (including management fee income from Champion REIT)	530.1	488.1	+8.6%
Net rental income – Champion REIT	1,788.1	1,933.0	-7.5%
Net rental income – LHI	313.8	203.6	+54.1%
Net operating income – U.S. Fund	17.9	12.6	+42.1%
Elimination on intragroup transactions	(113.5)	(75.3)	+50.7%
Consolidated segment results	3,706.7	3,370.3	+10.0%
Depreciation	(885.6)	(849.4)	+4.3%
Fair value changes on investment properties	(1,923.1)	(2,178.6)	-11.7%
Fair value changes on derivative financial instruments	351.7	290.8	+20.9%
Fair value changes on financial assets at fair value through profit or loss	(122.9)	(47.2)	+160.4%
Administrative, selling and other expenses	(530.0)	(446.6)	+18.7%
Allowance for credit losses on notes receivables and interest receivables	(61.2)	(108.4)	-43.5%
Reversal of impairment loss on a hotel property	274.1	-	n/a
Other income (including interest income)	105.6	171.6	-38.5%
Finance costs	(829.9)	(705.3)	+17.7%
Share of results of joint ventures	(43.2)	13.7	n.m.
Share of results of associates	17.1	6.1	+180.3%
Statutory profit/(loss) before tax	59.3	(483.0)	n.m.
Income taxes	(470.1)	(309.0)	+52.1%
Statutory loss after tax	(410.8)	(792.0)	-48.1%
Non-controlling interest	(7.3)	22.0	n.m.
Non-controlling unitholders of Champion REIT	236.7	271.0	-12.7%
Statutory loss attributable to equity holders	(181.4)	(499.0)	-63.6%

OVERVIEW

2022 was a challenging year filled by uncertainties and complexities. On the one hand, signs of recovery began to emerge in Q2, 2022 following the gradual uplifting of travel restrictions by major western economies. Nevertheless, the pace of recovery was impeded by the energy crisis and high inflation partly arising from the outbreak of Russian-Ukraine War. Aggressive rate hikes limited the economic rebound, whilst correction of asset prices was seen worldwide. In the local context, Hong Kong started to gradually revive from the worst time following the containment of the virus and the gradual lifting of COVID-related restrictions, including the reopening of the border to overseas arrivals. The residential sales market remained slow as the still-shut border with Mainland China had dampened demands, especially the higher-end market. The Group seized the opportunities presented by the slow market and continued to conduct value-added works to our hotels including a phased major refurbishment to the rooms at Chelsea Hotel, Toronto, as well as finalising the plan to build a new resort pool in Langham Pasadena. In Hong Kong, the Group also launched a new midscale hotel brand, Ying'nFlo, in Q4, 2022 where a portion of Eaton Residences Wan Chai Gap Road had been revamped and rebranded into a Ying'nFlo hotel.

The Group's core profit attributable to equity holders for the year was HK\$1,402.6 million representing a 3.1% growth compared to HK\$1,360.6 million last year. Meanwhile, the Group's statutory results, which included a reversal of hotel impairment and fair value changes of investment properties and financial assets, reported a loss attributable to equity holders of HK\$181.4 million (2021: HK\$499.0 million). The Management's discussion and analysis below focuses on the core profit of the Group.

The Group's operating income from core business rose 12.8% to HK\$2,563.4 million (2021: HK\$2,271.7 million). The main contributor to this growth was the improved performance of our hotel portfolio where a gain of HK\$615.9 million was reported for the year (2021: loss of HK\$105.4 million). This uptick mainly resulted from a surging demand for high-end hotels after restriction free travel resumed in the UK, US and Australia respectively. This set off the trough experienced by the hotels in Hong Kong and Shanghai during first half of the year under strict social distancing rules/lockdown in place at the time. The rebound of the hotel sector mitigated the property sales income drop from the ONTOLO project where HK\$457.3 million was recorded this year (2021: HK\$815.6 million).

Upon completion of necessary mechanical and engineering works conducted to qualify their capability in providing COVID-related accommodation, our three hotels in Hong Kong commenced to participate in various government schemes during first half of the year and operate as either Community Isolation Facility ("CIF"), quarter to Hospital Authority staff or quarantine hotel ("Q-Hotel"). Participation to these government schemes achieved higher occupancies and average room rates when compared to that of 2021, with return well exceeded the costs of improvement works. With the gradual loosening of restrictions in Hong Kong (including the partial re-opening of border to international regions) since end of Q3, 2022, hotel businesses improved slightly and this is largely contributed by the improved performance of the Food and Beverage ("F&B") outlets for all three hotels. LHI declared a distribution per Share Stapled Unit of HK2.9 cents for the year 2022 (2021: HK2.7 cents), which was 7.4% higher than that of last year.

The lingering impacts of COVID-19 and the continued border closure with Mainland China posed challenges to the operating environment of Champion REIT over the entire 2022. After factoring in the Group's 0.52% increase in investment in Champion REIT during the year, distribution income from Champion REIT dropped 12.9% year-on-year to HK\$796.8 million from HK\$914.6 million for the previous year, while management fee income also fell 8.8% from HK\$365.4 million to HK\$333.4 million.

The net rental income from our investment portfolio, mainly Great Eagle Centre and Eaton Residences, dropped slightly by 1.0% from HK\$98.1 million to HK\$97.1 million due to then prevailing COVID-19 measures that hindered cross border travel, especially by travellers from Mainland China.

The Group's other business operations recorded a 60.3% growth in net income to HK\$196.7 million (2021: HK\$122.7 million). This was mainly due to the reversal of remaining provision for an impairment made in 2020 for Eaton Club's flexible workspace business.

Administrative, selling and other expenses increased 14.3% to HK\$500.3 million against the previous year mainly because of the lower salary base in 2021

as a result of the one-off, no pay leave arrangement for executive staff. The general annual salary adjustment also added to the related expenses. Professional fee also increased which was largely due to the ad-hoc professional services engaged during the year to facilitate loan refinancing, acquisition and investment activities. In addition, an impairment of HK\$13.0 million against one of the Group's Chinese bond receivables due to a surge in default risk of the counterparty; coupled with a write-off of HK\$17.4 million in respect of a non-core venture capital fintech investment were also recorded during the year.

The net finance expenses of the Group increased to HK\$171.5 million in 2022 (2021: HK\$80.7 million) due to our reduced investment in high yield bonds and linked notes, as well as higher borrowing interest rates. The share of results of associates rose by HK\$11.0 million, largely due to a newly acquired associate. The overall core profit attributable to equity holders increased 3.1% to HK\$1,402.6 million (2021: HK\$1,360.6 million).

After having navigated through the turbulence brought by COVID-19 and other geopolitical tensions, the Group's financial position remains healthy.

BUSINESS REVIEW

Breakdown of Operating Income	Year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
1. Income from property sales	457.3	815.6	-43.9%
2. Hotels EBITDA	615.9	(105.4)	n.m.
3. Income from Champion REIT	1,130.2	1,280.0	-11.7%
4. Distribution income from LHI	66.2	60.7	+9.1%
5. Net rental income from investment properties	97.1	98.1	-1.0%
6. Operating income from other operations	196.7	122.7	+60.3%
Operating income from core business	2,563.4	2,271.7	+12.8%

CHAIRMAN'S STATEMENT

PROPERTY SALES



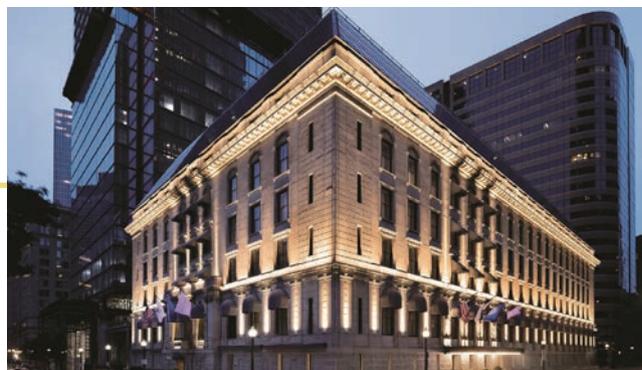
ONTOLO, Pak Shek Kok

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., comprising 723 luxury residential units and 456 car parking spaces, was completed in Q4, 2020.

During the year, the average sales price for the residential units was HK\$24,000 per sq. ft. based on saleable area, while the average sales price for the sold car parking spaces was HK\$2.59 million per unit.

By the end of 2022, accumulated sales reached 615 residential units (representing a saleable area of 465,926 sq. ft.) and 178 car parking spaces ("Properties Sold"). The majority of the Properties Sold had been handed over to buyers in years prior to 2022. In the reported year, 34 residential units (saleable area 38,122 sq. ft.) and 37 car parking spaces were delivered, resulting in the booking of relevant revenue and operating profit contribution of HK\$920.0 million and HK\$457.3 million respectively. It is expected that the remaining 29 residential units (saleable area 39,508 sq. ft.) and 8 car parking spaces of the Properties Sold will be delivered to buyers over 2023 to 2025, representing contracted price of about HK\$946.2 million.

HOTELS DIVISION



Hotels Performance

	Average daily rooms available		Occupancy		Average room rate (local currency)		RevPAR (local currency)	
	2022	2021	2022	2021	2022	2021	2022	2021
Europe								
The Langham, London	380	380	65.5%	22.8%	533	476	349	108
North America								
The Langham, Boston [#]	301	299	47.3%	18.7%	478	499	226	93
The Langham Huntington, Pasadena	379	379	55.6%	34.3%	362	365	201	125
The Langham, Chicago	315	316	63.8%	43.0%	507	472	324	203
The Langham, New York, Fifth Avenue	234	234	70.9%	39.3%	746	673	529	264
Eaton, Washington D.C.	209	209	57.1%	29.6%	267	192	153	57
Chelsea Hotel, Toronto	1,590	1,590	67.2%	33.9%	180	110	121	37
Australia/New Zealand								
The Langham, Melbourne	388	388	57.9%	20.4%	360	344	208	70
The Langham, Sydney	96	96	61.6%	31.7%	574	538	353	171
Cordis, Auckland [^]	639	410	37.9%	27.3%	244	218	93	60
Mainland China								
The Langham, Shanghai, Xintiandi	356	354	39.8%	63.0%	1,086	1,296	432	816
Cordis, Shanghai, Hongqiao	393	394	40.1%	58.8%	731	768	293	451

[#] Reopened in Q2, 2021 after the hotel closed for renovation from April 2019

[^] The new Pinnacle Tower extension of Cordis, Auckland opened in December 2021

CHAIRMAN'S STATEMENT

	Year ended 31 December		
	2022 HK\$ million	2021 HK\$ million	Change
Hotels revenue			
Europe	650.9	250.7	+159.6%
North America	2,287.1	1,002.3	+128.2%
Australia/New Zealand	675.6	346.9	+94.8%
Mainland China	206.4	370.8	-44.3%
Others (including hotel management fee income)	109.1	115.0	-5.1%
Total hotels revenue	3,929.1	2,085.7	+88.4%
Hotels EBITDA			
Europe	210.8	23.1	+812.6%
North America	457.1	10.7	n.m.
Australia/New Zealand	46.6	(53.0)	n.m.
Mainland China	(2.1)	63.7	n.m.
Others (including hotel management fee income)	(96.5)	(149.9)	-35.6%
Total hotels EBITDA	615.9	(105.4)	n.m.

The performance of our overseas hotels for 2022 varied. Positive business momentum was seen in most international regions, whilst Hong Kong and Mainland China continued to struggle due to pandemic restrictions. In London and North America, leisure demand remained robust with business demand strengthening throughout the year as more corporate travellers and group activities returned. Our Pacific hotels also witnessed steady recovery from Q2 onwards as international corporate and conference demand revived.

Mainland China experienced sporadic COVID-19 disease outbreaks in 2022 and subsequent strict lockdowns dragged down economic activity and in particular travel. Performance was significantly affected by these restrictions for most of the year.

Total revenue for the Hotels Division recorded an 88.4% year-on-year growth to HK\$3,929.1 million (2021: HK\$2,085.7 million).

Results of the Hotels Division also included hotel management fee income from purely managed hotels; as well as any surplus or shortfall incurred by the Group as the master lessee of LHI's hotels, which are included under the row "Others" in the above Hotels EBITDA table. The loss incurred in "Others" in 2022 was primarily a result of a shortfall of HK\$161.2 million (2021: HK\$215.7 million) incurred by the Group as the master lessee of LHI's hotels.

Overall, the Hotels Division reported an EBITDA of HK\$615.9 million in 2022 (2021: loss of HK\$105.4 million), which has factored in the government subsidies received during the year at HK\$48.0 million (2021: HK\$83.4 million).

EUROPE

The Langham, London

Our London hotel witnessed a strong rebound for the year especially from Q2, 2022 onwards. Room performance saw high occupancy and a record-breaking average rate was supported by a good mix of leisure, corporate travel and group business including long-stay business from the Middle East.

NORTH AMERICA

The Langham, Boston, The Langham, Chicago, The Langham, New York, Fifth Avenue, The Langham Huntington, Pasadena and Eaton, Washington DC

Our US region experienced a significant recovery for the year with rooms performance achieving high occupancy and record high average rates. This was mainly supported by leisure travellers, while the return of business and group segments has been more gradual.

In addition, the resumption of large-scale entertainment and cultural events also significantly boosted travel to the cities where our hotels are located.

Chelsea Hotel, Toronto

The hotel had strong operating financials backed by a solid demand of long-stay student groups from the universities. This coupled with normal travel patterns in summer and autumn months allowed the hotel to post reasonable occupancies.

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 together is expected to more than double the existing aggregate gross floor area to approximately 1.7 million sq. ft. After securing the Entitlement Rights per our development application in 2019, the Group continued to work on the Site Permit application with resubmission made to addressing City authorities' comments. Our development team has continuously been exploring for further project enhancements and assessing the optimal timing for redevelopment. Meanwhile the Chelsea Hotel operation continues.

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne and The Langham, Sydney

Our Australian hotels have seen gradual improvement from Q3, 2022 onwards after the removal of travel restrictions. Similar to that of the US and London, rooms business was largely supported by the leisure segment which was willing to pay higher average rates especially during peak demand periods. The hotels also saw a good rebound in corporate and group activities in the second half of the year.

Cordis, Auckland

Rooms business experienced a slower recovery in the international business travel segment, with demand mainly supported by the domestic market and aircrew guests. F&B revenue was largely contributed by the catering segment for small to medium sized meetings, major conferences and events.

The new Pinnacle Tower extension had contributed steady revenues to the hotel's overall performance.

MAINLAND CHINA

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

Our Shanghai properties had a challenging year, hampered by strict lockdowns and travel restrictions of the city. After restrictions were lifted in June following a two-month lockdown, both hotels saw some improvements in rooms business while restaurants could only operate at limited capacity. However, the sporadic COVID-19 cases and stringent restrictions continued to weigh on the hotels' performance in Q4, 2022.

Hotel Management Business

As of end December 2022, there were 13 third-party hotels under management with approximately 3,700 rooms. The most recent hotel added to the portfolio was The Langham Gold Coast, Australia that soft opened in June 2022 with 169 available guestrooms. The remaining hotel facilities, including 170 apartments, were gradually opened from August 2022 onwards.

A new midscale hotel brand, Ying'nFlo, had been launched for which a portion of Eaton Residences Wan Chai Gap Road was converted into hotel rooms, and commencing operation in Q4, 2022.

CHAIRMAN'S STATEMENT

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 2022 dropped 11.7% to HK\$1,130.2 million. Out of this total income, distribution income dropped 12.9% to HK\$796.8 million after taking into account of the Group's

increase in holding interest from 67.76% as at the end of December 2021 to 68.28% as at the end of December 2022, as the REIT declared a 14.0% decline in distribution per unit based on a 90.0% payout ratio (2021: 90.0%). The balance represented management fee income which also fell by 8.8% to HK\$333.4 million in 2022 due to Champion REIT's lower net property income.

	Year ended 31 December		
	2022 HK\$ million	2021 HK\$ million	Change
Attributable distribution income	796.8	914.6	-12.9%
Management fee income	333.4	365.4	-8.8%
Total income from Champion REIT	1,130.2	1,280.0	-11.7%

The following text was extracted from the 2022 annual results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road

Despite that market sentiment has improved following the relaxation of arrangements for inbound travellers in the second half of 2022, leasing momentum remained quiet. Downsizing and relocation of tenants in the financial industry drove down occupancy of Three Garden Road Office to 82.7% as at 31 December 2022 (31 December 2021: 89.0%). Market rental of the property continued to be under pressure. Average passing rent dropped to HK\$99.7 per sq. ft. (based on lettable area as at 31 December 2022 (31 December 2021: HK\$108.3 per sq. ft.)). Rental income went down 7.8% to HK\$1,346 million (2021: HK\$1,460 million) as a result of lower average occupancy and negative rental reversion.

Net property operating expenses decreased 8.1% to HK\$135 million (2021: HK\$147 million) mainly due to lower rental commission on slow leasing activities and lower government rent and rates. These lower expenses offset the higher net building management expenses resulted from higher vacancy. Net property income decreased by 7.8% to HK\$1,211 million (2021: HK\$1,313 million) mainly due to lower rental income.

Langham Place Office Tower

The uptake by beauty and medical tenants partially made up for the departure of traditional office tenants but was not enough to fill up all the vacated areas. Occupancy of the property lowered to 93.3% as at 31 December 2022 (31 December 2021: 96.3%). Passing rent of the property was HK\$46.0 per sq. ft. (based on gross floor area) as at 31 December 2022 (31 December 2021: HK\$47.1 per sq. ft.). Total rental income of the property was relatively stable at HK\$363 million (2021: HK\$365 million).

Net property income also maintained at stable level of HK\$326 million (2021: HK\$327 million). Net property operating expenses decreased slightly by 0.3% to HK\$37 million (2021: HK\$38 million), mainly due to lower rental commission on slow leasing activities. The reduced spending partly offset the increase in allowance for credit loss and higher other operating expenses.

Langham Place Mall

The easing of social distancing measures together with the government's Consumption Voucher Scheme spurred a rebound of tenants' business at Langham Place Mall. Full year tenants' sales went up 8%, outperforming the overall Hong Kong retail sales which dropped by 0.9% in 2022. The beauty segment recorded an encouraging growth, contributing to a 210.4% increase in turnover rent portion to HK\$117 million (2021: HK\$38 million). But it was not sufficient to compensate the decline of base rent portion which slid 16.3% to HK\$481 million (2021: HK\$575 million). Though the percentage of tenants paying turnover rent only lowered to 9% as at 31 December 2022 compared with 12% as at 31 December 2021, negative rental reversion drove down the base rent portion and total rental income decreased 3.1% to HK\$650 million (2021: HK\$670 million). Average passing rent decreased to HK\$157.1 per sq. ft. (based on lettable area) as at 31 December 2022 (31 December 2021: HK\$165.9 per sq. ft.). The mall remained fully occupied as at 31 December 2022.

Despite that challenging market conditions, we strived to inject new concepts into the mall to maintain its attractiveness for consumers.

Furthermore, we continued to carry out a range of marketing campaigns to stimulate sales for the mall. Leveraging the government's consumption vouchers, sales-driven initiatives such as Langham Beauty Fest proved to be a success with shoppers. Promotion expenses as a result went up by HK\$2 million. The operating expenses incurred for Langham Beauty also added to net property operating expenses which accounted to HK\$156 million (2021: HK\$114 million). Net property income of the property decreased by 11.3% to HK\$494 million (2021: HK\$557 million).

CHAIRMAN'S STATEMENT

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.

During the year 2022, the travel restrictions and quarantine measures continued to affect business performance in Hong Kong. Our hotels operated as quarantine hotels or CIF, which generated steady revenues especially during Q2-Q3, 2022. Following the end of quarantine requirements in September 2022, all hotels in Hong Kong had returned to normal operations by November 2022.

In 2022, LHI generated a small amount of distribution income and declared distribution per Share Stapled Unit of HK2.9 cents (2021: HK2.7 cents).

	Year ended 31 December		
	2022 HK\$ million	2021 HK\$ million	Change
Attributable distribution income	66.2	60.7	+9.1%

Performances of the Hong Kong hotels below were extracted from the 2022 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\$)	
	2022	2021	2022	2021	2022	2021	2022	2021
The Langham, Hong Kong	498	498	59.8%	30.1%	1,753	1,103	1,048	332
Cordis, Hong Kong	668	667	66.4%	36.0%	1,428	996	948	358
Eaton HK	465	465	73.4%	48.8%	911	534	669	261

The Langham, Hong Kong

The hotel participated in the CIF Hotel Scheme by providing accommodation to COVID-19 patients with mild symptoms from March to the end of April 2022. Because of a fall in confirmed cases, the hotel began operating as a Q-Hotel from 1 May, providing quarantine accommodation to overseas travellers or returning residents. In view of the demand for Q-Hotels and the relaxation of quarantine requirements, the hotel operated as a Q-Hotel until 26 September 2022. Afterwards, it resumed normal hotel operations, focussing on the local staycation market and long-stay business.

Due to changes in the operating mode to a CIF/Q-Hotel and the relaxation of quarantine restrictions, the hotel witnessed a 59.8% occupancy in 2022, as compared with 30.1% occupancy posted in 2021. The average room rate increased 58.9% year-on-year in 2022.

While room revenue soared 215.4% year-on-year in 2022, F&B revenue for the hotel declined 34.4% year-on-year in 2022, mainly due to the temporary closure of all F&B outlets under the CIF Hotel Scheme. Nevertheless, the hotel's total revenue increased 35.6% year-on-year in 2022.

Cordis, Hong Kong

Cordis changed its operation mode to a CIF hotel from mid-March to mid-May 2022 by providing accommodation to COVID-19 patients with mild symptoms. From mid-May to the end of September 2022, the hotel was operated as a Q-Hotel, offering quarantine accommodation to overseas

travellers or returning residents. Thereafter it resumed normal hotel operations and focused on the local staycation market and long-stay business. As a result, the hotel achieved 66.4% occupancy in 2022, as compared with the 36.0% occupancy posted in 2021. The average room rate grew 43.4% year-on-year in 2022, helping to boost room revenue by 165.1% year-on-year in 2022.

F&B revenue decreased 39.1% year-on-year in 2022, mainly due to the temporary closure of all F&B outlets when the hotel was operating as a CIF/Q-Hotel under the CIF Hotel Scheme and the continued closure of the banquet business when operating as a Q-Hotel. Overall, the total revenue of the hotel improved 20.2% year-on-year in 2022.

Eaton HK

The hotel delivered a 73.4% occupancy for 2022 as it captured a good share of the staycation market by its value-for-money pricing as well as being contracted to provide accommodation to staff from the Hospital Authority for three months between mid-March and mid-June. As a result, average room rate improved 70.6% year-on-year in 2022. Total room revenue increased 156.8% year-on-year in 2022.

On the other hand, revenue from F&B operations at Eaton HK fell by 1.7% in 2022, mainly due to the short-term closure of various F&B outlets at various times in the first half of 2022. The total revenue of the hotel improved 34.1% year-on-year in 2022.

CHAIRMAN'S STATEMENT

RENTAL INCOME FROM INVESTMENT PROPERTIES



	Year ended 31 December		
	2022 HK\$ million	2021 HK\$ million	Change
Gross rental income			
Great Eagle Centre	77.5	89.5	-13.4%
Eaton Residences Apartments	36.3	26.2	+38.5%
Others	37.3	29.1	+28.2%
	151.1	144.8	+4.4%
Net rental income			
Great Eagle Centre	63.9	80.3	-20.4%
Eaton Residences Apartments	18.0	11.3	+59.3%
Others	15.2	6.5	+133.8%
	97.1	98.1	-1.0%

Great Eagle Centre

	As at the end of		
	December 2022	December 2021	Change
Office (on lettable area)			
Occupancy	62.8%	69.5%	-6.7ppt
Average passing rent	HK\$58.0	HK\$63.0	-7.9%
Retail (on lettable area)			
Occupancy	73.8%	94.5%	-20.7ppt
Average passing rent	HK\$74.4	HK\$70.1	+6.1%

Occupancy of office space in Great Eagle Centre dropped 6.7 percentage points to 62.8% (2021: 69.5%). Demand from mainland companies remained subdued amid the fifth wave of the pandemic. Both office and retail market rents were under pressure given sluggish market conditions.

The average passing rent for the leased office space at Great Eagle Centre was reported at HK\$58.0 per sq. ft. as of December 2022, which represented a 7.9% decrease from that of last year (2021: HK\$63.0 per sq. ft.).

Overall gross rental income for Great Eagle Centre dropped 13.4% year-on-year to HK\$77.5 million in 2022. Net rental income dropped 20.4% to HK\$63.9 million.

Eaton Residences Apartments

	Year ended 31 December		
	2022	2021	Change
(on gross floor area)			
Occupancy	59.8%	74.1%	-14.3ppt
Average net passing rent	HK\$22.6	HK\$18.1	+24.9%

Eaton Residences Village Road maintained steady occupancy supported by the relocation and leisure segments. Eaton Residences Wan Chai Gap Road was relaunched as Ying'nFlo Wan Chai at the end of October 2022, marking the Group's first property under the new midscale brand. Blue Pool Road resumed business on 1 January 2022 after a comprehensive refurbishment. With more available rental area from Blue Pool Road, the occupancy of the portfolio dropped from 74.1% in 2021 to 59.8% in 2022.

The average net passing rent for the serviced apartments rose 24.9% to HK\$22.6 per sq. ft. on gross floor area basis in 2022, as compared with HK\$18.1 per sq. ft. in 2021.

Gross rental income rose 38.5% year-on-year to HK\$36.3 million whereas net rental income increased 59.3% year-on-year to HK\$18.0 million in 2022.

CHAIRMAN'S STATEMENT

OPERATING INCOME FROM OTHER OPERATIONS

The Group's operating income from other business segments 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 co-working space business and dividend income or distribution from our securities portfolio or other investments.

For the year 2022, operating income from other business segments rose 60.3% to HK\$196.7 million (2021: HK\$122.7 million). Growth was mainly due to the reversal of the residual provision for an impairment made for the Eaton Club business in 2020.



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.

As of the end of Q4, 2022, the U.S. Fund's only major asset was the rental apartment complex, Cavalleri Malibu, which was 86.8% leased. The property is currently under a purchase and sale agreement for disposal to a third party which is intended to complete in Q2 – Q3, 2023 subject to fulfillment of various conditions.

CONSUMER SECTOR

In April, the Group completed its equity investment in an associate, Imperial Enterprises Holdings Limited ("IEH") via a majority owned subsidiary. IEH has become one of the fastest growing and most innovative pastry brands in Hong Kong, featuring a wide variety of confectionery gifts such as mooncakes, palmiers, eggrolls, crispy cookies and Tongwoji.

In addition, the Group also completed the acquisition of a 30% equity interest in Tonkichi Holdings Limited in August 2022, which is a restaurant chain specialised in Japanese tonkatsu cuisine.

TECHNOLOGIES AND VENTURE CAPITAL INVESTMENT

The Group continued its strategy to deploy appropriate resources to invest in the form of venture capital in sectors evidencing the greatest potential for billion-dollar companies including semiconductor, AI and big data, 5G, healthcare services, medical devices, biotechnology and clean technology.

As at the balance sheet date, the Group had cumulatively closed 19 investments of which US\$26.0 million (equivalent to HK\$203.0 million) had been paid. This included 13 investments which were closed in 2022 including paid up capital of US\$17.7 million (equivalent to HK\$138.2 million).

DEVELOPMENT PROJECTS



Hong Kong and Mainland China

Ho Man Tin residential development project

This project is comprised of a gross floor area of approximately 742,000 sq. ft., or a saleable area of 660,000 sq. ft., involving the development of 990 apartments above Ho Man Tin MTR station under a Development Agreement with MTR Corporation Limited. Works are on schedule and presale is targeted to launch in end of 2023.

Dalian Mixed-use Development Project

The Dalian project was sold to a third party in July 2019. As at the end of December 2022, 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 and such recovery action has been continuing.

Japan

Tokyo Hotel Redevelopment Project

The Group acquired a hotel redevelopment site situated in close proximity to the landmark Roppongi Hills Midtown, Tokyo for JPY22.2 billion in 2016. Subsequently, the Group made follow up acquisition of surrounding small adjoining parcels of land to support the application for an increase in plot ratio of the site. Based on a higher plot ratio, total gross floor area of the expanded site is approximately 380,000 sq. ft.

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 270-key flagship, The Langham Hotel. Planning application was submitted to the local government, and a general contractor has been appointed to conduct further value engineering works. The Group will not start on the construction until an economically viable construction cost can be negotiated.

United States

San Francisco Hotel Development Project, 1125 Market Street

San Francisco Hotel Redevelopment Project, 555 Howard Street

The above two projects are currently under review for their profitability due to uncertain market conditions and the severe escalation of construction costs in San Francisco. The projects have been put on hold and plans for alternative exit strategies are also being considered.

CHAIRMAN'S STATEMENT

Seattle Development Project, 1931 Second Avenue

The Group acquired a site in downtown Seattle for US\$18 million in December 2016. The site is located at one of the highest points of downtown Seattle and near the famous Pike Place market. The site has an area of approximately 19,400 sq. ft. Although the Seattle site has already been approved for the development of a hotel, we are pursuing to obtain entitlement in expanding the development's gross floor area to 553,000 sq. ft., and incorporate residential component to the project, thus further enhancing the financial attractiveness of this mixed-use luxury hotel and condominium project. We brought in world renowned architect, Kengo Kuma & Associates, to design this landmark mixed-use development project. Design Review Board Approval was received in November 2021 with minor conditions. Building Permit Application is scheduled to be submitted by June 2023 for code vestiture. Construction cost is subject to further examination and refinement. We are closely monitoring Seattle construction costs as well as the sales market for luxury condominiums.

Europe

Venice Hotel Development Project, Island of Murano

The Group acquired a site on the island of Murano in Venice. The project is a combination of restoration of historic structures and new build construction that will consist of 133 keys with a total construction floor area of approximately 170,000 sq. ft. The project was granted a revised Building Permit in April 2022, which was based on a design modified to achieve the standards of the Langham brand.

World-renowned architect Matteo Thun is designing the hotel. Tender for the Early Works (Foundations and Excavation) was awarded in December 2022. An update cost estimate is under preparation by the cost consultant. Procurement of the General Contractor for the Shell and Core is scheduled to commence in Q1, 2023, whilst scheduled completion of construction will be defined in due course.

It is believed that upon completion this hotel will help to promote the Group's prestigious Langham brand in continental Europe.

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 2022 was HK\$27,270 million, a decrease of HK\$10 million compared to that of 31 December 2021. The decrease in net borrowings was mainly due to a combined effect of improvement in hotel operations, additional loan drawn for development projects and dividend payment during the year.

Equity Attributable to Shareholders, based on a professional valuation of the Group's investment properties as of 31 December 2022 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK\$56,820 million, representing a decrease of HK\$4,629 million compared to the value of HK\$61,449 million as of 31 December 2021. The decrease was mainly attributable to a mark-to-market valuation loss from investment in LCID.US, 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 68.28%, 69.70% 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 2022 was 36.9% (31 December 2021: 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 2022	On consolidated basis HK\$ million	On core balance sheet basis HK\$ million
Great Eagle	7,177	7,177
Champion REIT	13,868	–
LHI	6,072	–
U.S. Fund	153	–
Net debts	27,270	7,177
Net debts attributable to Shareholders of the Group	20,955	7,177
Equity attributable to Shareholders of the Group	56,820	64,504
Net gearing ratio[^]	36.9%	11.1%

[^] 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. 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 2022, the market value of these bonds and notes amounted to HK\$331 million and invested securities amounted

to HK\$1,379 million which included LCID.US shares worth HK\$719 million. Should these amounts be taken into account, the consolidated net borrowings and gearing ratio would be reduced to HK\$19,245 million and 33.9% respectively. The net debt based on sharing of net assets of Champion REIT, LHI and U.S. Fund would correspondingly decreased to HK\$5,467 million and 8.5% respectively.

CHAIRMAN'S STATEMENT

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 as of 31 December 2022 amounted to HK\$33,331 million (31 December 2021: HK\$33,502 million). Bank borrowings amounting to HK\$14,068 million (31 December 2021: 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	18,410	7,642 ⁽⁴⁾	26,052 ⁽³⁾
Medium term notes	–	7,060	7,060 ⁽³⁾
Other borrowings	–	219	219 ⁽³⁾
Total	18,410	14,921	33,331
%	55.2%	44.8%	100%

⁽¹⁾ All amounts are stated at face value.

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

⁽³⁾ Equivalence of HK\$5,137 million bank borrowings, HK\$5,360 million medium term notes and HK\$219 million other borrowings were originally denominated in other currencies.

⁽⁴⁾ Included floating rate debts which had been swapped to fixed rate debts. As at 31 December 2022, the Group had outstanding interest rate swap contracts of a notional amount of HK\$7,027 million to manage interest rate exposure. The Group also entered into cross currency swaps of a notional amount equivalent to HK\$600 million to mitigate exposure to fluctuations in exchange rate and interest rates in Japanese YEN.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2022, our cash, bank deposits and undrawn loan facilities amounted to a total of HK\$16,341 million (31 December 2021: HK\$15,178 million). The following is a profile of the maturity of our outstanding gross debts (including medium term notes and other borrowings) as of 31 December 2022:

Within 1 year	34.6%
More than 1 year but not exceeding 2 years	23.1%
More than 2 years but not exceeding 5 years	34.4%
More than 5 years	7.9%

FINANCE COST

The net consolidated finance cost during the year was HK\$824 million of which HK\$91 million was capitalised to property development projects. Overall net interest cover at the reporting date was 3.9 times.

PLEDGE OF ASSETS

At 31 December 2022, properties of the Group with a total book carrying value of approximately HK\$24,296 million (31 December 2021: HK\$20,495 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2022, 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\$7,980 million (31 December 2021: HK\$9,387 million) of which HK\$906 million (31 December 2021: HK\$888 million) had been contracted for.

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

OUTLOOK

The outlook of 2023 should be more stable with the ending of the pandemic and resumption of pre-COVID normalcy underway. The worldwide easing of travel restrictions and social distancing measures, especially with respect to Mainland China, should enable a recovery of economy. In the Hong Kong context, we remain optimistic about its economy for 2023 following the reopening of border with Mainland China. The hospitality and retail sector should improve with the return of travellers, and demand for residential properties will be boosted by the return of prospective buyers from Mainland China. This may benefit the sale of the remainder units of ONTOLO, as well as the new Ho Man Tin project which is targeted to launch in end of 2023. Hopefully, the office sector should start to recover when mainland businesses can return to work and invest in Hong Kong.

The performance of LHI is expected to modestly recover following the reopening of the border, as well as the relaxation of social distancing measures.

For Champion REIT, the REIT manager expects that 2023 would remain a challenging year in view of the potential global recession despite some improved sentiment for the office and retail sector arising from the recent reopening of the border with Mainland China. For now, the new letting rental levels are substantially lower than the overall passing rental. Downward pressure on office rentals due to existing and upcoming supply; while rising borrowing cost and its volatility would continue to weigh on the performance of the REIT and hence the distribution per unit. Nevertheless, the REIT manager will endeavour to closely monitor the market conditions in enhancing the performance of Champion REIT, while looking for prudent investment opportunities.

In spite of the surging positive signs, the uncertainties including the ongoing warfare between Russia and Ukraine, the geo-political tensions between Mainland China and the US, and further rate hikes by the US would all impede the pace of the world's economic recovery. We are particularly cautious about the interest rate hikes and their potential impacts on the businesses of the entire Group as a whole. To mitigate, the Group will continue to navigate the businesses diligently amid the uncertainties and challenges ahead. It will explore new business trends and prudently look for investment opportunities. We will continue to implement our disciplined financial management measures, to minimize the risks and to providing sustainable benefits for the Group in the long run.

Lo Ka Shui

Chairman and Managing Director

Hong Kong, 3 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



“Love · Play · Farm”



Installation of Solar Panels



Great Eagle Music Children Ensemble

MESSAGE FROM THE SUSTAINABILITY STEERING COMMITTEE

For more than a decade, the Great Eagle Group (“the Group”) has been committed to enacting environmentally conscious, resource-conserving strategies and practices, and we are always proactively seeking to do more. 2022 was no different. Throughout a tumultuous year filled with challenges large and small, the Group worked consistently to advance our sustainability vision, making some impressive achievements.

First and foremost, we began implementing the Group’s Climate Leadership Strategy – a vision that aims to ensure the Group becomes a well-recognised and respected climate leader in Hong Kong and Asia that influences positive change in our industry and across society. We also strengthened our sustainability governance, setting up and empowering the Sustainability Steering Committees for the Group and for our Hotel Division and forming various Group-level taskforce and focus groups on sustainability issues material to the Group.

We developed and launched our Sustainable Finance Framework, which aligns with international market standards and best practices. The net proceeds from our sustainable finance mechanisms will be used to fund or refinance eligible projects that relate to various aspects of sustainability: green buildings, energy efficiency, renewable energy, climate change adaptation, and others.

The Group completed various energy saving projects through the year. We developed our 2030 Energy Saving Plan and conducted energy audits for our Hong Kong properties, a gap analysis for our carbon footprint accounting and peer benchmarking on energy performance. We also upgraded existing hardware like chillers plants and installed new hardware such as solar panels and variable-speed drives to help us both produce and save energy.

These and other efforts attracted industry-wide recognition in 2022. Three Garden Road⁽¹⁾ received BEAM Plus Platinum Rating with the highest score among existing buildings in Hong Kong. Together with the WELL Core Existing Building Platinum Standard attained previously, the property is one of only a few buildings in Hong Kong to have this “double platinum” rating. Our joint project with MTR Corporation, Ho Man Tin Station Package One, currently under development, has already achieved a BEAM Plus Provisional Gold Rating for its multiple green initiatives, while 19 of our owned and managed hotels have been certified with EarthCheck, with Cordis, Auckland being awarded EarthCheck Master status, signifying 15+ years of certification.

Building on our continuous commitments and contributions to a green urban environment, I believe that 2023 is going to be an excellent year for sustainability at the Group. This will be our first post-pandemic year and, while there will be much to adjust to in this “new normal”, we will closely engage our internal and external stakeholders as we continue to work towards our ambitious 2045 net-zero roadmap.

Lo Chun Him, Alexander

Executive Director and Chairman of the Sustainability Steering Committee

3 March 2023

INTRODUCTION

About this Report

This Environment, Social and Governance (“ESG”) Report (“the Report”), forming part of the 2022 Annual Report for Great Eagle Holdings Limited, covers the period from 1 January 2022 to 31 December 2022. The Report has been prepared in accordance with the Hong Kong Exchange’s ESG Reporting Guide (“the Guide”), under Appendix 27 of the Main Board Listing Rules, and satisfies its “comply or explain” provisions. The Report follows the four reporting principles stipulated in the Guide, namely: materiality, quantitative, balance and consistency.

This Report includes the Guide’s ESG subject areas, namely Environmental and Social (subdivided into Employment and Labour Practices, Operating Practices and Community). In addition to these subject areas, we have also documented how we govern and make decisions in pursuit of our sustainability targets in the “Sustainability Governance and Risk Management” section. Selected key performance indicators (“KPIs”) and case studies are detailed to illustrate our sustainability performance.

The Report’s reporting boundary covers the Group’s major businesses and principal 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 this reporting boundary based on the financial significance and operational influence of our business. It is regularly reviewed by considering such factors as revenue contribution, management ownership, operating status, and sustainability impacts in order to ensure that the material issues of the Group’s portfolio are covered.

The Group’s subsidiaries, Champion REIT, Langham Hospitality Investments Limited and our Hotel Division, Langham Hospitality Group, issue their own annual sustainability reports, which record their ESG performances and set out environmental and social objectives for the coming years.

We support the United Nations Sustainable Development Goals (“SDGs”) which aim to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. We have also identified eight SDGs that connect closely with our sustainability vision and strategy.



Performance Highlights



Three Garden Road⁽¹⁾

- BEAM Plus for Existing Buildings V2.0 Platinum – highest score in Hong Kong, full marks in 5 out of 7 assessment categories
- Together with WELL Core Existing Building Platinum Standard achieved in 2022, becoming a “double platinum rated property”



EARTHCHECK

19 owned and managed hotels EarthCheck Certified



-16.9%
(HK Properties)

-22.2%
(Owned Hotels)

**Energy Consumption Intensity
(2022 vs 2019)**



-29.9%
(HK Properties)

-29.7%
(Owned Hotels)

**Carbon Intensity
(2022 vs 2019)**

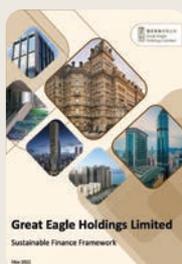


-11.8%
(HK Properties)

-21.4%
(Owned Hotels)

**Water Consumption Intensity
(2022 vs 2019)**

Sustainable Finance Framework



ESG Benchmarks and Recognitions



- Rated as “Low Risk” in Sustainalytics ESG Risk Rating⁽²⁾
- ESG Achievement Awards 2021/2022 – ESG Performer of the Year - Platinum
- Communitas Awards 2022 – Excellence in Community Service – Company Community Service – Community Partnership
- The Caring Company Scheme 2021/22 – 10 Years Plus Caring Company Logo

Feedback

To continuously improve our sustainability policies and practices, the Group is reliant on the valuable opinions of all our stakeholders. Should you have any feedback on this Report and/or any other sustainability issues, please contact us at sustainability@greateagle.com.hk.

- (1) Three Garden Road is owned by Champion REIT, one of the Great Eagle Holdings Limited’s principal holdings.
- (2) **Copyright ©2022 Sustainalytics. All rights reserved.** This section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>.
- (3) Some of the photos in this Report may feature individuals without wearing face masks. Such photos were taken in non-specified public place or in countries that wearing face masks were not mandatory.

GOVERNANCE

Achievements in 2022

- Strengthened the Great Eagle Sustainability Steering Committee.
- Established a new Sustainability Steering Committee for the Langham Hospitality Group (“LHG”).
- Launched our Sustainable Finance Framework.

Sustainability Governance and Risk Management

Supporting our sustainability vision is a robust sustainability governance and management framework. In 2022, the Group revised its sustainability governance structure:

SUSTAINABILITY GOVERNANCE STRUCTURE



The Board of Directors of Great Eagle Holdings Limited (“the Board”): The Board oversees broader sustainability trends and leads the Group’s sustainability direction. ESG strategy, planning and reporting are regularly discussed at Board meetings. The Board is also responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Advisory Council: The major responsibilities of the Sustainability Advisory Council are to advise and guide the Sustainability Steering Committee and other business units and departments within the Group on sustainability-related issues as well as the implementation of the Group-wide ESG strategies. As the Advisory Council comprises the Chairman and Executive Directors of Great Eagle Holdings Limited, it also brings the Board’s discussions and insights to the attention of the Sustainability Steering Committee to assist with the integration of ESG strategies into different business units and operations.

Sustainability Steering Committee (“the Committee”): The Committee enables the Group to take responsibility for our sustainability impacts and integrates sustainability into the Group’s operations. The Committee is chaired by the Board’s Executive Director and is made up of members from the Board and management from key areas of the Group. It serves as a senior-level steering group that determines and monitors the Group’s material ESG issues, and sets the Group’s sustainability policy and implementation strategy.

The Committee consists of Executive Directors and heads from key areas of the Group, including, in alphabetical order, Asset Management, Development and Project Management, Hotels, Human Resources, Procurement Services and Building Material Trading, Property Management and Sustainability.

The composition of the Committee is reviewed annually by the Chairman of the Committee to ensure an appropriate balance and representation of expertise and experience.

Taskforce and Focus Groups: These groups are responsible for various sustainability-related duties across the Group, and are drawn from various business units (“BUs”) and departments across the Group. They are designed to mobilise and engage representatives from different departments to implement strategies according to the corresponding pathways of the Group’s overall roadmap. In alphabetical order, these groups are Climate and Carbon Innovation, Employee Engagement, Energy Efficiency Taskforce, Retrofit Strategy and Asset Optimisation, and Sustainable Finance.

Management Approach

To manage the sustainability impacts of our operations and integrate sustainability throughout the Group, a network of ESG-related policies and procedures has been established. This network includes:

- **The Group’s Sustainability Policy:** The Committee has formulated a Group Sustainability Policy which provides a robust framework and direction for the Group to implement and embed sustainability into our organisational culture. The Policy is posted on our corporate website.
- **The Great Eagle Climate Leadership Strategy:** A strategy and plan devised in 2021 that aims to ensure the Group becomes a well-recognised and respected climate leader in Hong Kong and Asia that influences positive change at the industry and societal levels.
- **ESG Framework:** A set of policies and procedures that guide the Group as we work to achieve planned ESG outcomes. The framework includes our Environmental Policy; Sustainable Procurement Policy; Equal Opportunity Policy; Health, Wellbeing and Safety Policy; Training and Development Policy; our relevant subsidiaries’ employee handbooks; and our Code of Conduct.

ESG Risk Management

The Audit Committee and the Group’s Internal Audit Department support the Board in conducting annual reviews of the effectiveness of the Group’s risk management and internal control systems.

Three measures used in these evaluations are Risk Management Self-Assessment (“RMSA”), Internal Control Self-Assessment (“ICSA”) and Data Privacy Management Self-Assessment (“DPMSA”). The Group’s Internal Audit Department coordinates with the Group’s major business entities to conduct annual RMSAs, ICSAs and DPMSAs to evaluate possible risks including business, financial, operations, data privacy and climate and ESG-related risks. Using these assessments, the Sustainability Department regularly evaluates risks arising from material ESG issues. The Department also provides its assessment results along with mitigating measures to the Internal Audit Department for further risk evaluation.

Stakeholder Engagement and Materiality Assessment

Stakeholder Engagement

To understand our stakeholders’ expectations and identify material ESG issues, the Group considers the views of internal and external stakeholders. We regularly engage key stakeholders to identify important ESG issues and prioritise their materiality level. In 2021, we commissioned an independent consultant to conduct a series of stakeholder engagement initiatives. These explored stakeholders’ perceptions and expectations regarding priority areas and strategies to enhance the Group’s response to climate change impact.

The engagement process involved in-depth interviews and quantitative surveys with internal and external stakeholders and a visioning workshop with the Group’s management team. The stakeholder groups included employees, vendors, investors and analysts, environment and sustainability professionals, NGOs, and representatives of the media.

These stakeholders were asked to rate a list of ESG issues in terms of their relevance and importance to the Group’s sustainability development and the aspects identified through peer benchmarking analysis and internal assessment, making reference to the Guide. A materiality assessment was also conducted which defined the level of materiality by considering the aspects’ importance, as rated by the stakeholders, and their “importance to business continuity and development”, as evaluated internally.

The process, comprising over 1,100 internal and external stakeholders, also revealed numerous insights regarding our best performing aspects as well as discrepancies between internal and external views on material issues. It also led to the development of a strategic roadmap for the Group, setting out a clear pathway to manage the material ESG and climate issues.

Materiality Matrix

The engagement exercise yielded the following materiality assessment matrix:



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.

ESG Strategy, the New Climate Leadership Strategy and Sustainability Culture

ESG Strategy and Goals

The Group's overall ESG vision is to achieve sustainable growth which follows the sustainable development principle set out in the UN's Brundtland Report of 1987, entitled "Our Common Future", namely, "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

In decision-making processes, the Group adopts a "triple bottom line" approach, which considers three crucial sustainability factors: Profit, People and Planet. This approach facilitates the integration of sustainability into the core purpose of the Group's business, and ensures that the Group's work and business practices remain beneficial in the long term.

With our ultimate goal being to achieve net-zero impact by 2045, the Group devised the Great Eagle Climate Leadership Strategy, with a vision to transform the Group into a well-recognised and respected climate leader in Hong Kong and Asia. We began implementing and fine-tuning this strategy in 2022.

Sustainability Culture

To achieve our vision and goals, it is crucial to nurture a culture of sustainability throughout the Group. In 2020, we began the process of developing a new corporate sustainability strategy for the Group and held a series of engagement activities to encourage employees of the Group to become "climate conscious". These initial activities included a visioning workshop for senior executives, a site audit of our buildings, virtual town hall meetings that focused on climate change, and others.

We continued and expanded these activities in 2022, putting on more internal stakeholder engagement activities, such as a company orientation workshop for colleagues who recently joined which introduced the concept of climate change and Great Eagle's Climate Leadership Strategy; launching the "60+ Lunch Hour" at our headquarters; and resuming various reuse- and recycling-oriented activities and site visits for our colleagues.

The Group's LinkedIn page shares up-to-date sustainability news with our industry peers, while our colleagues stay abreast of our sustainability activities through the Group's newsletter, "Eagle Express". We also make timely media updates when we organise sustainability-related events.

Our Hotel Division's corporate sustainability programme is called CONNECT. It comprises four focus areas: environment, community, colleagues, and governance. The Hotel Division organises annual "Global CONNECT" events related to these focus areas, in which all hotels participate. These help colleagues embrace sustainability in their daily work and in their personal lifestyles.

Sustainable Finance Framework

In 2022, as part of our ongoing commitment to sustainable growth and our desire to further the development of sustainable financing in Hong Kong, we developed a Sustainable Finance Framework. Aligning with international market standards and best practices, this new framework covers our four main transaction areas: use of proceeds, process for project evaluation and selection, management of proceeds and reporting.

The net proceeds from our sustainable finance mechanisms will be used to fund or refinance eligible projects that relate to green buildings, energy efficiency, renewable energy, climate change adaptation, waste management and recycling, sustainable water management, socio-economic advancement and employment generation, and pandemic response.

ENVIRONMENT

The Group strives to establish excellence in environmental responsibility and become a respected climate leader. To attain these goals, we promote diversified green initiatives in our properties and develop green buildings in order to protect the environment and mitigate climate change.

Achievements in 2022

- Developed a 2030 Energy Saving Plan for our properties in Hong Kong
- Completed energy audits for our properties in Hong Kong
- Conducted benchmarking and a gap analysis for the Group's carbon footprint accounting
- Identified energy management opportunities ("EMOs") for properties in Hong Kong

Environmental Policy and Impact Assessment

The Group's Environmental Policy demonstrates our commitment to sustainable development and responsible environmental stewardship. The Policy commits us to complying with the related environmental legislations and to keeping the environmental footprint of our operations to a minimum. The Policy also includes a pledge to identify and minimise significant impacts on nature and the environment, identify and mitigate climate-related issues and continuously improve the environmental performance of our operations. Finally, the Policy lays down a framework that allows each division and department to establish their own environmental policies.

To systematically minimise significant environmental impacts, Great Eagle Holdings Limited's major subsidiaries have established environmental management systems. These systems identify significant impacts arising from operations and determine measures to mitigate adverse impacts. Over the years, our divisions and departments have identified "energy consumption", "carbon emissions" and "water consumption" as the most significant environmental impacts which require management actions across the Group.

Our main operations consume primarily energy and water, natural resources that should be used prudently. Carbon emissions from our properties contribute to climate change and require our close attention. We therefore collect data on these three aspects, and manage them by fully complying with the relevant environmental laws and regulations, including the GHG Protocol Corporate Accounting & Reporting Standard, the Building Energy Code and Building Energy Efficiency Ordinance of Hong Kong and other local carbon emissions reduction guidelines, as well as building energy and water efficiency regulations for our overseas business.

In 2022, there were no violations of relevant laws and regulations that have a significant impact on the Group.

Cross-departmental Efforts to Achieve Net-Zero

Achieving net-zero impact by 2045 requires a united effort across the Group's taskforces, focus groups and working groups. One example is our Energy Efficiency Taskforce, established in 2021. Formed by members of multiple business units, including team members from our Property Management, Development and Project Management, Sustainability and the Hotel Division, the taskforce aims to strengthen cooperation between business units to drive synergy and share best energy-saving practices for enhancing the Group's overall building energy efficiency.

Our new Sustainability Governance Structure ensures the contribution and cooperation of teams across the Group. These teams and groups will share data and working practices and work together to create further synergies as we work to achieve net-zero impact.

Combating Climate Change

The climate crisis is the biggest global challenge of our times. The Group is committed to becoming a well-recognised and respected climate leader in Hong Kong and Asia. Our new Climate Leadership Strategy seeks to transform the Group into an adaptive and collaborative team that thrives amid the acceleration of climate change impacts and that influences positive change at both the industry and society levels.

The Strategy has three focus areas: People, Asset and Capital.

People concerns our governance structure and requires that we develop an adaptive, collaborative and climate-competent team that implements and iterates our climate strategy.

Asset concerns both existing and new build properties and how we optimise these for our net-zero vision and climate resilience.

Capital concerns our sustainable finance framework and how this provides the Group with financial resources to empower transition and transformation.

Environmental Measures

The backbone of the Group’s Climate Leadership Strategy lies in the actions we take to reduce our environmental impacts. These include many energy- and water-saving projects, waste reduction measures and employee education initiatives.

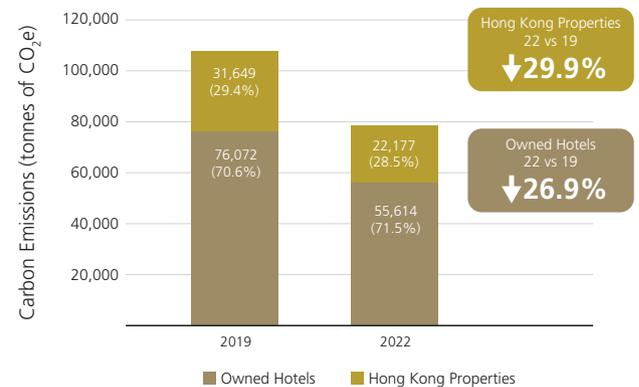
Energy

Energy consumption produces the Group’s most significant environmental impacts. We are working to reduce these impacts across our operations. We have begun by focusing on our properties in Hong Kong, including our office buildings, retail mall and hotels. From a 2019 benchmark, we are seeking to reduce our energy consumption by 30% by 2030. This will decrease the carbon emissions of our Hong Kong properties by 46% by 2030. We are planning to conduct studies on the energy consumption characteristics of our owned hotels overseas in the near future. Since 2019, the Group has reduced our overall energy consumption by 18.5%.

Comparison of Total Energy Consumption (GJ) 2022 vs 2019⁽⁴⁾



Comparison of Total Carbon Emissions (tonnes of CO₂e) 2022 vs 2019⁽⁴⁾



(4) The total energy consumption and total carbon emissions data in 2019 have been re-calculated with the updated emission factors.

Energy Reduction Initiatives

Numerous energy reduction measures were made throughout 2022 at all our properties.

Three Hong Kong properties: Great Eagle Centre, the ICBC Tower at Three Garden Road and Langham Place, support the Environment Bureau of the Hong Kong Government's Energy Saving Charter on Indoor Temperature, in which participants pledge to maintain an average indoor temperature of between 24-26° C during June to September – generally the hottest months in Hong Kong. Forty-two shopping mall and office tenants of Langham Place Mall were also invited to join the charter in 2022.

Onsite Renewable Energy Generation

In late 2022, we placed 28 solar panels on the upper roof of Champion Tower at Three Garden Road. When added to the existing 42 solar panels installed at ICBC Tower, the panels generated approximately 14,300 kWh of electricity at the property in 2022.

In 2021, 22 solar panels were placed on the rooftop of Langham Place Mall. In 2022, a further 19 solar panels were installed on the rooftop of Langham Place Office Tower, which will produce around 11,000 kWh of electricity per year.

In late 2022, 24 panels were installed on the roof of Great Eagle Centre. These will provide an estimated 11,000 kWh of electricity annually.

Energy Efficiency Upgrades

Electronically-commutated ("EC") Plug Fans at Three Garden Road

EC plug fans are the latest energy saving technology installed at Champion Tower and ICBC Tower of Three Garden Road. In 2022, eight ageing belt-driven air handling units ("AHUs") were replaced with EC plug fans. Compared to traditional centrifugal fans, these energy-efficient fans have lower maintenance costs and provide more stable ventilation. This change will save approximately 20,100 kWh of electricity annually.

Chiller Plant Retro Commissioning at Champion Tower and ICBC Tower at Three Garden Road

Before 2022, both Champion Tower and ICBC Tower at Three Garden Road had their own chiller plants for their air conditioning systems. During low-load times, holidays and at night for example, both plants operated at a low coefficient of performance, leading to poor energy efficiency. In 2022, the chilled water pipes of both towers were connected, with the cooling load for both towers covered by one chiller plant during low-load conditions. This will produce an estimated annual energy saving of 574,000 kWh.

Langham Place Office Tower Night Load Chiller Installation

In 2022, a new chiller was installed at the tower. It operates in high efficiency mode at night and in low-load conditions and will save over 360,000 kWh annually.

Variable-speed Drive Installation at Langham Place

Variable speed drives were installed on condenser water pumps at Langham Place Mall and Langham Place Office Tower. These will reduce the chiller plants' power consumption by 42,000 kWh annually.

Air Conditioner Chiller Replacement at The Langham, Hong Kong

As of 2021, the existing chiller plant at the Langham, Hong Kong had five air-cooled chillers and six chilled water pumps that had been operating for more than 20 years. A two-year retrofitting project is replacing these ageing devices with more sophisticated and energy efficient equipment.

The chiller units are being replaced with a new screw-type chiller that provides energy efficient control during partial load conditions, uses R134a, a non-ozone-depleting refrigerant and is equipped with an EC exhaust air fan for heat removal. The new chilled water pumps use variable speed drives that provide variable flow control to cater for different air conditioning load conditions to save energy.

A new Building Management System (“BMS”) with advanced automatic chiller plant controls will further optimise chiller plant operations; and existing rooftop exhaust fans for guest bathrooms are being replaced with EC exhaust fans – all of which will create substantial energy savings for the hotel. In addition, acoustic equipment, including vibration isolators, sound attenuators and acoustic louvres, has been installed in the new chiller plant to eliminate any noise nuisance to the guest rooms and suites on the hotel’s upper floors.

Upgrades at Great Eagle Centre

In 2022, 14 ageing belt-driven AHUs were replaced with AHUs with EC plug fans, which will save an estimated 173,000 kWh of electricity annually. Four secondary chilled water pumps also had variable speed drives installed, which will save an estimated 226,000 kWh of electricity per year.

Meanwhile, as is common in Hong Kong, flushing water for Great Eagle Centre is pumped from the sea. In late 2022, we began installing a demand control system that works with the flushing water transfer pump to meet low night-time demand between 11pm and 7am. The running time of the seawater pump was reduced from around seven hours to two hours during this overnight period beginning in January 2023.

Electric Vehicle (“EV”) Chargers

To encourage our tenants and visitors to use EVs and help meet our carbon emissions targets, in 2022 the Great Eagle Group added 26 medium charge charging stations for EVs at Langham Place and 20 such stations at Three Garden Road.

Technological Upgrades

At Three Garden Road, a new turnstile system in the main lobby is equipped with sophisticated touchless access control technology including facial recognition, smart card and QR code access, which is integrating with a lift-calling function, allowing access control and lift calling functions to take place at the turnstile. This creates greater efficiency, quicker access and provides a hygienic environment.

Installation of IoT Systems

In 2022, the Three Garden Road car park was equipped with a ground-breaking demand control ventilation system utilising Internet of Things (IoT) sensors. These sensors monitor the carbon monoxide concentration so as to estimate the number of vehicles in the carpark, and adjusts the ventilation accordingly. The system will help reduce the annual energy consumption by 50%.

An IoT system was also installed in the plant rooms of Langham Place Office Tower to help detect water leaks.

Smart Weather Stations

Smart weather stations have been installed at Champion Tower at Three Garden Road and Langham Place Mall. These stations provide real-time climate-related data including air temperature, humidity, wind speed, rainfall, and sunshine, allowing building operations to be adjusted to optimise energy efficiency measures.



Smart Weather Station

Lift Modernisation at Three Garden Road

Until late 2020, there were 44 original lifts in operation at Champion Tower and ICBC Tower at Three Garden Road. A lift modernisation project began in Q3 of 2020 and will continue until late 2023. The new lifts have several energy-efficient features that will provide an expected electricity savings of up to 40%, subject to the actual lift operation schedule. These include a variable voltage variable frequency drive control system, a permanent magnet motor, a power regeneration feature, destination control, and an idle mode for lighting and ventilation inside the lift car.

Case Study: Retrofitting for Energy Efficiency

In 2022, a pilot project was conducted at one of the southwest facing office units at Champion Tower of Three Garden Road. A Building Vacuum-Glass ("BVG") system was installed on the room side of the existing curtain wall glass to improve its solar shading performance. The BVG system reflects solar radiation and blocks heat gain from outside, improving thermal stability and comfort while also reducing the risk of condensation, resulting in potential energy savings of between 8 and 32% for different orientations. There was also no need to remove the existing curtain wall glass for this retrofitting pilot, meaning that less waste was generated.

After the installation, the unit's indoor air temperature remained stable on both sunny and cloudy days. Additional benefits included significant sound reduction, a 5% UV light transmittance reduction, reduced indoor glass reflectance and an elimination of condensation.

We also conducted façade enhancement work at The Langham, Hong Kong hotel. The hotel's original cladding was installed about 30 years ago. In 2021 and 2022, this cladding was replaced, with waterproofing and thermal insulation added between the cladding system and the building structure. This will improve the energy efficiency of the entire hotel by reducing the need for heating and cooling due to improved insulation.

(5) Detailed assumptions based on BEAM Plus PA assessment.

Case Study: Ho Man Tin Package One Residential Development

This prestigious residential development located above the Hong Kong MTR's Ho Man Tin Station is currently being jointly developed by the Group and the MTR Corporation. Scheduled for completion in late 2024, the development comprises 990 luxury apartments distributed over six 24-storey-high towers, along with a 2,000 square metre clubhouse.

Ho Man Tin Package One will be a leading green development for the area. Now in the construction stage, it is already using leading green technology: an on-site battery energy storage system (BESS) which replaces traditional diesel generators used on construction sites. By electrifying the construction site, the BESS provides a clean and quiet construction environment and reduces site carbon emissions by up to 85%. The device helps provide a healthier work environment for site workers as it generates less noise and does not emit diesel fumes, while it also prevents fire risks resulting from handling diesel.

When completed, the development will have many sustainable features, including energy-efficient electrical and mechanical systems such as variable frequency drives, non-ozone-depleting refrigerant (R410a) and EC fans for air conditioning systems; a "heat wheel" in clubhouse's changing rooms that recovers energy from exhaust air; multiple types of energy-efficient lighting, and many more. Water efficient faucets and low-volume flushing toilets in the clubhouse will consume about 48% less water compared with baseline models. UV-C light in the clubhouse's air conditioning system will sanitise the air, while IAQ sensors will continuously monitor air quality.

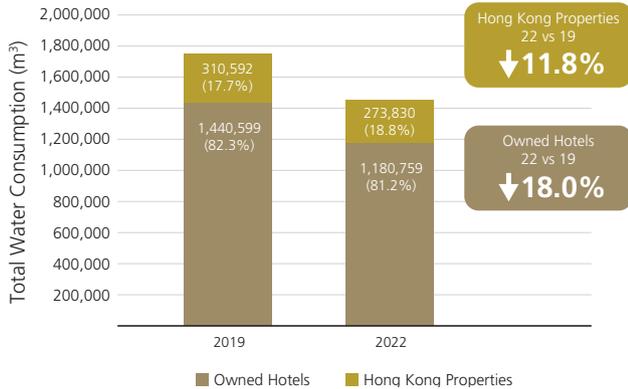
With the implementation of these state-of-the-art green features, we estimate that electricity usage may be reduced by 20% compared with the baseline⁽⁵⁾. These features have already resulted in the development achieving a provisional Gold rating in the BEAM Plus certification scheme (version 1.2).

Water

Water consumption is another of the Group’s significant environmental impacts. The Group is working to reduce water consumption across our operations in various ways. We are currently working to establish our baseline water consumption metrics and develop appropriate water reduction KPIs. These will be included in future ESG reports.

Our fresh water is primarily sourced and discharged via the local municipal water facilities since our properties are mainly located in urban or suburban areas. Numerous water reduction measures were made at our properties throughout 2022.

Comparison of Total Water Consumption (m³) 2022 vs 2019⁽⁶⁾



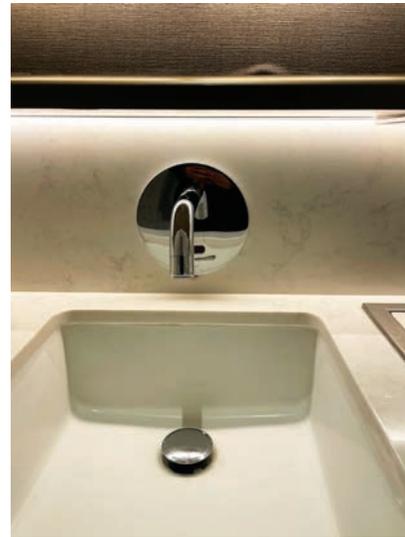
Langham Place

Infrared sensor faucets were installed in all lavatory washbasins.

Cordis, Auckland

The hotel enacted several water-saving measures in 2022, including:

- Installing water fountains on each floor to encourage guests to refill water bottles.
- Encouraging housekeeping to wash full loads only.
- Installing dual flush toilets in guest and staff rooms. These were previously installed in the new tower, now they are in the existing building as well.
- Installing low-flow taps in guest rooms in the new tower.
- Installing water flow sensors on taps in public bathrooms in the new tower and the existing building.



Water flow sensors on taps in public bathrooms

(6) The total water consumption data in 2019 have been re-calculated.

The Langham, Sydney

The hotel worked closely with Sydney Water, the local water authority, on a five-stage plan to improve water efficiency and identify potential improvement areas. The plan involves: assessing water use against benchmarks; monitoring and auditing water usage for high water users; developing a detailed proposal and suggestions to reduce water use; and finally scheduling and completing all agreed site work.

The Langham, Shanghai, Xintiandi

In the latter half of 2022, the hotel's engineering team scheduled daily water leakage inspections. In October, the team discovered two hidden leak points. The problems were immediately addressed, resulting in a reduction in daily municipal water consumption of 32%.

Waste Reduction

The production of waste in its various forms is a pressing environmental problem for the world. In 2021, the Hong Kong Government announced that it would enact a Municipal Solid Waste ("MSW") Charging Scheme. Devised in line with the "polluter pays" principle, the scheme will see waste disposed of by residential and non-residential premises (including the commercial and industrial sectors) subject to charging based on the quantity of waste. In September 2022, some provisions of the scheme came into effect, while the full scheme will begin operating in late 2023 at the earliest.

The Group fully supports this scheme and believes that it is important to reduce waste wherever possible. Throughout 2022, the Group studied the implications of the scheme and began reviewing various waste reduction and data collection measures. We also enacted several initiatives to reduce waste, particularly food waste, and promote recycling.

Waste Reduction Initiatives Around Our Portfolio

Lai See Reuse and Recycle Programme 2022

To promote the concepts of reuse and recycling among the general public and tenants, Great Eagle Centre, Langham Place and Three Garden Road took part in the Lai See Reuse and Recycle Programme 2022 organised by Greeners Action, an environmental non-profit organisation focusing on changing the disposable lifestyle of Hong Kong citizens. Around 120 kg of red packets were collected during the campaign.

Langham Place

Recycling Campaign

Langham Place hosts an ongoing recycling campaign to collect and send for recycling a number of materials including paper, plastics, metal containers, aluminium cans, glass bottles, batteries, fluorescent tubes and lamps, computer equipment, electrical appliances from mall tenants and shoppers and office tower tenants, and food waste from the mall's food court.

Every month in 2022, an average of 8,000 kg of materials were collected and recycled from Langham Place Mall and Langham Place Office Tower. While significant, this figure was lower than in previous years due to continuing COVID-19 pandemic measures.

"Good Exchange Day @ Langham Place"

This event, held on 17 November 2022, aimed to promote a green lifestyle by encouraging colleagues to exchange un-needed items with one another instead of throwing them away. Employees of the Group donated and exchanged about 280 items between themselves during the event. Items remaining after the exchange were donated to the Salvation Army.

Food Angel Smart Machine

To further reduce food waste and help people in need, Langham Place Mall coordinated with Food Angel, a local NGO that "rescues" edible surplus food that would otherwise be discarded, to install a food donation machine on the mall's B1 level. Shoppers and tenants can place any eligible food items into the machine as donations. Food Angel then uses these items to cook meals or donates them to people in need. In return, donors earn reward points for every donation, which they may spend at the mall or donate to charity. During the first two months of the programme, from 8 November to 31 December 2022, around 43 kg of food was collected, equivalent to the amount needed to make around 200 meal boxes for the needy.

Food Waste Collection

Food waste is collected from food and beverage ("F&B") outlets at Three Garden Road and delivered to O•PARK1, where it then undergoes a waste-to-energy transfer process to generate renewable energy. In 2022, around 10,700 kg of food waste was treated, while 1,900 kWh of electricity was generated, equivalent to reducing carbon emissions by approximately 6,150 kg.

Eaton DC

All colleagues completed a two-hour training course on the hotel's Landfill Diversion Project, which involves sorting and placing waste into the correct bins – either compost, recycle or landfill.



Training on Landfill Diversion Project

The Langham, London

The hotel has numerous waste reduction procedures and equipment in place:

- Paperless check-ins and check-outs.
- A comprehensive recycling programme with different waste separation streams.
- A zero-waste-to-landfill waste management programme, around 150 tonnes non-recyclable waste were incinerated to create approximately 80,000 kWh of electricity fed back into the National Grid.
- An Orca food waste digester to properly treat and reduce food waste generated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- A baler to compact and fold cardboards to reduce space, increase recycling effectiveness and enhance recycling efficiency.
- A water bottling plant with refillable bottles to reduce glass waste.
- Refillable soap dispensers in all guest bedrooms to eliminate single-use unrecyclable amenities.
- Used cooking oil from the kitchens is recycled by the oil supplier into biofuel for vehicles.
- Regular donations of used linen, crockery and cutlery and lost and found property to Divine Rescue, a local charity serving the underprivileged, homeless, or vulnerable people in the community.

These measures led to the hotel winning the Zero Waste Award 4 Stars in 2022.

Cordis, Hong Kong and Eaton HK

Phasing out single-use plastic amenities and adopting more Forest Stewardship Council – (“FSC”) certified products are two key focuses of the hotels – this reduces reliance on virgin materials and cuts waste generation at the source. Cordis, Hong Kong now provides FSC-certified paper packaging boxes for toothbrushes, combs, cotton swabs, and shaving kits made from bamboo materials, as well as biodegradable plastic shower caps and sanitary bags.

The Eaton HK switched to using a 100% organic bamboo toothbrush which comes in FSC-certified paper packaging. This measure will reduce plastic waste by 420 kg per year.

Case Study: Replacing Plastic Bottles in Hotels

Reducing the use of single-use plastic products is a key objective for our hotels. In 2022, The Eaton HK, The Langham Hong Kong and Cordis, Hong Kong all replaced plastic drinking water bottles with water in refillable glass bottles. Tap water is filtered using patented technology from our partner, Nordaq, and bottled in-house in dedicated glass bottles that can be used repeatedly. This bottling system was trialed at Cordis, Hong Kong in October 2021 and was rolled out across all our Hong Kong hotels at the beginning of 2022. We are proud to be contributing to ending the use of disposable plastic bottles in Hong Kong.



Patented in-house refillable glass water bottles

Staff Education

To build a sustainability-minded culture in the Group, employee education is vital. Throughout 2022, we held a number of workshops and training sessions to help increase the Group's employees' knowledge of various aspects of the green lifestyle.

Staff Education Initiatives in 2022

- Climate Change 101 training for new staff of the Group during their orientation
- Mooncake Sharing Programme to support a local food charity
- To promote environmental awareness among tenants and colleagues, we held a visit to an upcycling showcase at New Life Plastics Ltd., where used PET and HDPE bottles are re-manufactured; and an experiential workshop at Y-PARK where the participants recycled yard waste into useful products.



Visit to New Life Plastics Ltd.

Green Initiatives at Our Hong Kong Headquarters

In 2022, the Group continued to explore greener ways to run our office operations to reduce our office carbon footprint. Adopting an attitude of "small green changes can make a big difference", our Administration Department put considerable effort into procuring green products, making our office more environmentally friendly and sharing our work with other colleagues via regular internal communications.

The department has plans to further ramp up their carbon reduction efforts in various areas including energy efficiency, water saving, waste reduction and staff commuting in 2023.

SOCIAL – EMPLOYMENT AND LABOUR PRACTICES

The employees of the Group are the backbone of our sustainability initiatives. The Group rewards our committed workforce with various benefit packages and development programmes. We have also developed a variety of policies and initiatives designed to create a safe, people-centric, equal opportunity-based working environment.

Employment

The Group is committed to providing lawful, proper employment that prioritises employee development. The relevant subsidiaries of the Group adhere to the International Labour Organisation Conventions on Employment, the Employment Ordinance of Hong Kong and other relevant local employment laws and regulations that concern our businesses overseas. The Group has numerous measures in place to ensure our commitment and compliance with these laws and regulations, which include:

The Employee Handbooks of relevant Group subsidiaries: Drafted with reference to the relevant labour standards, these handbooks ensure that the employment and labour practices of these subsidiaries comply with all relevant employment laws and regulations. They also set out the policies these subsidiaries relating to recruitment, promotion, working hours, rest periods and welfare, provide a grievance mechanism.

The Group's Sustainability Policy: This policy strictly prohibits child labour and forced labour across our operations and supply chain, and stipulates other labour requirements.

Bi-monthly company orientation events are held in which newly-joined colleagues of certain members of the Group are introduced to the Group's mission and values, given an explanation of how their job contributes to achieving the Group's sustainability vision, our new Climate Leadership Strategy, and other important concepts and policies. To further assist these new joiners in adapting to their work environment, in 2023, we plan to assign buddies to them to ensure that they are supported during their first 90 days on the job.

For relevant members of the Group, we hold engagement activities throughout the year to improve the employee experience and provide opportunities for growth and development. While the COVID-19 pandemic has affected face-to-face engagement programmes, the Group plans to resume such activities in 2023, these include quarterly fruit days and wellness-related workshops that connect employees across Group departments, build relationships and generally create a better working environment for all.

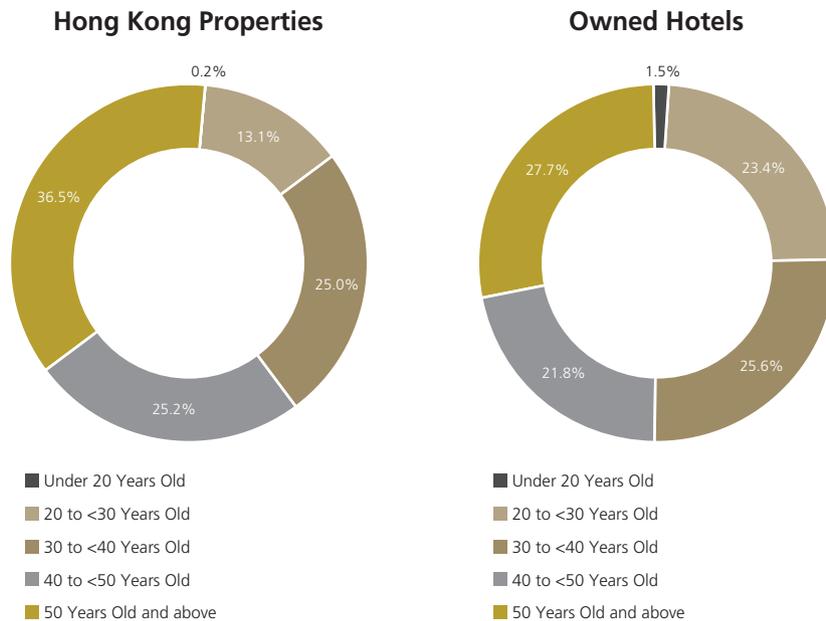
Creating an Optimal Work Environment at Our Hotels

Our Hotel Division is committed to fostering an engaging and respectful work environment where colleagues can realise their full potential. This commitment is supported by several systems that set out guiding principles, provide performance review opportunities, promote a culture of open dialogue, and provide our colleagues with growth opportunities to advance their careers. These include training programmes, a workplace health and safety management system, internal communication channels to connect colleagues at different levels and across functions, performance appraisals, and a KPI system.

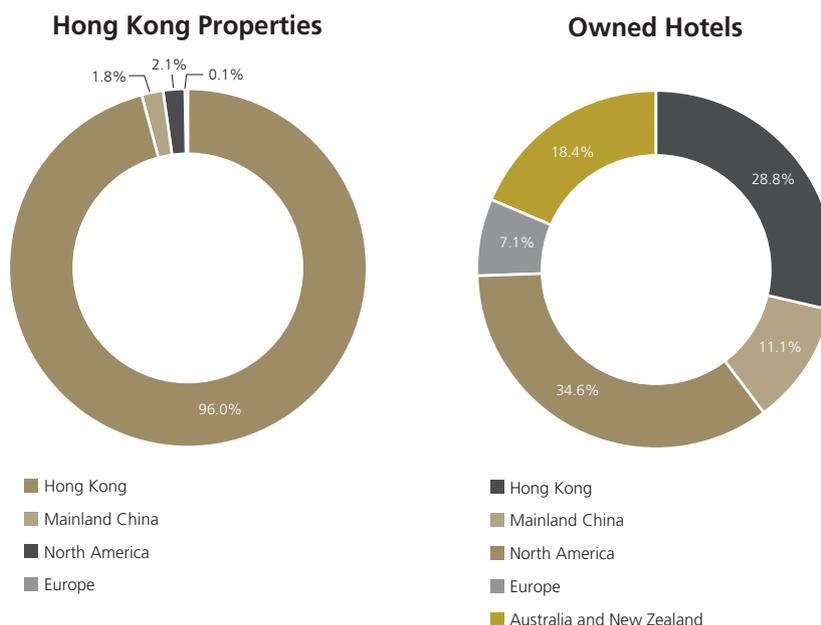
Total Workforce by Gender



Total Workforce by Age Group



Total Workforce by Geographical Region



Occupational Health and Safety

The Health, Wellbeing and Safety Policy sets out our commitment to providing a healthy and safe working environment that protects employees of relevant members of the Group from occupational hazards.

In addition, the Group manages occupational health and safety risks by strictly adhering to the International Labour Organisation Convention’s “Occupational Safety and Health Convention”, the Occupational Safety and Health Ordinance of Hong Kong and other relevant local laws and regulations overseas. We deploy stringent health and safety measures at our corporate office and all our hotels and properties.

Health and Safety at Our Property Management Department

Our Property Management Team manages health and safety risks to colleagues, tenants and shoppers through Occupational Health and Safety Management System set up in accordance with ISO 45001 standards. Following this system, the Department:

- Identifies health and safety hazards, which are then managed by operating procedures and safety devices.
- Has established safety committees which implement action plans and review the effectiveness of the management system in order to achieve a goal of zero accidents.
- Uses checklists to inspect high-risk activities such as construction work, working in confined spaces, installing electrical systems and manual handling.
- Provides training courses including monthly safety induction training, first aid and AED certification training, and field demonstrations to frontline colleagues.

Throughout 2022, our Property Management Department implemented health and safety measures, including:

- Providing air cooler fans and portable fans for frontline colleagues to reduce the risk of heatstroke while working in car parks outside during hot weather.



Providing air cooler fans and portable fans to frontline colleagues

- Dispatching relevant safety information to technical staff upon receipt of work order, which enhances their safety awareness for each specific work task.
- Purchasing an electric pallet jack to help colleagues load and deliver bulky goods in basements and storage areas to reduce the risk of strains.
- Organising mental health and stress management training and yoga classes for colleagues.

Work-related Fatalities and Lost Working Days due to Injuries

	Hong Kong Properties			Owned Hotels		
	2020	2021	2022	2020	2021	2022
Total workforce hours (in thousands)	1,880	1,923	1,948	6,880	6,852	11,107
Number of fatalities	0	0	0	0	0	0
Lost days due to injuries	939	185	531	4,463	1,559	1,708

Health and Safety in Our Hotel Division

The Occupational Health and Safety Policy stipulates that all our hotels must maintain an effective and efficient health and safety management system with policies, committees, training and incident reporting mechanisms.

The Hotel Division also provides training focusing on fire protection, material handling, bloodborne pathogens, bomb threats, crowd control, and other important matters. Colleagues are thoroughly trained to follow health and safety policies and procedures and are required to report known or potential safety risks and health hazards to their supervisors as appropriate.

The Group focuses on the health and wellness of our hotel colleagues through an annual Colleague Wellness Month. The month is dedicated to enhancing colleagues' awareness of their well-being and supporting them in developing a healthy lifestyle. In 2022, health promotion programmes during the month included a nutritional meal at a cafeteria, stress management and mental health workshops and tips to have fun and enjoy humour at work. We also organised wellness activities such as yoga and Zumba classes, table tennis tournaments and body combat training.

"CONNECT to Happiness Day" celebrated International Day of Happiness on 20 March to spread positive energy within the Division, since happiness is an essential aspect of human health. The Hotel Division also continued our popular Risk Preparedness Video Competition, which has been developing a culture of risk preparedness in hotels for our colleagues and stakeholders. In 2022, the competition focused on ways to fight the global pandemic. Each hotel created a fun, engaging video to show how colleagues could prepare for, manage and minimise the risks to health and hygiene during the pandemic.

Case Study: Health and Safety at Langham Place

Health and safety is particularly important in busy, thriving public places like shopping malls. Langham Place Mall held a number of initiatives in 2022 to ensure the health and safety of our colleagues. The mall invited all major contractors to participate in our virtual Safety Charter and Awards Presentation Ceremony 2022. All participants committed to a zero-accident target. Portable waist fans were purchased for frontline colleagues and major outdoor work contractors, for example cleaning and security contractors, to prevent heat stroke during hot weather. We also invited an external trainer to organise a heat stroke prevention seminar.

We also continued the Langham Place Stretching Programme, which encourages colleagues to do warm-up and stretching exercises before commencing work and during rest breaks to relieve muscle stress and minimise injuries. Three additional customer service points were established in retail areas on different levels of the mall. This allowed our operations colleagues to sit down and rest, reducing the hazard of physical fatigue due to standing for long periods of time.

In the future, the Group will continue to work closely with our contractors to enhance our occupational, health and safety performance at Langham Place – and our other properties – in order to prevent and rectify hidden safety hazards.

Internal COVID-19 Health and Safety Response

Throughout 2022, the global COVID-19 pandemic continued to create serious threats to the health and safety of employees of relevant members of the Group. To protect them from infection, the Group implemented numerous rigorous measures across our properties and hotels.

The Group set up an interdepartmental taskforce to coordinate the overall pandemic prevention, developed an emergency response plan and formulated relevant strategies and measures, and set up policies regarding different COVID-19 work scenarios. We encouraged colleagues to conduct online meetings or conference calls instead of face-to-face meetings, and offered flexible working hours to our Corporate Office and hotel back-of-house team members to minimise the risks of travelling during peak hours.

We also arranged the bulk purchase of rapid antigen test kits for colleagues, communicated health advice and guidelines, provided surgical face masks and care packs with health supplements and anti-epidemic items such as hand sanitiser and personal protective equipment to colleagues across Hong Kong.

We also installed ultraviolet-C (UVC) and titanium dioxide (TiO₂) sterilisers in passenger and cargo lifts, which provide superior sterilisation performance to antimicrobial coatings, added UV sterilisers for lift buttons and escalator handrails, provided disinfectant mats at building entrances, arranged for daily disinfection by robot sterilisers, and devised an instant communication and notification mechanism for reported cases allowing immediate and thorough disinfection of affected spaces.

In severe-affected Asia region, our Hotel Division maintained sufficient supply of necessary personal protective equipment such as medical masks, rapid test kits, and hand sanitisers. We also offered flexible working hours to the relevant corporate office and back of house team members to minimise the risk of travelling during peak hours.

Employee Wellness

Apart from health and safety measures designed to protect life and avoid injury, mental health and physical fitness are also important.

We recognise that productive employees are those who maintain a healthy work-life balance. To achieve this, the Recreation Committees of relevant members of the Group regularly organise various interest classes and recreational events

for colleagues. For example, a singing group and different sports clubs were formed such as basketball and running clubs that send teams to participate in competitions and charity runs. Unfortunately, due to the pandemic, all planned interest classes and recreational events, including the Wellness Festival, were postponed in 2022.

Nevertheless, the Group focused on wellness in different ways during the year. Two workshops were held later in the year focusing on food. One featured a nutritionist who shared vegetarian recipes and helped colleagues understand how individual low-carbon diets can contribute to reducing carbon emissions across society.

The other discussed foods that can help reduce stress. Attendees learned about the impact of food on mental health and co-created personal meal plans to boost positive mental wellness.

Our Hotel Division organised a global fitness challenge to help spread a positive mindset. Eaton HK arranged the sound bath meditation to help balance and maintain a positive mindset.

Development and Training

The Human Resources Department of a subsidiary of Great Eagle Holdings Limited regularly provides corporate and vocational training to the colleagues of relevant members of the Group.

In 2022, the Group continued to adapt to the challenges of the COVID-19 pandemic by delivering training online that focused on wellness and mental health, employee relations, digital tools, and other topics to drive resilience, business growth and agility.

The Group also designed a management development programme to strengthen our managers' leadership abilities in driving collaboration and communication within agile teams. The programme uses effective coaching techniques to engage, inspire and develop management abilities while setting measurable goals and providing leadership to support business growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, the Group provided a total of 113,204 hours of training to employees.

Our Hotel Division's learning and development programmes are robust and numerous and enable colleagues of relevant members of the Group to gain new skills and experience to advance them in their current and future jobs. These include:

- The First60 Certification programme
- The Langham Curriculum Certification (LCC)
- The Advanced Programme for Executives (APEX)
- The Langham Leadership Trainee Program (LLTP)

In 2022, the Eaton HK held two-day "train-the-trainer" programmes in which departmental trainers learned how to conduct on-the-job coaching for team members.

Cordis, Hong Kong focused on exploring colleagues' competencies and best practices through individual facilitation sessions aiming to unlock their full potential through a humanistic approach. Follow-up training sessions were then conducted covering such topics as resilience development, team building, collaboration with different generations, co-leadership, and creating a happy working environment. Cordis, Shanghai, Hongqiao also organized a 3-day "train-the-trainer" program to equip the training team with professional skills and practical experience to conduct future training within the hotel.



"Train-the-trainer" program

The Hotel Division also designed a training course called "First60 Certification" which allows new hotel colleagues to become familiar with their new working environment beginning on their first working day. The Group's Property Management Department also organises numerous on-site training and drills for its frontline colleagues. A variety of training courses covering various topics were also arranged for colleagues of the Group's headquarters.

Diversity and Inclusion

Promoting equal opportunities and diversity and inclusion in the workplace are vital to our business. The Group aims to recruit people from different backgrounds and provide them with equal opportunities to grow. We are committed to providing a fair and equitable workplace that adheres to relevant local laws and regulations.

The Group recognises that a diverse and inclusive workforce increases our creativity and competitive advantages. During 2022, we organised a Celebrate Diversity Month for the first time. Put on by our Hotel Division, the month revolved around a series of activities to show how we foster respect and open-mindedness for people from different backgrounds. Activities included a cafeteria promotion on diverse cuisines, cultural tips, sharing sessions on different languages and dialects, and others.

Since 2021, our Hotel division has supported the employment of persons with disabilities by participating in the Hong Kong Labour and Welfare Bureau's Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme. In 2022, our Hotel Division partnered with the Hong Chi Association and Hong Kong Lutheran Social Service. Trainees from these organisations worked in our hotels' back-of-house areas and supported day-to-day operations. Hotels of the Group in Shanghai also hire colleagues with disabilities through the local Disabled Persons Federation and internal referral. The hotels provide ongoing support to colleagues with disabilities to ensure they receive the same level of attention and training as others.

Also, in 2022:

- Eaton HK received the Gold Award from the Equal Opportunity Employer Recognition Scheme.
- Cordis, Hong Kong held an unconscious bias training session to promote a culture of diversity, equity and inclusion.
- The Langham, Hong Kong partnered with the Equal Opportunities Commission in an anti-discrimination seminar for colleagues to raise awareness about diversity and promote a respectful, accepting culture in the hotel.
- As part of the United Nations High Commissioner for Refugees (UNHCR) 15th Charity Refugee Film Festival, Eaton HK presented screenings of films and short videos covering the personal stories of refugee children and youths and in-depth documentaries on pressing global issues. The hotel also partnered with Christian Action Centre for Refugees to host the Father-Child Refugee Playback Theatre, an interactive drama based on a refugee family's story to help raise awareness for this marginalised and invisible minority group in Hong Kong.



Father-Child Refugee Playback Theatre

SOCIAL – COMMUNITY

The Group is committed to creating and building communities, not just properties. The Group works to achieve this with our community partners by designing community caring programmes that benefit people and the environment.

Community Investment Approach

Our community investment initiatives centre on three broad themes: art, children's education and environmental protection.

Art – We believe that art is vital to the communities. Art could enrich people's lives, promote social progress and cultural development.

Children's Education – We believe that the world's future relies on the next generation. Preschool and kindergarten are prime learning periods for young children, it is crucial to set them up for success during the times.

Environmental Protection – We believe that everyone in the community should be engaged in helping to protect our planet, which is why environmental protection lies at the core of the Group's organisational culture.

Community Involvement

Based on these three themes, the Group engages and partners with non-profit organisations on keystone projects that benefit the community. By focusing all of our philanthropic resources – financial, volunteer and in-kind donations – on such projects, the Group believes that we can create greater social impact.

In addition, most of our individual properties also conduct smaller-scale initiatives that reflect the needs of the surrounding communities.

Art

Great Eagle Music Children Ensemble

For the fourth year in a row, we supported the Great Eagle Music Children Ensemble in partnership with Music Children Foundation, a charitable organisation which provides free-of-charge music education to underprivileged children.

Established in 2018, the Ensemble provides young talents from underprivileged backgrounds with musical training and out-of-the-classroom exposure to nurture their talent and develop music and life skills. All members of the Ensemble are graduates of Music Children Foundation who wish to pursue their music studies further, which they have to undergo examination and selection process before being admitted to the Ensemble. The Ensemble has grown into a 69-member orchestra and a 16-member chorus. Besides regular training, Ensemble members are given opportunities to attend master classes, open rehearsals, music exchange programmes and public performances.



Great Eagle Music Children Ensemble

Art therapy for Underprivileged Children

Since 2017, the Group has been sponsoring J Life Foundation to provide art therapy to children from underprivileged families and those with special educational needs (SEN) by partnering with art studio PopaArt. Art therapy plays a role in encouraging children to express themselves through drawing or other creative means. Through their artwork, therapists are able to discover the children's inner world and provide them and their parents with appropriate support. In addition, the group learning approach enables students to communicate and appreciate each other, helping to improve their social skills.

Children's Education

Supporting Stay-At-Home SEN Students

Amid the severity of the COVID-19 pandemic in Hong Kong in early 2022, students took an early "summer break". Staying at home all day was challenging for families of SEN children. The Group sponsored St. James' Settlement's "SEN Children Drawing Competition", organised during this time, which aimed to unleash the children's creativity and relieve some of the stress experienced by these families.

Four categories were included in the competition: pre-school, junior primary, senior primary and junior secondary groups. The activity was well received, with the winners receiving book coupons, tailor-made tote bags and positive education learning packs.

Donating Back-To-School Care Packs

Amid the coronavirus outbreak, vulnerable groups encountered a shortage of anti-epidemic supplies. The Group partnered with the Hong Kong Single Parents Association, Caritas Mutual Aid Centre for Single Parent Families, Hong Kong Sheng Kung Hui Lady MacLehose Centre, Baptist Oi Kwan Social Service, and Christian Action to deliver back-to-school care packs to 1,000 underprivileged children and their families when schools resumed in-person classes.



Donating back-to-school care packs

Containing face masks, sanitiser and vitamin C supplements, the packs helped relieve the financial burden of families in need and fight the virus alongside the community. The anti-epidemic supplies also allowed the students to study in a safe and hygienic environment and return to a happy school life.

Job Training for Youth

The Group's hotels in Hong Kong supported the development of youth employment in 2022. The Langham, Hong Kong partnered with a secondary school and offered a job shadowing programme to provide practical training for two students in the catering and administration departments.

Eaton HK also held two Trainee Recruitment Parties, one in May and the other in July, in which various types of non-traditional hiring methods including grouping, gaming and team-building

activities were held for young people, allowing them to experience different types of interview methods.

Promoting Youth Upward Mobility

Senior colleagues at Champion REIT, one of the Group's principal holdings, participated in the "Strive and Rise Programme". Sponsored by the Hong Kong Government, the programme's aim is to tackle cross-generational poverty by helping students living in subdivided flats achieve their goals. Champion REIT colleagues became mentors for underprivileged students, and by sharing their own experiences and providing guidance, they helped their mentees broaden their horizons, reinforce their self-confidence and develop an optimistic outlook to strive for upward mobility.

The Group will continue to connect with tertiary institutions to host internship opportunities that allow students to acquire practical knowledge and workplace exposure that will benefit their future career direction.

Sponsoring the HKGCC Business Case Competition

For the third year in a row, Great Eagle sponsored the Hong Kong General Chamber of Commerce ("HKGCC") Business Case Competition, providing tertiary students with the opportunity to apply their knowledge and compete to solve a real-life business case.

In 2022, the case was "Rethinking the Hotel Industry – 2025 and Beyond". The students were asked to present innovative visions about how local hospitality could pivot to the new, post-pandemic reality in 2025 and beyond. Over 30 teams took part, with five shortlisted teams matched with mentors from our Hotel Division. After several coaching sessions, three teams proceeded to the final event to pitch their business ideas.



The HKGCC Business Case Competition

The “BELKK” team, made up of students from The University of Hong Kong, won the championship with their proposal for “EatonHub”, an app-based platform that would allow customers to connect with the entire Eaton hotel from their smart phone.

Environmental Protection

Partnership with Green Monday

Since 2021, Great Eagle and Green Monday have partnered to promote plant-based dining and sustainable food systems in the hopes of alleviating the impacts of climate change. This partnership organised Hong Kong’s first “Plant-Based Culinary Arts Academy”. Four seminar sessions held in partnership with Green Monday focused on promoting a plant-based diet in the F&B and hospitality industries. Running from July 2021 to June 2022, the seminars raised awareness about plant-based meat products; explored how chefs can become inspired and empowered to embrace plant-based meat options and promote them to diners; and explained how business owners and decision makers can advocate for top-down attitudinal changes regarding plant-based meat and the many correlations between our food choices and our impact on the environment.

Humble Roots

Put on by Eaton HK in 2022, Humble Roots was a month-long public programme highlighting the value and spirit of farming in Hong Kong and exploring the inextricable connection between humanity, food and nature and reimagining this connection with the land through art and culture.

Working alongside local agricultural organisations, crafters, farmers and artists, Humble Roots presented a series of workshops, exhibitions and installations that share local farming stories, as well as a month-long photography exhibition in the lobby and food hall of Eaton HK, featuring visuals of Hong Kong’s agricultural landscapes and the farmers that steward the land. The public were also invited to engage with Hong Kong’s farming culture beyond the installations by signing up for interactive experiences hosted by our collaborators, including a beekeeping workshop, a sustainable food-waste dyeing workshop and others.



Beekeeping workshop

“Love · Play · Farm”

“Love · Play · Farm” (LP Farm) is the recent Champion REIT’s green community project that enables multi-party collaboration. Located at the L4 outdoor area of Langham Place Mall, the new urban farm cultivates a wide range of organic produce, including mints, kale, eggplant, coffee bushes and other seasonal vegetables.



“Love · Play · Farm”

As one of the farm’s key initiatives, we partnered with one anchor tenant The Coffee Academics to realise the “Waste-to-Farm-to-Table” concept. Through turning the collected coffee grounds into compost, the farm-grown herbs were harvested and refined as the “First-in-Hong Kong” organic Mint Lemonade drink. The mall also hosted tenant horticulture workshops at the farm, where participants were given caring tips like planting, sowing, fertilising and watering by experienced gardening veteran. Participants were encouraged to bring their fully-grown plants back to the farm, rewarding them for their efforts.

Community Environmental Initiatives at Our Hotels

- The Executive Chef at The Langham, Melbourne set up a living herb garden to promote local indigenous plant species, such as Geraldton wax and Mountain pepper berry.
- The Chelsea in Toronto continued to partner with Toronto Bee Rescue. The hotel now has four hives located on the fourth-floor podium. The honey collected is used in recipes in our culinary department, used as giveaways to some customers and colleagues and sold in our Market Garden restaurant.

Volunteering

Corporate volunteering forms another vital element of our community involvement. The Group encourages all colleagues to give back to their communities and help people in need by joining volunteering services. At our properties around the world, colleagues volunteered in large and small ways in 2022.

Hong Kong

- The Group Volunteer Team visited the Children’s Cancer Foundation Lions Clubs Community Service Centre to celebrate an early Mid-Autumn Festival with a group of Sunshine Kids – child cancer patients and recovered patients. Our volunteers taught the children to make their own lanterns, shared legends about the Mid-Autumn Festival, played games with them and enjoyed a blissful moment together.



Visit to the Children’s Cancer Foundation Lions Clubs Community Service Centre

- The Group organised a corporate dress casual day on International Day for the Eradication of Poverty (17 October) to raise funds for The Lok Sin Tong Benevolent Society Kowloon – Social Housing Scheme that helps disadvantaged people improve their quality of life. Nearly 200 colleagues took part, and the Group matched donations to amplify the impact.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- The Group partnered with Hong Kong Single Parents Association to organise the “Make Your Christmas Wish Come True” event, in which 100 children from single-parent families made a wish by writing a letter to Santa. Our volunteers granted the children’s wishes by selecting the most appropriate gifts and replying to their letters in Santa’s name.



“Make Your Christmas Wish Come True” event

- Colleagues from Cordis, Hong Kong participated in the “Run for Survival 2022” on 6 November 2022 organised by Hong Kong Ocean Park Conservation Foundation to promote biodiversity and marine conservation by raising awareness about climate change.

- Eaton HK also partnered with Hong Kong organisations Chicken Soup Foundation and Sisterpeer to donate family staycation packages and 350 gift boxes prepared specifically for underprivileged and low-income families for the Mid-Autumn Festival.



Donation of family staycation packages and gift boxes

- Eaton HK also runs the Eaton HK Community Library, an honour system library where people can donate and return books; and a community food shelf for people in need. Located in the car park and open around the clock, anyone is welcome to donate or take food directly from the shelf.

Outside Hong Kong

- For the Mid-Autumn Festival, Cordis, Shanghai, Hongqiao visited the Xinhong Nursing Home and Rainbow School, giving away special mooncakes for the holiday, and expressing respect for elderly people and showing care for children.
- Cordis, Auckland partnered with the Make-a-Wish Foundation, fulfilling wishes for sick children wanting to stay in a five-star hotel. Our colleagues also organised balloons, bathrobes and an array of sweets and snacks.
- For the third year in a row, leaders from The Langham New York volunteered to conduct virtual mock interviews with job-seeking students. They role-played interview sessions with the students and gave feedback and noted areas for improvement to help them in their job searches.
- Chelsea Hotel Toronto is a long-term partner of The Hospital for Sick Children. Since 2013, the hotel has donated over a million Canadian dollars to support "AboutKidsHealth", a health education resource for children, young people and caregivers that provides reliable, evidence-based health information to families. On 1 November, the hotel presented the hospital with a cheque for \$100,000 Canadian dollars – the proceeds from our 2022 Annual Charity Golf Classic.



Cheque presentation from Chelsea Hotel Toronto

- Another long-term volunteering project for The Langham New York is preparing lunch for the homeless and jobless New Yorkers. In March, eight colleagues, three of whom are members our hotel's Executive Committee, volunteered to prepare lunch at The Bowery Mission. In June, 11 team members took part in this humbling experience.
- The Langham, London partnered with Refuge Network UK to participate the London Feeding Project. Colleagues packed and distributed food and necessities to homeless people, first at Trafalgar Square, followed by a street outreach with London Feeding Project volunteers.



Food support for the homeless and needy

 **Case study: Reprising our "Champion Mothers" Initiative with St James' Settlement**

Driving social empowerment and upward mobility in disadvantaged groups requires consistent, targeted support. Following the success of 2021's "Champion Mothers" Women Empowerment Programme, Champion REIT and St James' Settlement supported mothers with SEN children through a series of wellness and resilience-enhancing activities.

Sending Urgent Donations

In early 2022, pandemic restrictions and record-high numbers of new infections meant that Hong Kong was grappling with a shortage of food and material supplies and skyrocketing prices, worsening the problem of unequitable resource distribution. Our volunteers put together and rapidly delivered around 100 anti-pandemic gift

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

packs to these mothers. Containing surgical masks, healthy food, cleaners and detergents, and caring messages, the packs demonstrated our commitment to fighting the pandemic alongside them.

Summer Movie Screening

We invited the Champion Mothers and their children with SEN, along with other underprivileged families living in Tin Shui Wai, to a movie screening at Cinema City in Langham Place Mall. To provide a better experience for the SEN children, we altered the movie lighting and sound effects. Employees of Champion REIT also joined in the fun and presented gifts to the children.

Community Wellness

Community COVID-19 response

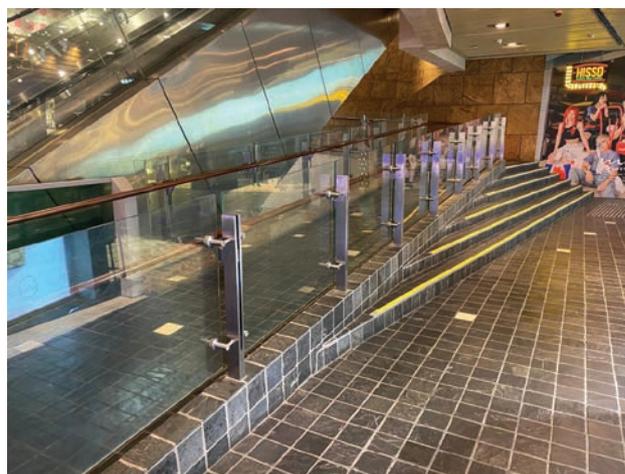
Throughout 2022, the global COVID-19 pandemic continued to create serious threats to the health and safety of our tenants and guests. As detailed in the Internal COVID-19 measures subsection of this Report, we implemented numerous rigorous measures across our properties to help reduce the risks of infection and transmission amongst our visitors. In addition to those measures, we also installed plasma cluster ion generators in passenger lifts and applied an inorganic metal catalyst membrane to the surfaces in lift cars and lift buttons on each floor to deter bacterial and viral spread.

Accessibility and Customer Inclusion

In 2022, we continued to integrate technological and human-centric measures into our customer services and indoor environments as we strive to create an ideal environment with good quality air, water, hygiene, and other essential elements. As a testament to our efforts to advance the overall well-being of our buildings and spaces, Three Garden Road became the first existing building in Hong Kong to receive Platinum WELL Building certification – the highest possible level.

The Group has also created a “discrimination-free environment” by consistently enhancing existing building features and launching new designs, where feasible, at our properties. Accessibility features include:

- Tactile guide paths
- Wheelchair ramps
- An induction loop system for hearing aid users
- A designated concierge counter for wheelchair users
- Special motion projection lighting to allow people with disabilities to enjoy a barrier-free time in the premises.
- A “guide dogs welcome” policy
- Wheelchair rental services
- A well-trained front-line team that can assist visual and hearing-impaired individuals



Wheelchair ramps

Wellness Activities Across Hong Kong

The Group increasingly believes in the value of a balanced lifestyle, and that events promoting wellness should be embraced and promoted. In 2022, the Group and Champion REIT introduced several wellness-focused events for tenants and their employees and customers. These included:

- A classical concert series *Musica del Cuore* (“music for the heart” in Italian), was held at Eaton Club at the Three Garden Road and sponsored by Champion REIT, that aimed to connect our community through music and opera. Local performers also shared their talents, with an average audience size of around 50 people per event.



Piano Performance by Ms. Miyako Arishima

- A piano recital by internationally-acclaimed Japanese pianist Ms Miyako Arishima, a highlight event as part of the “Japan Autumn Festival in Hong Kong – Rediscovering Nippon” series.
- Eaton Club and NGOs YAU Café and Chingmama handmade workshop partnered to hold a wellness-oriented coffee art workshop, with shoulder massages given by visually impaired masseurs and aromatherapy tips provided.
- At our hotels in Hong Kong, wellness talks and sound bath meditation and massage sessions were hosted in 2022 to inspire colleagues to adopt a healthy lifestyle.

 *Case Study: Accessibility Measures at Langham Place*

Langham Place Mall is becoming a showcase for Great Eagle’s accessibility achievements. As of the end of 2022, the mall provided nursing rooms for breastfeeding mothers on three levels, fully stocked with nursery supplies and with hygienic automatic doors leading to some of the nursery rooms; concierge services at a height suitable for wheelchair users; a wheelchair lending service for disabled persons; and special projection lighting and coloured warning signs at staircases to avoid falling incidents. The mall also provided professional training by Hong Kong Seeing Eye Dog Services for frontline staff to equip them with skills to serve customers with visual impairments.



Professional training by Hong Kong Seeing Eye Dog Services

Langham Place Mall is also becoming an inclusive mall for pets and their owners, creating a seamless shopping experience for all. After receiving support from more than 80% of our tenants, a pet stroller rental service and pet supplies are now available at the mall’s customer service counter. A training session was conducted with the mall’s frontline team in early December 2022, while signage has been placed around the mall to promote the fact that it is a pet-friendly place.

OPERATING PRACTICES

Maintaining the highest ethical standards is one of the Group's core values. The Group strives to engage business partners who can fulfil our sustainability values and commitments. The Group also aspires to be the preferred choice of customers by providing them with excellent and reliable services.

Corporate Governance

The Group is committed to developing and maintaining a high standard of corporate governance practices that reduce the risk of fraudulent practices, boost shareholders' confidence, serve the long-term interests of shareholders, and enhance the Group's image. From time to time, in order to ensure the integrity and accountability of our operations, the Board monitors and reviews the Group's corporate governance practices according to current regulatory requirements and needs. For information on our corporate governance performance, please refer to the separate Corporate Governance Report contained in this Annual Report.

The Group operates in a number of different jurisdictions, each with different legal and regulatory requirements. Policies and guidelines are in place to assist the Group in ensuring compliance with relevant laws and regulations that are material to the Group.

To ensure transparency and accountability, the Group reports cases of legal non-compliance with ESG-related laws and regulations in the ESG section of our Annual Report. These include convicted criminal cases against the Group, any major breaches that resulted in significant fines (greater than HK\$1 million) or other non-monetary sanctions. In terms of environmental regulations and compliance, any incidents resulting in significant fines or prosecutions or that relate to exceedances of environmental license limits are also reported. In 2022, there were no new reportable cases of non-compliance with the relevant laws or regulations which have a significant impact on the Group.

Anti-corruption

The Group is committed to adhering to the highest ethical standards both internally and at the supplier level. We comply with the United Nations Convention Against Corruption, as well as the Prevention of Bribery Ordinance in Hong Kong or relevant local laws and regulations in our overseas business.

To ensure our commitment and compliance, employees of relevant subsidiaries of the Group are given the Code of Conduct and the Anti-Fraud, Bribery and Corruption Policy which stipulate the requirements to which they should adhere. These employees are briefed on these requirements during their orientation. The Code and the Policy explicitly prohibit employees of relevant subsidiaries of the Group from soliciting, accepting or offering bribes or any other form of advantage. Extortion, fraud and money laundering are also strictly prohibited. New joiners of relevant subsidiaries of the Group receive anti-corruption training during orientation. From time to time, training materials on topics such as anti-fraud, bribery and corruption are provided to Directors and senior management of relevant members of the Group to enhance their understanding of requirements and their awareness of those activities.

During the year, the Group was not subject to any anti-corruption litigation cases against us or our employees, nor were there any violations of any of the relevant anti-corruption laws and regulations that have a material impact on the Group.

Supply Chain Management

The Group recognises that we can promote the adoption and support of sustainable practices through leadership and monitoring along the supply chain. To systematically manage environmental and social risks along our supply chain, the Group developed a Supplier Code of Conduct in 2012. This code considers potential environmental and social risks, including business integrity risks, fair labour practice risks (including prevention of child and forced labour) and environmental risks. The Supplier Code of Conduct is communicated to our suppliers through tendering documents.

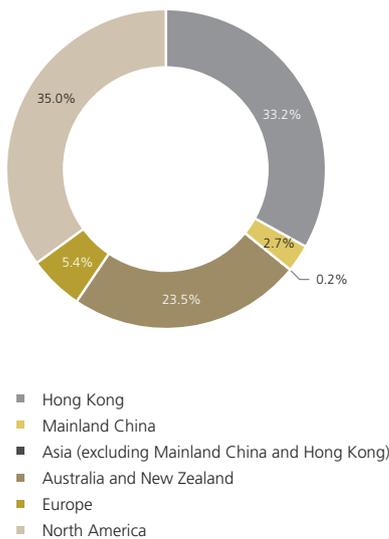
In 2022, the Group had a total of over 6,100 suppliers providing goods and services for the Group, with about 33.2% in Hong Kong, about 2.7% in Mainland China, about 0.2% in Asia (excluding Mainland China and Hong Kong), about 23.5% in Australia and New Zealand, about 5.4% in Europe, and about 35.0% in North America.

To ensure our suppliers’ adherence to sustainability principles, the Group now uses a checklist which transforms the requirements stated in the Supplier Code of Conduct into a Q&A format. The suppliers are required to fill out the checklist periodically, and their response rates and scoring profiles are analysed to ensure they are compliant with the Code.

The Group established a Sustainable Procurement Policy in 2021 to promote environmentally-preferable products and services when selecting suppliers. This policy requires procurement personnel to consider environmental factors during procurement, such as minimising or eliminating toxic, environmentally harmful and biodiversity depleting products, avoiding single-use disposable items and replacing them with reusables or recyclables, and considering recyclability when making purchases.

Our Hotel Division has also introduced a Supplier Code of Conduct, with major suppliers required to fill in a checklist every three years to keep us informed of their sustainability performance status. The Division has also developed a Responsible Purchasing Policy, which manages most strategic environmental and social issues along the supply chain.

Total Number of Suppliers by Geographical Region



Superior Quality Services

The Group is committed to providing superior quality services to our customers by satisfying their expectations and needs, whether they are guests at our hotels or tenants and shoppers at our properties. The Group's subsidiaries have established their own systems and policies regarding the delivery of customer service and support, complaint handling and dispute resolution.

Accurate information, fair and responsible marketing and contracts are provided to protect consumers according to the Trades Description Ordinance of Hong Kong or the relevant local laws and regulations for our overseas businesses.

To mitigate security risks from remote access, additional measures have been put in place to strengthen user authentication protocols for systems and network security. Phishing exercises are performed to raise information security awareness among colleagues and the corporate management team. Solutions to increase visibility regarding vulnerabilities have also been implemented to enhance the Group's overall data protection management environment.

Great Eagle's Property Management Department has implemented an ISO 9001 Quality Management System to ensure that our services meet customer needs and enhance customer satisfaction. Requirements of the system include:

- Establishing a customer feedback system to collect appreciation, complaints and general enquiries from the customers.
- Sending annual questionnaires to tenants to obtain their feedback.
- Giving timely feedback to customers and determining improvement actions.
- Enclosing a personal data collection statement with all application forms.
- Keeping and disposing of collected personal data in strict compliance with government regulations.

Our Hotels Division is committed to increasing guest loyalty by continuously improving and delivering excellent service. The Division aim to anticipate guests' needs and provide genuine service in a timely, reliable manner. Hotel employees are encouraged to take ownership of guest satisfaction, innovation, service excellence, and guests' data privacy.

AWARDS, MEMBERSHIPS AND CHARTERS

Awards

Environmental

Organiser	Award	Awarded Unit
Institute of ESG & Benchmark	ESG Achievement Awards 2021/2022 – ESG Performer of the Year – Platinum	Great Eagle Group
Hong Kong Green Building Council and Professional Green Building Council	Green Building Award 2021 – Green Building Leadership: Developer – Finalist	Great Eagle Group
Federation of Hong Kong Industries	BOCHK Corporate Environmental Leadership Awards 2021 – EcoPartner	Great Eagle Centre
CLP Power Hong Kong Limited	Smart Energy Award 2022 – Sustainable Vision Award	Langham Place
Electrical and Mechanical Services Department	Hong Kong Energy Efficiency Registration Scheme for Buildings – Outstanding Building Energy Efficiency Performance (Existing Building)	Langham Place
The Environmental Campaign Committee	Hong Kong Green Organisation Certification – Energywise Certificate – Excellent Level – IAQwise Certificate – Excellent Level	Langham Place
	Hong Kong Green Organisation Certification – Energywise Certificate – Excellent Level – IAQwise Certificate – Excellent Level	Three Garden Road
Zero Waste Awards	Zero Waste Award – 4 Stars	The Langham, London
Bloomberg Businessweek/ Chinese Edition	ESG Leading Enterprise Awards 2022 <ul style="list-style-type: none"> • ESG Leading Enterprise Award • Theme Award: Crisis Management 	ChampionREIT
Hong Kong ESG Reporting Awards 2022	Outstanding ESG Improvement Award – Commendation	ChampionREIT
Hong Kong Management Association	Best Annual Report Awards 2022 <ul style="list-style-type: none"> • Certificate of Excellence in Environmental, Social and Governance Reporting 	ChampionREIT
	Hong Kong Sustainability Award 2022 <ul style="list-style-type: none"> • Distinction • Special Award – Excellence in Social Sustainability Initiative • Special Award – Excellence in Innovation • Special Award – Excellence in Pandemic Resilience 	ChampionREIT

Social

Operating Practices

Organiser	Award	Awarded Unit
Stevie Awards, Inc	19th International Business Awards – Company of the Year – Real Estate – Large – Silver Stevie Winner	Great Eagle Group
Hong Kong Police Force	Outstanding Security Services – Industrial/Commercial Property Award	Great Eagle Centre
Hong Kong Quality Assurance Agency	Anti-Epidemic Hygiene Measures Certification	Great Eagle Centre
Hong Kong Quality Assurance Agency	Gold Seal for Business Resilience & Community Contribution	Great Eagle Centre Langham Place
Water Supplies Department	Quality Water Supply Scheme for Buildings – Fresh Water – Gold	Great Eagle Centre Langham Place
Environmental Protection Department	Indoor Air Quality Certificate – Excellent Class	Langham Place
Hong Kong Police Force	Honourable Managed Property Award	Langham Place
Hong Kong Police Force	Outstanding Managed Public Carpark Award	Langham Place
Electrical and Mechanical Services Department	Quality Lift Service Recognition Scheme – Gold Award	Langham Place
Condé Nast Traveler	2022 Readers' Choice Awards No. 10 on the list of the Top 10 Hotels in Australia and New Zealand No. 5 on the list of the Top 10 Hotels in the Northeast No. 2 on the list of the Top 10 in Hong Kong No. 10 on the list of the Top 20 in Southern California No. 24 on the list of the Top 40 in London No. 5 on the list of the Top 10 Hotels in Australia and New Zealand No. 9 on the list of the Top 20 in Mainland China	Cordis, Auckland The Langham, Boston The Langham, Hong Kong The Langham Huntington, Pasadena The Langham, London The Langham, Sydney The Langham, Shanghai, Xintiandi

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Organiser	Award	Awarded Unit
Michelin Guide (Hong Kong & 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	One Michelin Stars Rating	Ming Court at Cordis, Shanghai, Hongqiao
	One Michelin Stars Rating	T'ang Court at The Langham, Shanghai, Xintiandi
Travel + Leisure Magazine	2022 World's Best Awards	
	No. 3 of the 10 Best Hotels in Boston	The Langham, Boston
	No. 3 of the 10 Best Hotels in Chicago	The Langham, Chicago
	No. 1 of 5 Best City Hotels in Australia and New Zealand	The Langham, Melbourne
U.S. News & World Report	No. 5 on the 15 Best Hotels in New York City	The Langham, New York, Fifth Avenue
	2022 Best Hotels in USA	
	No. 8 Best Hotels in the USA	The Langham, Chicago
	No. 2 Best Hotels in Illinois	The Langham, Chicago
2022 Forbes Travel Guide	No. 2 Best Hotels in Chicago	The Langham, Chicago
	Star Award	The Langham, Chicago
Wine Spectator	The 2022 Restaurant Awards	The Langham Huntington, Pasadena

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community

Organiser	Award	Awarded Unit
CorpComms Magazine	CorpComms Awards 2021 – Best Sustainability Initiative	Great Eagle Group
The Asset	The Asset ESG Corporate Awards 2021 – Best Initiative in Social Responsibility	Great Eagle Group
Stevie Awards, Inc	The 9th Asia-Pacific Stevie Awards – Innovation in Sponsorships – Gold Stevie Award	Great Eagle Group
Green Council	SDG Achievement Awards Hong Kong 2022 – Project Award – Merit	Great Eagle Group
Royal Institution of Chartered Surveyors	RICS Awards Hong Kong 2022 – Corporate Social Responsibility Project of the Year – Highly Commended	Great Eagle Group
Association of Marketing and Communication Professionals	Communities Awards 2022 – Excellence in Community Service – Company Community Service – Community Partnership	Great Eagle Group
The Hong Kong Council of Social Service	The Caring Company Scheme 2021/22 – 10 Years Plus Caring Company Logo	Great Eagle Group ChampionREIT
TAA NSW	Outstanding Community Contribution	The Langham, Sydney
Fair Trade Hong Kong	Fair Trade Award 2021/22 • Silver Award	ChampionREIT

Memberships

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

Charters

Organiser	Charter
Business Environment Council	Low Carbon Charter
Carbon Neutral@HK	Carbon Neutrality Partnership
Water Supplies Department	Enterprises Cherish Water Charter 2022
Green Sense	No Air-Con Night
Environment and Ecology Bureau	Energy Saving Charter 4T Charter
Occupational Safety & Health Council	Charter on Preferential Appointment of OSH Star Enterprise
Environment Bureau	Peach Blossom Trees Recycling Programme Natural Christmas Trees Recycling Programme
Environmental Protection Department	Food Wise Charter

APPENDICES

Appendix 1: 2022 ESG Performance Data Summary

(A) Environmental Performance⁽¹⁾

Aspect	Unit	Hong Kong Properties	Owned Hotels
1. Energy Consumption			
1.1 Direct Energy Consumption	GJ	903	144,607
1.2 Direct Energy Intensity	GJ/m ² /year	0.0022	0.2341
1.3 Indirect Energy Consumption	GJ	141,382	508,081
1.4 Indirect Energy Intensity	GJ/m ² /year	0.3405	0.8225
1.5 Total Energy Consumption	GJ	142,285	652,688
1.6 Energy Consumption Intensity	GJ/m ² /year	0.3427	1.0566
2. Carbon Emissions⁽²⁾			
2.1 Direct Carbon Emissions (Scope 1) ⁽³⁾	Tonnes of CO ₂ e	68	10,672
2.2 Indirect Carbon Emissions (Scope 2) ⁽⁴⁾	Tonnes of CO ₂ e	22,109	44,942
2.3 Total Carbon Emissions (Scopes 1 & 2)	Tonnes of CO ₂ e	22,177	55,614
2.4 Carbon Intensity (Scopes 1 & 2)	Tonnes of CO ₂ e/m ² /year	0.0534	0.0900
3. Water Consumption			
3.1 Water Consumption – Municipal	m ³	273,830	1,180,759
3.2 Water Intensity	m ³ /m ² /year	0.6595	1.9113
4. Non-hazardous Waste Disposal			
4.1 Total Non-hazardous Waste Disposal to Landfill	Tonnes	3,857	3,116
4.2 Total Non-hazardous Waste Intensity	Tonnes/m ²	0.0093	0.0053
5. Hazardous Waste			
5.1 Hazardous Waste Reused, Recycled and Recovered	kg	905	208
6. Materials Recycled			
6.1 Materials Recycled	Tonnes	151.30	1,554
6.2 Paper	Tonnes	132	406
6.3 Metal	Tonnes	0.40 ⁽⁷⁾	14
6.4 Plastic	Tonnes	0.52	9
6.5 Glass	Tonnes	0.38	276
6.6 Food Waste	Tonnes	18	679
6.7 Used Cooking Oil	Tonnes	–	43
6.8 Others	Tonnes	–	127 ⁽⁸⁾

(B) Social Performance⁽⁹⁾

Aspect	Category	Hong Kong Properties	Owned Hotels
1. Total Workforce⁽¹⁰⁾	Total	819	4,821
By Gender	Male	455	2,465 ⁽¹¹⁾
	Female	364	2,354 ⁽¹¹⁾
By Age Group	Under 20 Years Old	2	74
	20 to <30 Years Old	107	1,128
	30 to <40 Years Old	205	1,235
	40 to <50 Years Old	206	1,049
	50 Years Old and above	299	1,335
By Employment Contract	Permanent ⁽¹²⁾	811	4,732
	Contract ⁽¹³⁾	8	89
By Employment Type	Full-time ⁽¹⁴⁾	796	4,216
	Part-time ⁽¹⁵⁾	23	605
By Geographical Region	Hong Kong	786	1,388
	Mainland China	15	533
	North America	17	1,671
	Europe	1	341
	Australia and New Zealand	–	888
2. Turnover Rate⁽¹⁶⁾	Overall	38.1%	42.1%
By Gender	Male	31.8%	38.7%
	Female	46.1%	45.7%
By Age Group	Under 20 Years Old	85.7%	125.9%
	20 to <30 Years Old	72.5%	76.3%
	30 to <40 Years Old	49.7%	42.4%
	40 to <50 Years Old	29.6%	28.8%
	50 Years Old and above	25.1%	20.1%
By Geographical Region	Hong Kong	38.5%	31.4%
	Mainland China	19.4%	55.7%
	North America	37.9%	30.4%
	Europe	0%	32.4%
	Australia and New Zealand	–	75.9%
3. Total Training Hours	Total	5,354	107,850
Average Training Hours	Average per Employee	6.5 ⁽¹⁷⁾	23.2 ⁽¹⁸⁾
By Gender (in hours) ⁽¹⁹⁾	Male	6.3	– ⁽²⁰⁾
	Female	6.9	– ⁽²⁰⁾
By Employee Category (in hours) ⁽²¹⁾	Management	7.7	19.6
	Non-management	6.2	23.5
4. Occupational Health and Safety			
Number of Lost Time Injuries		27	127
Total workforce hours (in thousands)		1,948	11,107
Lost Time Injury Rate (LTIR) ⁽²²⁾		14	11
Lost Days ⁽²³⁾ Due to Injury ⁽²⁴⁾		531	1,708
Lost Day Rate (LDR) ⁽²⁵⁾		272	154
Number of Fatalities (Employee)		0	0
Rate of Fatalities (Employee)		0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Category	Hong Kong Properties	Owned Hotels
5. Governance			
Convicted Cases of Corruption		0	0
6. Supply Chain			
By Geographic Region			
	Hong Kong	1,128 ⁽²⁶⁾ (96.9%)	1,052 ⁽²⁷⁾ (20.6%)
	Mainland China	9 (0.8%)	159 (3.1%)
	Asia (excluding Hong Kong and Mainland China)	8 (0.7%)	–
	Australia and New Zealand	4 (0.3%)	1,441 (28.1%)
	Europe	7 (0.6%)	324 (6.3%)
	North America	8 (0.7%)	2,143 (41.9%)

Reporting Boundary:

Our “Hong Kong Properties” consisting of (1) Great Eagle Centre, (2) Three Garden Road and (3) Langham Place (Langham Place Office Tower and Langham Place Mall).

Our “Owned Hotels” consisting of (1) The Langham, Hong Kong; (2) Cordis, Hong Kong; (3) Eaton HK; (4) The Langham, London; (5) The Langham, Boston; (6) The Langham, Sydney; (7) The Langham, Melbourne; (8) The Langham Huntington, Pasadena, Los Angeles; (9) The Langham, Xintiandi, Shanghai; (10) The Langham, Chicago; (11) The Langham, New York, Fifth Avenue; (12) Cordis, Auckland; (13) Cordis, Shanghai Hongqiao; (14) Eaton, DC; (15) Chelsea Hotel, Toronto; (16) Eaton Residences and (17) Ming Court, Wanchai.

It is our practice not to report KPIs for new developments until operational performance data is available for at least one full calendar year after each development has been opened and reached a significant level of occupancy. As such, Ying’nFlo, which opened in October 2022, is not included in the scope of this Report.

Notes:

- (1) All numbers are subject to rounding. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.
- (2) Calculation standards and methodologies for carbon emissions:

Carbon emissions are calculated using the following:

- Hong Kong: “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong” (2010 edition), published by the Environmental Protection Department (“EPD”) and the Electrical and Mechanical Services Department (“EMSD”) of the Hong Kong Government.
- Mainland China: “Guidelines for Accounting and Reporting GHG Emissions – China Public Building Operation Units (Enterprises) (Trial) (2015 edition)”, published by the National Development and Reform Commission of the People’s Republic of China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- United Kingdom: “2022 Government Greenhouse Gas Conversion Factors for Company Reporting (June 2022)”, published by the Department for Energy Security and Net Zero and Department for Business, Energy & Industrial Strategy. Last updated on 20 September 2022.
- Canada: Emission Factors and Reference Values Version 1.0 (June 2022)”, published by the Government of Canada.
- United States: GHG Inventory Guidance published by the United States Environmental Protection Agency. Last updated on 6 December 2022.
- New Zealand: “Measuring emissions: A guide for organisations: 2022 summary of emission factors” published by the New Zealand Government. Last updated on 16 August 2022.
- Australia: “Australian National Greenhouse Accounts Factors: 2021” published by the Department of Climate Change, Energy, the Environment and Water.
- GHG Protocol published by the World Business Council for Sustainable Development (“WBCSD”) and the World Resources Institute.

The sources of emission factors for the reporting of carbon emission are as follows:

- Hong Kong: Sustainability Reports of local utility companies and Global Warming Potential (“GWP”) rates from Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, published by the EPD and EMSD of the Hong Kong Government.
- Mainland China: Notice on the Adjustment of the Values of Emission Factors Relevant to the City’s Greenhouse Gas Emission Accounting Guidelines, published by Shanghai Municipal Bureau of Ecology and Environment (2022 edition).
- United Kingdom: Conversion factors 2022: full set (for advanced users) from the Department for Business, Energy & Industrial Strategy and the Department for Environment Food & Rural Affairs. Last updated on 20 September 2022.
- Canada: “Emission Factors and Reference Values Version 1.0 (June 2022)”, published by the Government of Canada.
- United States: Emission Factors for Greenhouse Gas Inventories (April 2022), published by the United States Environmental Protection Agency.
- New Zealand: “Measuring emissions: A guide for organisations 2022 summary of emission factors”, published by the New Zealand Government. Last updated on 16 August 2022.
- Australia: “Australian National Greenhouse Accounts Factors: 2021”, published by the Department of Climate Change, Energy, the Environment and Water.
- GHG Protocol published by the WBCSD and the World Resources Institute.

Carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) are included in greenhouse gas emissions calculations while hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) are not applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (3) Direct carbon emissions (Scope 1) included town gas, natural gas, petrol, gasoline combustion in vehicles, and diesel for routine maintenance and emergency generator checks.
- (4) Indirect carbon emissions (Scope 2) included GHG generated by town gas, natural gas, chilled water, steam, and purchased electricity.
- (5) The amount of hazardous waste produced by the Group during the reporting period was insignificant. Hazardous waste generated by the Group included fluorescent tubes and clinical waste. The fluorescent tubes were collected by qualified recyclers for treatment in a safe manner, while clinical waste was collected by registered collectors hired by tenants.
- (6) Recycling data for some months is calculated based on projections from historical figures.
- (7) Recycled metal from Great Eagle Centre ("GEC") represents the number of aluminium cans collected. For other properties, the weight of metals collected and recycled is recorded. The figure from GEC is calculated by multiplying the number of aluminium cans collected by the weight of each can (15 grams).
- (8) "Others" is defined as other recyclables including furniture, textile, e-waste, styrofoam/polystyrene and other commingled recyclables.
- (9) Percentages may not add up to 100% due to rounding.
- (10) The workforce figures represent workforce information as of 31 December 2022.
- (11) The total may not add up to 4,821, as two employees have declared themselves to be non-binary.
- (12) "Permanent" means a contract with an employee for full-time or part-time work for an indeterminate period.
- (13) "Contract" means a contract of employment as defined above that ends when a specific time period expires or when a specific task that is associated with a time estimate is completed.
- (14) "Full-time" is defined as a minimum of nine months per year and a minimum of 30 hours per week.
- (15) "Part-time" is defined as working hours per week, month or year that are less than "full-time", as defined above.
- (16) Turnover rate is computed as total yearly number of leavers divided by the average 12-month headcount of the respective category.
- (17) Average training hours are computed by dividing the total training hours of the Hong Kong properties by the total workforce of these properties.
- (18) As no complete records were kept for Eaton Residences, Ming Court Wanchai, Eaton DC, and Eaton Workshop, the average training hours were computed by dividing the total training hours (excluding Eaton Residences, Ming Court Wanchai, Eaton DC and Eaton Workshop) by the total hours worked (excluding Eaton Residences, Ming Court Wanchai, Eaton DC, and Eaton Workshop).
- (19) Average training hours by gender are computed as the total training hours of the category divided by the total workforce of the respective category.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (20) The relevant data is not available in 2022. The Group is actively improving the data collection system and starting internal discussions. Further information will be disclosed in due course.
- (21) Average training hours by employee are computed as the total training hours of the category divided by the total workforce of the respective category.
- (22) The lost time injury rate (“LTIR”) represents the number of injuries per 500 employees per year. It is calculated as the number of lost time injuries multiplied by 1,000,000 and then divided by total hours worked. The factor 1,000,000 is the annual hours worked by 500 employees, based on 40 hours per week for 50 weeks a year.
- (23) Lost days refers to a worker or workers being unable to perform their usual work because of an occupational accident or disease.
- (24) Lost days due to injuries exclude all rest days.
- (25) The lost day rate (“LDR”) represents the number of lost scheduled working days per 500 employees per year. It is calculated as the total number of injuries multiplied by 1,000,000 and then divided by total hours worked. The factor 1,000,000 is the annual hours worked by 500 employees, based on 40 hours per week for 50 weeks a year.
- (26) These figures include suppliers from Eaton Residences and Ming Court, Wanchai as the procurement records and the corresponding supplier data were processed and stored in the Group’s internal procurement computer system along with the supplier information for our Hong Kong properties.
- (27) The figures exclude suppliers from Eaton DC, Eaton Residences and Ming Court, Wanchai.

Appendix 2: HKEX ESG Reporting Guide Content Index

Mandatory Disclosures	Page Number and Remarks
Governance Structure	32-33
Reporting Principles	30
Reporting Boundary	30, 72

Aspects and General Disclosure	KPI	Content	Page Number and Remarks
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A. Environmental

A1 Emissions	A1	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	36 In 2022, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Group.
	A1.1	The types of emissions and respective emissions data	36-40, 70 Emissions of NO _x , SO _x and other pollutants are not considered significant in our operations.
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	36-40, 70
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	70 We do not consider the Group to be a major producer of hazardous waste.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	42-44, 70
	A1.5	Description of emissions target(s) set and steps taken to achieve them	36-40
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	42-44

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects and General Disclosure	KPI	Content	Page Number and Remarks
A2 Use of resources	A2	General disclosure Policies on the efficient use of resources, including energy, water and other raw materials	33, 35-37
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	70
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	41, 70
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	35-40
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	41-42 In 2022, we did not encounter any problems in sourcing water for daily operations.
	A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	–#
A3 The environment and natural resources	A3	General disclosure Policies on minimising the issuer's significant impact on the environment and natural resources	33, 35-37
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	35-45, 56-58
A4 Climate Change	A4	General disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	33, 35-37
	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	36-37
B. Social			
B1 Employment	B1	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	46-47, 52-53 In 2022, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Group.
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	46-48, 71

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects and General Disclosure	KPI	Content	Page Number and Remarks
	B1.2	Employee turnover rate by gender, age group and geographical region	71
B2 Health and safety	B2	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	33, 48-51 In 2022, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Group.
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	49, 71
	B2.2	Lost days due to work injury	49, 71
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	48-51
B3 Development and training	B3	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	33, 51-52
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	–#
	B3.2	The average training hours completed per employee by gender and employee category	71
B4 Labour standard	B4	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	33, 46-47 In 2022, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Group.
	B4.1	Description of measures to review employment practices to avoid child and forced labour	46-47
	B4.2	Description of steps taken to eliminate such practices when discovered	46-47 In 2022, we did not discover any such practices in our operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects and General Disclosure	KPI	Content	Page Number and Remarks
B5 Supply chain management	B5	General disclosure Policies on managing environmental and social risks of the supply chain	33, 63
	B5.1	Number of suppliers by geographical region	63, 72
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	63
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	63
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	45, 63
B6 Product responsibility	B6	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	64 In 2022, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Group.
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	64 In 2022, we were not aware of any recall concerning the provision and use of products and services that have a significant impact on the Group.
	B6.2	Number of products and service related complaints received and how they are dealt with	64 In 2022, there were no substantiated complaints received relating to the provision and use of products and services that have a significant impact on the Group.
	B6.3	Description of practices relating to observing and protecting intellectual property rights	62, 64
	B6.4	Description of quality assurance process and recall procedures	64
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	33, 64

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects and General Disclosure	KPI	Content	Page Number and Remarks
B7 Anti-corruption	B7	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	62 In 2022, there was no new reportable cases of non-compliance with such laws or regulations, which have a significant impact on the Group.
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	In 2022, there were no concluded legal cases regarding corrupt practices brought against the Group and its employees.
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	62
	B7.3	Description of anti-corruption training provided to directors and staff	62
B8 Community investment	B8	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	53
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	53
	B8.2	Resources contributed (e.g. money or time) to the focus area	43, 53-61

Remark:

The relevant data is not available in 2022. The Group is actively improving the data collection system and starting internal discussions. Further information will be disclosed in due course.

Appendix 3: Verification Statement



VERIFICATION STATEMENT

Scope and Objectives

Hong Kong Quality Assurance Agency (“HKQAA”) has been commissioned by Great Eagle Holdings Limited (“Great Eagle”) to conduct an independent verification of its Environmental, Social and Governance Report 2022 (the “Report”). The Report illustrates Great Eagle’s efforts and performance in environmental, social and governance (“ESG”) aspects for the period of 1st January 2022 to 31st December 2022. The Report has been prepared in accordance with the Hong Kong Exchange’s ESG Reporting Guide, under Appendix 27 of the Main Board Listing Rules, and satisfies its “comply or explain” provisions.

The objective of this verification is to provide a reasonable assurance of the claims and performance data stated in the Report including Environmental performance such as energy consumption, carbon emissions (Scopes 1 & 2), Safety performance such as number of fatalities, Lost time injury rate and lost day rate, as well as Governance aspects such as convicted cases of corruption. The boundary includes Great Eagle’s major businesses in the development, investment and management of hotels and properties, which covers its corporate office, owned hotels and major owned and/or managed properties. These include Great Eagle Centre, Three Garden Road, Langham Place (office and retail) and owned hotels in Hong Kong and overseas.

HKQAA’s responsibility is to provide an independent assurance on the completeness, accuracy and reliability of the information and data stated in the Report. Our verification process covers:

- Evaluation of the selected ESG performance information and to confirm data accuracy and consistency.
- Reviewing the data management mechanism and to confirm the system reliability.

Level of Assurance and Methodology

The process applied in this verification is based on:

- The International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.
- The International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board.

The verification procedure has been designed for devising appropriate opinions and conclusions to obtain a reasonable level of assurance, including the review of systems and processes for collecting, collating, and reporting of the performance data, the checking of supporting documentation and the discussion with responsible personnel for preparing the Report. The extent of this verification process has covered the criteria specified in the ESG Reporting Guide. Raw data and supporting evidence of the selected samples have been thoroughly examined during the verification process.

Independence

Great Eagle is responsible for the preparation and presentation of the Report. HKQAA’s verification activities are independent from Great Eagle. There is no relationship between HKQAA and Great Eagle that would affect the impartiality of the verification service.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report satisfies the mandatory disclosure requirements and the “comply or explain” provisions outlined in the ESG Reporting Guide.
- The sampled claims and performance data are accurate, complete and reliable.
- The Report disclosures, covering the material and relevant ESG aspects of Great Eagle, are balanced, comparable, clear and in a timely manner.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
February 2023

CORPORATE GOVERNANCE REPORT

Great Eagle Holdings Limited is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance corporate 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 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 during the year 2022 and up to the date of this report are set out below:

- **Change in Board Composition**

Mr. Zhu Qi was appointed as an Independent Non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 1 January 2022 to fill the vacancies following the re-designation of Mr. Poon Ka Yeung, Larry as an Executive Director of the Company on 22 December 2021. Mr. Ho Shut Kan was appointed as an Independent Non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 28 December 2022 to fill the vacancies following the passing away of Mr. Lee Siu Kwong, Ambrose and Mr. Cheng Hoi Chuen, Vincent, both being Independent Non-executive Directors of the Company, on 14 August 2022 and 28 August 2022 respectively. Mr. Zhu Qi was appointed as chairman of the Audit Committee on 25 November 2022 to fill the vacancy left by Mr. Cheng. The number of Independent Non-executive Directors of the Company has fallen short of the minimum number required under Rule 3.10A of the Listing Rules, which requires the number of independent non-executive directors representing at least one-third of the Board. Waivers were granted by the Stock Exchange to extend the grace period under Rule 3.11 to 28 March 2023 to comply with Rule 3.10A of the Listing Rules. The Company would endeavour to identify an additional suitable candidate in order to fulfill the requirements of the Listing Rules. Formal announcements and updated list of Directors of the Company and their respective roles and functions in relation thereto were published.

- **Amendments to the Constitutional Documents**

The Board of Directors persistently review and update the policies and constitutional documents of the Company. During the year, the Board of Directors obtained the approval of the Shareholders at the Special General Meeting held on 5 May 2022 to update the Bye-laws in order to bring it up to date and in line with the Listing Rules and allow all general meetings of the Company to be held as physical meetings or as hybrid meetings or electronic meetings. Updated version of the Bye-laws is available for download from the Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (www.hkexnews.hk).

- **Change of Address of Registered Office**

The address of the Company's registered office has been changed to Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda with effect from 6 September 2022. The address of the principal place of business of the Company in Hong Kong remained unchanged. Formal announcement was made.

- **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 2022, an aggregate of 5,052,000 share options were granted to the eligible employees (including Executive Directors and their associates). Formal announcement was made on 18 March 2022.

- **General Mandates to Buy-back and Issue Shares of the Company**

General mandates to buy-back no more than 10% of the issued shares and issue no more than 20% of the issued shares of the Company were granted by the Shareholders at the Annual General Meeting of the Company held on 5 May 2022 with 99.89% and 72.18% 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 2022 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 this Corporate Governance Report. It plays a central supportive and supervisory role in the Company's corporate governance duties. The governance framework adopted by the Company emphasizes effective risk management and internal control systems, accountability to Shareholders, transparency in reporting, compliance with relevant rules and regulations. 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 the Group's 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 the Group's 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 the Group's 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 Group's website at www.GreatEagle.com.hk.

Compliance with CG 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 B.2.2 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 111 of this Annual Report and in note 11 to the consolidated financial statements respectively.

CG Code Provision C.1.4 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 stages of development of the Group. Since she is relatively inactive in the Group's business in recent years, she has not participated in the 2022 Director Development Program provided by the Company.

CG Code Provision C.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 C.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 four 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, and who is supported by the Executive Directors and senior management.

CG Code Provision E.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 Composition

The composition of the Board and its changes since 1 January 2022 are set out as follows:

Executive Directors

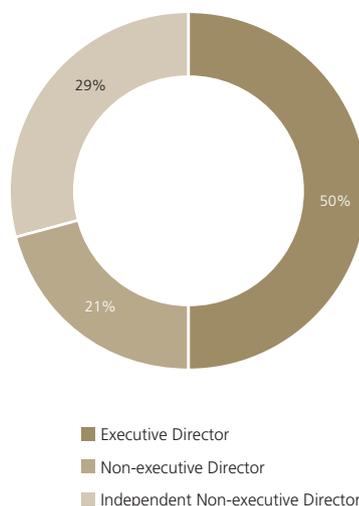
Dr. LO Ka Shui (*Chairman and Managing Director*)
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. LO Chun Him, Alexander
Mr. KAN Tak Kwong (*General Manager*)
Mr. CHU Shik Pui
Professor POON Ka Yeung, Larry

Non-executive Directors

Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui

Independent Non-executive Directors

Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi (*appointed on 1 January 2022*)
Mr. HO Shut Kan (*appointed on 28 December 2022*)
Mr. CHENG Hoi Chuen, Vincent (*passed away on 28 August 2022*)
Mr. LEE Siu Kwong, Ambrose (*passed away on 14 August 2022*)



Following the passing away of two Independent Non-executive Directors of the Company, the number of Independent Non-executive Directors of the Company has fallen short of the minimum number required under the Listing Rules, which requires the number of independent non-executive directors representing at least one-third of the Board. The efforts of the Company in identifying potential candidates were impeded by the implementation of epidemic containment measures under the COVID-19.

The Company had applied for, and the Stock Exchange had granted to the Company, waivers for strict compliance with the Listing Rules for filling the vacancies. The Company would endeavour to identify an additional suitable candidate in order to fulfill the requirements of the Listing Rules. Formal announcements and updated list of Directors of the Company and their respective roles and functions in relation thereto will be published.

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.

Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws. The Bye-laws requires that at each annual general meeting, 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 from pages 111 to 118 of this Annual Report and maintained on the Group's website at (www.GreatEagle.com.hk).

MEMBERS OF THE BOARD OF DIRECTORS

- The Board currently has fourteen members, including seven Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. The Company is endeavoring to appoint one additional Independent Non-executive Director so that the number of Independent Non-executive Directors represents at least one-third of the Board.
- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) 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 approximately 21% of the Board seats of the Company.

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, providing insights regarding the Group's culture and values and is ultimately accountable for the Group's activities, strategies and financial performance.

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
- Maintain and promote the culture of the Group
- 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 annual budgets and forecasts
- 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

Board Independence

The Company recognises that board independence is critical to good corporate governance and board effectiveness. The participation of Independent Non-executive Directors in the Board brings independent and objective 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. To ensure independent views and input are available to the Board, the following mechanisms are established by the Board, and Board Committees follow the same processes, where applicable, as the Board:

1. Independence Assessment

Each of the Independent Non-executive Directors has provided a written annual confirmation of independence to the Company on their compliance with the independence requirements as set out under Rule 3.13 of the Listing Rules. The Nomination Committee shall assess the independence of Independent Non-executive Directors upon appointment and annually to ensure they can continually exercise independent judgement.

2. Composition of Board

Currently, the Board comprises fourteen members, including seven Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. The Company is endeavoring to appoint one additional Independent Non-executive Director so that the number of Independent Non-executive Directors represents at least one-third of the Board.

3. Board Decision Making

The dates of the regular Board and Board Committee Meetings of any year are determined in the fourth quarter of the previous year. At least 14 days' formal notice of regular Board and Board Committee Meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda. By at least 3 business days in advance of every regular Board and Board Committee Meeting, Directors are provided with the meeting agenda and the relevant board papers containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.

In accordance with the Bye-laws, each of the Directors has to disclose his/her interest, if any, in the matters to be considered at the Board meetings. A Director shall abstain from voting in respect of any transaction, contract or arrangement in which he/she is interested.

Independent Non-executive Directors should attend all regular meetings of the Board and Board Committees on which they serve. They should also attend general meetings of the Company to acquire understanding of the views of Shareholders.

4. Remuneration of Independent Non-executive Directors

Independent Non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committees and no equity-based remuneration (e.g. share options or grants) with performance-related elements will be granted to Non-executive Director and Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

5. Access to Professional Advice and up-to-date information

The Company Secretary provided induction pack and orientation program for all new recruits to the Board. Such pack and program would familiarise the newly appointed Director with the nature of the business, the corporation's strategy, the internal control and corporate governance practices and policies, and directors' duties and responsibilities. Subsequent information packages are regularly provided to the Directors to keep them abreast of their responsibilities and infuse them with new knowledge relevant to the Company's current business and operating environment.

To facilitate proper discharge of Directors' duties and responsibilities, all Directors (including Independent Non-executive Directors) are entitled to seek advice from the Company Secretary or in-house legal team as well as from independent professional advisers at the expense of the Company, in which the Company Secretary is responsible to make all necessary arrangement.

6. Independent views and inputs treasured and valued

During the Board and Board Committee meetings, the Non-executive Directors and Independent Non-executive Directors are encouraged to express freely their independent views and inputs in an open and candid manner. The Non-executive Directors and Independent Non-executive Directors have provided open and objective challenge to the management and brought outside knowledge of the businesses and markets in which the Group operates and provide informed insight and responses to management. Comments and concerns raised by the Directors are closely followed up by the management.

The Company Secretary is required to prepare minutes that record not only the decision reached but any concerns raised or dissenting views expressed by Directors. Draft version of the minutes is circulated to all Directors for their comment and confirmation. The final version also be received by the Directors for records. Minutes of all Board and Board Committee Meetings are available for Directors' inspection.

7. 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 includes 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 2022, various reading materials were circulated to the Directors including but not limited to researches and studies on the property and hotel market outlook, technology trends, issues on financial reporting, employment matters, anti-corruption and personal data privacy, current trends on travel and economic forecast. All Directors (except Madam Lo To Lee Kwan) have 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.

8. 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 Directors also have access to the advice and services of the Company Secretary. As the Group's employee, 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.

The Board considers the above measures could facilitate the Directors to contribute effectively and independent views and input are available to the Board and Board Committees. The Board shall review the implementation and effectiveness of the above mechanisms on an annual basis.

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.

Attendance Record at Board Meetings, Board Committee Meetings and General Meetings

Four full physical Board meetings were held during the year ended 31 December 2022. Board meetings were held either by means of telephone conference or video conference during the year. The attendance of individual Directors at such Board meetings, Board Committee meetings and general meetings held during the year ended 31 December 2022 is set out below:

Name of Directors	Number of Meeting(s) Attended/Eligible to Attend for the year ended 31 December 2022					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Special General Meeting
Executive Directors						
LO Ka Shui ^(Note 1)	4/4	–	–	–	1/1	1/1
LO Hong Sui, Antony	4/4	–	–	–	1/1	1/1
LAW Wai Duen	4/4	–	–	–	1/1	1/1
LO Chun Him, Alexander	4/4	–	–	–	1/1	1/1
KAN Tak Kwong ^(Note 2)	4/4	–	–	–	1/1	1/1
CHU Shik Pui	4/4	–	–	–	1/1	1/1
POON Ka Yeung, Larry	4/4	–	–	–	1/1	1/1
Non-executive Directors						
LO TO Lee Kwan	(Note 3)	–	–	–	(Note 3)	(Note 3)
LO Hong Sui, Vincent	3/4	–	–	–	0/1	0/1
LO Ying Sui	4/4	–	–	–	1/1	1/1
Independent Non-executive Directors						
WONG Yue Chim, Richard	4/4	2/2	1/1	2/2*	1/1	1/1
LEE Pui Ling, Angelina	4/4	2/2	1/1	2/2*	1/1	1/1
ZHU Qi	4/4	2/2	1/1	2/2*	1/1	1/1
HO Shut Kan	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)
CHENG Hoi Chuen, Vincent ^(Note 5)	2/3	1/2	1/1	1/1	1/1	1/1
LEE Siu Kwong, Ambrose ^(Note 6)	2/2	1/1	1/1	1/1	1/1	1/1

Notes:

- (1) Chairman and Managing Director
 - (2) General Manager
 - (3) Madam Lo To Lee Kwan did not attend the Board meetings in the year 2022. 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.
 - (4) As Mr. Ho Shut Kan was appointed as an Independent Non-executive Director on 28 December 2022, he had no attendance record during the year 2022.
 - (5) Mr. Cheng Hoi Chuen, Vincent passed away on 28 August 2022.
 - (6) Mr. Lee Siu Kwong, Ambrose passed away on 14 August 2022.
- * Including one physical meeting and a written resolutions passed.

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 2022, are set out from pages 126 to 130 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 2022.

Directors' and Officers' Insurance

During the year ended 31 December 2022, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

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. Each Board Committee reports its decisions and recommendations to the Board. 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. To conform to the amendments to the Bye-laws, the terms of reference of the Audit Committee of the Company has been updated in November 2022. The updated written terms of reference are posted on the Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (www.hkexnews.hk).

The Audit Committee currently comprises four Independent Non-executive Directors, namely, Mr. Zhu Qi (appointed on 1 January 2022 and was appointed as chairman of the Audit Committee on 25 November 2022), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina and Mr. Ho Shut Kan (appointed on 28 December 2022). Mr. Lee Siu Kwong, Ambrose and Mr. Cheng Hoi Chuen, Vincent have ceased to be members of the Audit Committee with effect from 14 August 2022 and 28 August 2022 respectively.

The role of the Audit Committee is to review the reports and proposals from management and to make recommendations to the Board 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 including staff qualifications and experience, training programmes and budget of the Company's accounting and financial 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 2022

During the year ended 31 December 2022, two physical meetings of Audit Committee were held. 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 2021 and for the six months ended 30 June 2022 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 2021 and the six months ended 30 June 2022, and the disclosure in this Corporate Governance Report;
- reviewed the audited financial statements for the year ended 31 December 2021 and the unaudited financial statements for the six months ended 30 June 2022, 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 consideration payable for a development project;
 - (4) the review on the fair value of financial assets at fair value through profit or loss;
 - (5) the review on the fair value of derivative financial instruments – cross currency swaps and interest rate swaps of the Group;
 - (6) the review on the effectiveness of the cashflow hedge;
 - (7) the review on revenue recognition;
 - (8) the review on the allowance of credit loss on notes receivables and interest receivables; and
 - (9) the potential oversight by management in the financial reporting process.
- reviewed and approved the draft 2021 Annual Report and annual results announcement of the Company;
- reviewed and approved the draft 2022 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. To conform to the amendments to the Listing Rules and the Bye-laws, the terms of reference of the Remuneration Committee of the Company has been updated in November 2022. The updated written terms of reference are posted on the Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (www.hkexnews.hk).

The Remuneration Committee currently comprises four Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairwoman of the Remuneration Committee), Professor Wong Yue Chim, Richard, Mr. Zhu Qi (appointed on 1 January 2022) and Mr. Ho Shut Kan (appointed on 28 December 2022). Mr. Lee Siu Kwong, Ambrose and Mr. Cheng Hoi Chuen, Vincent have ceased to be members of the Remuneration Committee with effect from 14 August 2022 and 28 August 2022 respectively.

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 Group'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 2022

During the year ended 31 December 2022, one physical meeting of Remuneration Committee was held. The following is a summary of the major work done of the Remuneration Committee at the meeting:

- reviewed and approved the proposals for 2022 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 2022; and
- reviewed and approved the annual grant of share options of the Group.

Share options were granted for recognition of past contributions of the grantees who are all employees of the Group, and enabling the employees to benefit from the business success they are helping to create. The number of share options to be granted were based on the work performance of the proposed grantees and no additional performance target is imposed before the share options are vested to the grantees. Share options granted were subject to the clawback mechanism as set out in the terms of the 2019 Share Option Scheme. In view of the above, the Remuneration Committee considered the grant of share options aligned with the purpose of the 2019 Share Option Scheme to motivate grantees and allow them to participate in the growth of the Group's business.

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 Bye-laws, the terms of reference of the Nomination Committee of the Company has been updated in November 2022. The updated written terms of reference are posted on the Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (www.hkexnews.hk).

The Nomination Committee currently comprises four Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mrs. Lee Pui Ling, Angelina, Mr. Zhu Qi (appointed on 1 January 2022) and Mr. Ho Shut Kan (appointed on 28 December 2022). Mr. Lee Siu Kwong, Ambrose and Mr. Cheng Hoi Chuen, Vincent have ceased to be members of the Nomination Committee with effect from 14 August 2022 and 28 August 2022 respectively.

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:

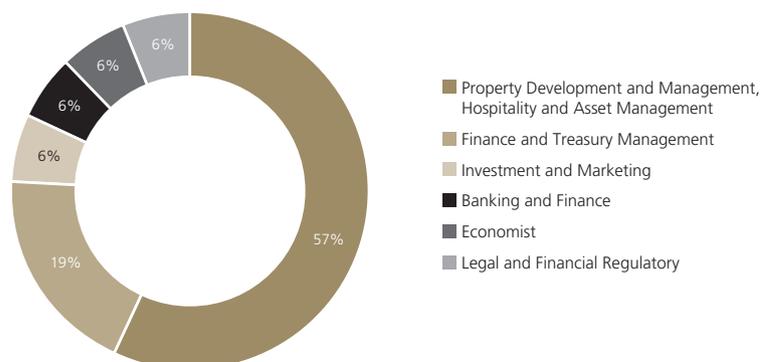
- (a) to establish a policy concerning diversity of the Board taking into account the Group's business model and specific needs;
- (b) to establish a policy for the nomination of directors of the Group;
- (c) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually 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**

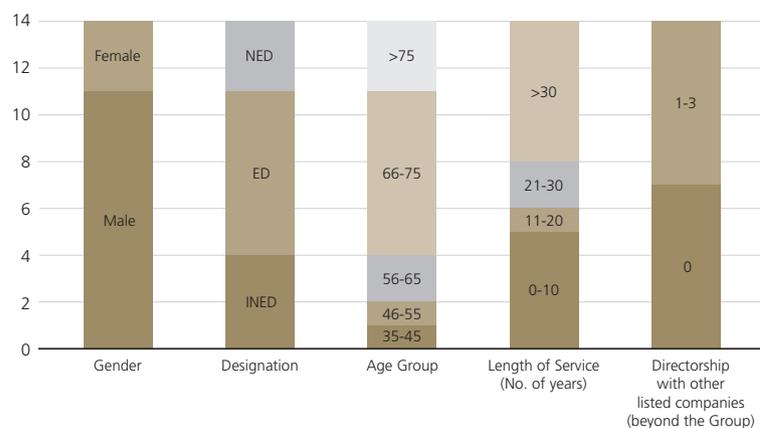
According to the board diversity policy (the "Board Diversity Policy") adopted by Nomination Committee in 2019, the Company recognises and embraces that increasing diversity at the Board level is an important part of achieving its strategic objectives and to attract and retain the best people. Appointments 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 and financial regulatory. 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 2022:

Area of Experience



Number of Directors



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 “Biographical Details of Directors and senior management” of this Annual Report and the website of the Group.

- #### Nomination Policy

The Nomination Committee adopted the Nomination Policy in 2019 which sets out the selection criteria and the evaluation procedures in nominating candidates to be appointed or re-appointed as Directors of the Company. The objective of the Nomination Policy is to assist the Nomination Committee in fulfilling its duties and responsibilities as provided in its terms of reference. The Nomination Committee recommends candidates for nomination to the Board, which approves the final choice of candidates.

The Nomination Committee shall consider any and all candidates recommended as nominees for Directors to the Nomination 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 2022

During the year ended 31 December 2022, 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. Discussions were held and emails were exchanged among committee members for identifying potential candidates of Independent Non-executive Directors. 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 2022 Annual General Meeting;
- identified a list of potential candidates and reached out to current Directors and business partners for candidate recommendations to fill vacancies of Independent Non-executive Directors;
- conducted preliminary background searches of shortlisted potential candidates and assessed their suitability, experiences, skills, qualifications and independence;
- approved the appointment of Mr. Ho Shut Kan as an Independent Non-executive Director; and
- conducted a second round of nomination for an additional Independent Non-executive Director to re-comply with Rule 3.10A of the Listing Rules.

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. Lo Chun Him, Alexander, Mr. Kan Tak Kwong 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 2022. 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 2022 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.

	2022 HK\$	2021 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 2022, 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 2022, 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	2022 HK\$’000	2021 HK\$’000
Audit services	16,508	15,779
Non-audit services		
Taxation services	4,483	4,367
Interim review fee	1,594	1,586
Other review fees	373	633
	22,958	22,365

Note: The total amount of auditor’s remuneration as disclosed in note 10 to the consolidated financial statements is HK\$17,045,000 which comprises audit services provided by other auditors in the total amount of HK\$537,000, 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 good control environment including well defined organisational structure, limit of authority, reporting lines and responsibilities;
- Risk Management Self-Assessment and Internal Control Self-Assessment conducted at least annually by major business entities of the Group;
- 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;
- effective information platforms to facilitate internal and external information flow; and
- 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 2022.

CORPORATE GOVERNANCE REPORT

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 summarise 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 2022 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 2022.

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 2022.

The statement by the auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report from pages 139 and 144 of this Annual Report.

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 or through the Group's website (www.GreatEagle.com.hk), 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.

INVESTOR RELATIONS

Constitutional Documents

At the special general meeting of the Company held on 5 May 2022, the Bye-laws were amended by the approval of the Shareholders. A consolidated version of the Company's constitutional documents is available on the Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (www.hkexnews.hk).

Shareholder Communication Policy

The Company recognises the importance of maintaining an on-going dialogue with the Shareholders. A Shareholder Communication Policy has been put in place to promote effective engagement with Shareholders, both individual and institutional investors, and other stakeholders, giving them ready access to balanced and understandable information about the Company and corporate proposals, and making it easy for Shareholders to participate in general meetings. The Board will review the Shareholder Communication Policy annually to ensure its effectiveness and compliance with the prevailing regulatory and other requirements. Below is a summary of the Shareholder Communication Policy.

Our Group's 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, press releases 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.

During the year 2022, the Board reviewed the implementation and effectiveness of the Shareholder Communication Policy. The Group's 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 Group's website. Information released by the Company to the Stock Exchange was also posted on the Group's website as soon as reasonably practicable thereafter. Shareholders were provided with the opportunities to communicate with the Directors and senior management directly at general meetings. 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.

General Meetings

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		
	2020	2021	2022
Number of shares represented	572,026,286	569,586,096	315,917,583
Percentage of shares represented	80.75%	79.02%	43.21%
Number of issued shares as at the date of the annual general meeting	708,382,048	720,793,112	731,040,412

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 21 days prior to the annual general meeting and general meeting where a special resolution is proposed for consideration or no less than 14 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 Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (www.hkexnews.hk) 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 Group's website (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 will provide registered and non-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 Group'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 meetings, group meetings, local and overseas conference and roadshows. Investors and Shareholders may visit the Group's website (www.GreatEagle.com.hk) for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Board through the Group's website (www.GreatEagle.com.hk) or by email to info@greateagle.com.hk. A financial calendar setting out the important dates is contained in this Annual Report on page 5.

General Meetings held in 2022

Two general meetings of the Company were held in 2022. In light of the development of COVID-19, the Company implemented a number of precautionary measures for the general meetings, including distant seat arrangement and restricting the number of attendees in the meeting venue. Set out below are the details of the general meetings held in 2022:

- **2022 Annual General Meeting**

The 2022 Annual General Meeting was held on 5 May 2022 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. 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 2021 together with the Reports of the Directors and Independent Auditor thereon.	99.92%
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 Mr. Lo Hong Sui, Antony as an Executive Director.	97.83%
5. Re-elected Dr. Lo Ying Sui as a Non-executive Director.	96.54%

Ordinary Resolutions		Percentage* of Votes in favour of the Resolution
6.	Re-elected Mr. Cheng Hoi Chuen, Vincent as an Independent Non-executive Director.	96.54%
7.	Re-elected Mr. Zhu Qi as an Independent Non-executive Director.	99.99%
8.	Re-elected Mr. Kan Tak Kwong as an Executive Director.	97.83%
9.	Re-elected Professor Poon Ka Yeung, Larry as an Executive Director.	96.54%
10.	Fixed the ordinary remuneration of HK\$220,000 payable to each Director for the year 2022.	99.99%
11.	Re-appointed Messrs. Deloitte Touche Tohmatsu as Auditor and authorised the Board of Directors to fix their remuneration.	97.92%
12.	Approved the grant of a general mandate to the Directors to buy-back shares not exceeding 10% of the total number of issued shares.	99.89%
13.	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.	72.18%

* 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 2022 Annual General Meeting.

- **2022 Special General Meeting**

A Special General Meeting was held on 5 May 2022 at 32nd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The matter resolved thereat is listed below:

Special Resolution	Percentage* of Votes in favour of the Resolution
Approved the amendments to the Bye-laws.	99.99%

* truncated to two decimal places.

DIVIDEND POLICY

As approved by the Board, the dividend policy of the Company has been updated. 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 Board may at its sole discretion declare the payment of special dividend to Shareholders and provide scrip dividend distribution option for the election of the Shareholders in relation to the payment of any dividend in any financial year as it deems appropriate. The payment of final dividend is subject to the approval of Shareholders.

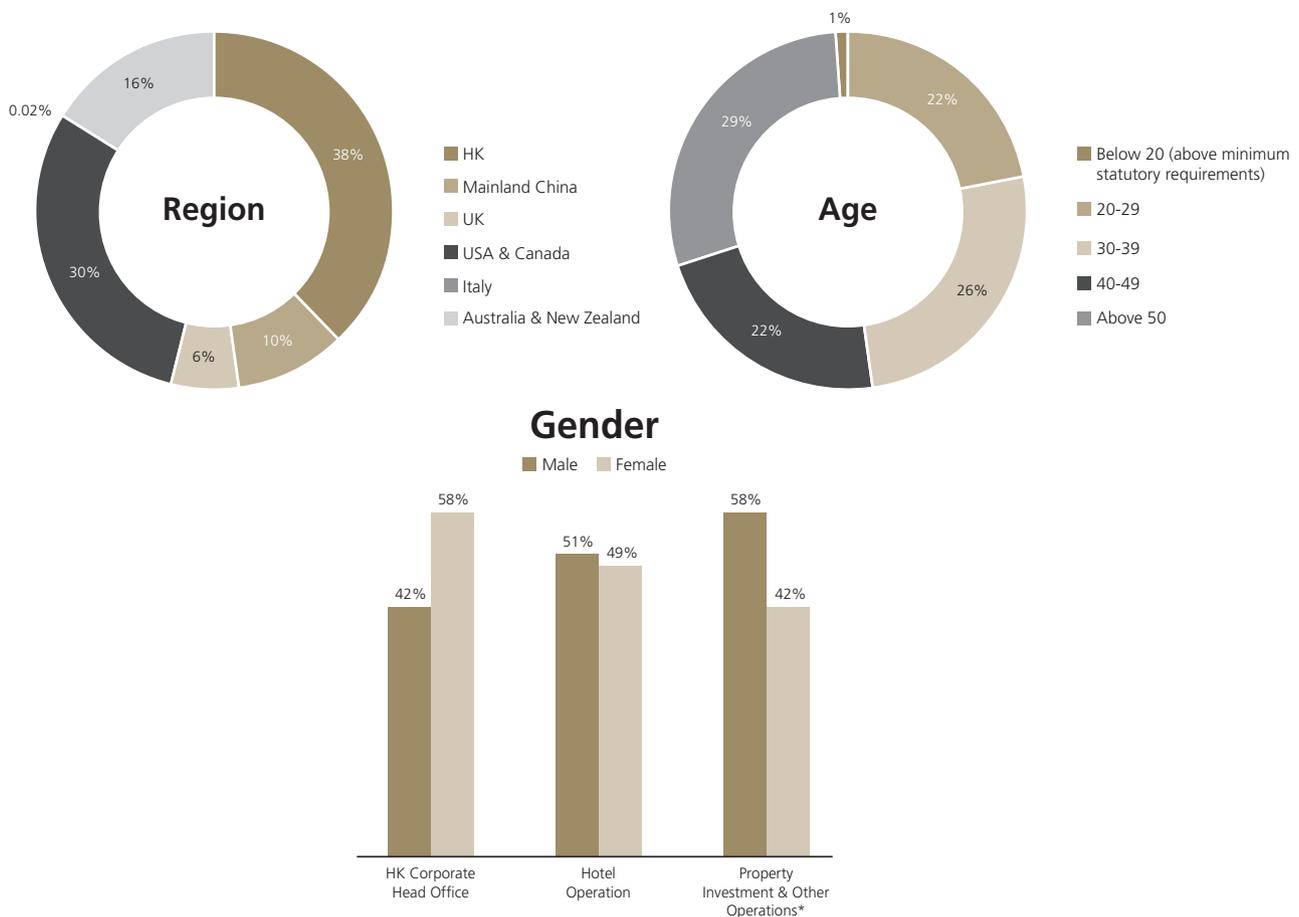
The dividend policy and the declaration and/or payment of dividends under this policy are subject to the Board's continuing determination that this dividend policy and the declaration and/or payment of dividends would be in the best interests of the Group and the Shareholders, and are in compliance with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

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 of the Group (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 2022, the number of employees of the Group, including our head office management team, and frontline hotel and property management and operation colleagues, increased approximately 8.44% to 5,639 (2021: 5,200). The increase was mainly attributable to the higher business demand for our overseas hotels as we experienced the returning of hotel business during 2022, the post-COVID-19 period. The following charts show the composition and functional grouping of employees, including senior management, of the Group as at 31 December 2022:



* 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.

CORPORATE GOVERNANCE REPORT

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.

HIGH STANDARDS OF CORPORATE GOVERNANCE

Good corporate governance practice is key to the long-term success of the Group in an ever-evolving business landscape. The Board regularly evaluates and looks for improvements in the governance approach to respond to changes, and to ensure that it is relevant and aligned with best practices. The Board believes the effective integration of corporate governance, environmental and social responsibilities could potentially release even greater value. For details of the environmental and social performance, please refer to the Environmental, Social and Governance Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui

Chairman and Managing Director

Dr. LO Ka Shui, aged 76, 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 being Directors of the Company.

Madam LO TO Lee Kwan

Non-executive Director

Madam LO TO Lee Kwan, aged 103, 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.

Professor WONG Yue Chim, Richard

Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 70, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mrs. LEE Pui Ling, Angelina

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 74, 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. ZHU Qi

Independent Non-executive Director

Mr. ZHU Qi, aged 62, was appointed as an Independent Non-executive Director of the Company in January 2022 and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. He has been the Chairman and Executive Director of CMB Wing Lung Bank Limited (“CMB Wing Lung”) from October 2019 to January 2022 and the Chief Executive Officer and Executive Director of CMB Wing Lung from September 2008 to June 2019. Mr. Zhu had been the Executive Vice President of China Merchants Bank Co., Ltd. from December 2008 to January 2019. He is a former Director of

CMB International Capital Corporation Limited. He joined the Industrial and Commercial Bank of China in 1986. Mr. Zhu 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. Mr. Zhu is an Independent Non-executive Director of China Merchants China Direct Investments Limited (listed in Hong Kong) and ZA Bank Limited. 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. HO Shut Kan

Independent Non-executive Director

Mr. HO Shut Kan, aged 74, was appointed as an Independent Non-executive Director in December 2022 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He has over 40 years of experience in the property operations and real estate sector including leasing and managing residential, commercial and investment properties. Mr. Ho was Executive Director and Chief Executive Officer of Kerry Properties Limited (listed in Hong Kong) before his retirement in 2018. Mr. Ho currently is the Senior Advisor of Kerry Properties Limited. During the past three years, Mr. Ho was an Independent Non-Executive Director of Eagle Asset Management (CP) Limited, being the manager of Champion REIT (listed in Hong Kong). Mr. Ho holds a Master of Business Administration Degree from the University of East Asia.

Mr. LO Hong Sui, Antony

Executive Director

Mr. LO Hong Sui, Antony, aged 81, is an Executive Director and a director of certain 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 86, 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 74, 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, premium commercial properties' investment and management, construction business 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 former Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a member of the Board of Directors of Boao Forum for Asia, the Honorary President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. LO Ying Sui

Non-executive Director

Dr. LO Ying Sui, aged 70, 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 37, 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 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 71, has been a Director of the Group since 1988. Mr. Kan also holds directorships in various 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 61, 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 55, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

HOTEL OPERATION

Mr. Brett BUTCHER, aged 63, 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 43 years and has covered assignments in Asia, the Pacific and North America.

Dr. LING Kwok Lung, Francis, aged 62, is the Chief Financial Officer of Langham Hospitality Group since February 2022. He has a Doctor degree in Hotel and Tourism from The Hong Kong Polytechnic University, a Master of Law (LLM) from The University of Hong Kong, a MBA in Management Information Systems from University of Dallas, Texas and a Bachelor of Business Administration Degree from Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants since 1987. Dr. Ling is a seasoned finance executive with more than 30 years' hotel operations experience in different cultural environments including Australia, Mainland China and Hong Kong. He acquired corporate exposure at the Hyatt Asia Pacific office from 1995 to 2008 and had been the Global Finance Head of Marco Polo Hotel Group and Rosewood Hotel Group overseeing over 60 hotels worldwide during 2008 to 2018, where he led the acquisition of Rosewood and Penta hotel group. Before joining Langham Hospitality Group, he held the role of Vice President Finance responsible for assets management and owner's representative at Sun Hung Kai Real Estate Agency Limited, which owns assets including Four Seasons Hotel Hong Kong and Ritz Carlton Hong Kong.

PROJECT INVESTMENT AND DEVELOPMENT

Ms. CHUNG Wing Ki, Vicky, aged 57, is the Head of Development and Project Management. As a Registered Architect with over 30 years' experience in real estate development and project management, she oversees the project portfolio of the Group. Prior to joining the Group in 2021, she was the Director (Project Management) of a private equity investor group and has been with one of the largest listed property development companies in Hong Kong for over 16 years. She has extensive experience on development planning, land exchange and town planning. She has led multi-disciplinary teams of professionals to execute projects from inception to handover, and has completed a wide spectrum of development and refurbishment projects. Ms. Chung is a member of the Hong Kong Institute of Architects and an Authorized Person (under the Buildings Ordinance). She holds a Master's Degree of Science in Real Estate Development and has attained the APMP qualification of the Association for Project Management.

Mr. FAN Chi Sun, James, aged 50, is the Director of Development, joined the Group in July 2022. Mr. Fan is responsible for the Group's property acquisition and development in Hong Kong. He has worked in the real estate industry for over 28 years and is a member of The Royal Institution of Chartered Surveyors, The Hong Kong Institute of Surveyors, The Hong Kong Institute of Arbitrators and The China Institute of Real Estate Appraisers and Agents. He holds a Bachelor of Science Degree with Honours in Surveying and a PhD degree in Real Estate and Construction both from The University of Hong Kong. Before joining the Group, he was the Head of Business Development (Greater Bay Area) of Swire Properties Limited.

MAINLAND CHINA AND U.S.

Mr. LU Ning, Michael, aged 49, 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, Mainland China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, emerging markets such as Mainland China and India, and a wide range of industries including consumer goods, food & beverage, hi-tech and telecommunications.

Mr. AU Ngai Ho, aged 64, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the Mainland China. 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 50, 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 is a property management practitioner (Tier 1) registered under the Property Management Services Authority. Mr. Chu has over 27 years' experience in property management and engineering industries.

Dr. James ZHANG, aged 57, is the Chief Investment Officer, Technologies and Venture Capital. He joined the Group in 2021. 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 56, Group Company Secretary and Head of Administration, joined the Group in 2008. 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 her Master Degree in Laws from The Chinese University of Hong Kong, Master Degree in Business Administration from the University of Wales and the University of Manchester jointly and Bachelor Degree in Accountancy from City University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INTERNAL AUDIT

Mr. HO Hon Ching, Barry, aged 60, 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 58, 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 26 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.

HUMAN RESOURCES

Ms. LAW Yuk Ling, Elaine, aged 54, joined the Group in September 2022 as Head of Human Resources. Her focus will be on building a talent development strategy to support the Group's continued business growth. Ms. Law has extensive experience and knowledge in the strategic human resources business and in implementing market-responsive organizational changes, developing programs to foster talent and attracting personnel that contribute to a thriving business. Before joining the Group, she spent the past two decades in senior global and regional human resources roles for a variety of reputable multi-national companies, including a FTSE 100 company. She holds Bachelor's and Master's degrees in Business Management.



REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the Company's 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 Mainland China, Japan, Italy and others. An analysis of the Group's segment results for the year ended 31 December 2022 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 2022 are set out in notes 43, 16 and 17 respectively 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 2022 – 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 81 of this Annual Report.

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

REPORT OF THE DIRECTORS

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 Pandemic

The continuation of the COVID-19 pandemic and the emergence of the Omicron variant continue to brought unprecedented challenges across the global economy, including the locations in which the Group operates, such as Hong Kong, Australia, New Zealand, the United Kingdom and North America and other parts of the world throughout the year 2022. The Group's business was constantly plagued by the COVID-19-related restrictions. The repeated fluctuations in the number of confirmed cases keep posing an uncertainty to the pace of recovery of the global economy and the Group's business.

Despite a steady improvement in the COVID-19 situation, the pandemic will continue to contribute to a prolonged global economic crisis or recession, and to disrupt the Group's business operations. 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. 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, the Group has tried to increase its local market share in its hotel operations through staycation and long stay packages. Numerous promotional staycation packages with innovative ideas were launched to capture demand. Two of the local hotels have participated as Community Isolation Facilities ("CIF") or as quarantine hotels under the CIF Scheme for several months in 2022 in order to utilise 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. The Group will continue to keep closely monitoring developments and focus on diligently tackling all upcoming challenges.

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 61.4% 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 conditions 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 and market trends 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.

REPORT OF THE DIRECTORS

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 leaks of confidential information are the costliest kinds of cybercrime that targets the Group. The cost of recovering from cyber-attacks, including reputational damage from losses to the brand value, is considerable. The Group implements extensive measures to mitigate the occurrence and consequences of the risk of cyber-attacks. The Group's IT infrastructure vulnerabilities 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 disaster recovery facilities provide additional layers of protections. Staff trainings are conducted to enhance cybersecurity knowledge. All these measures increase the difficulties for hackers. In addition, the respective business units have also acquired appropriate insurance which also helps in 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, posed 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 Mainland China, 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.

Environmental and Climate-related Risks

The main threats of climate change stemming from the increasing temperature of Earth's atmosphere include rising sea levels, ecosystem collapse, and more frequent extreme weather. Extreme weather events may increase the risks of disruption of the Group's business operations and supply chain, and physical damage to our properties which could adversely affect their valuation. The Group has been committed to enacting various sustainable strategies and practices in response to climate change risks. To further increase our commitment, the Group devised a new Climate Leadership Strategy with an aim to transform the Group into an adaptive and collaborative team that thrives amid the acceleration of climate change impacts. Our Sustainability and Environmental Policies commit to minimize significant impacts on nature and the environment, identify and mitigate climate-related issues and continuously improve the environmental performance of our operations. Significant environmental impacts of the Group's business include energy and water consumption and carbon emissions. Various mitigation measures including energy and water saving projects, waste reduction measures and employee education initiatives were implemented to minimize our impacts to the environment and to ensure sustainable assets and operations in order to work towards our 2045 net-zero roadmap. More details on how the Group addresses the environmental and climate-related risks are set out in the "Environmental, Social and Governance Report" on pages 28 to 81 of this Annual Report.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement of this Annual Report.

The Board has recommended the payment of a final dividend in the form of cash in the amount of HK50 cents per share to the Shareholders whose names appear on the Registers of Members of the Company on Wednesday, 31 May 2023. Subject to the approval of the Shareholders at the forthcoming annual general meeting, the payment of the final dividend will be made on 13 June 2023. Taken together with the interim dividend of HK33 cents per share paid in October 2022, the total dividend for the year 2022 is HK83 cents 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 2022 by using income capitalisation approach and 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 2022 are set out in Appendix I to this Annual Report.

ISSUE OF NEW SHARES

During the year, 16,682,933 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2021 final dividend. As at 31 December 2022, the authorised capital of the Company was HK\$600,000,000 divided into 1,200,000,000 shares of HK\$0.50 each, 747,723,345 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 2022, 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 2022, the Group employed 5,639 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 109 to 110 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

Professor WONG Yue Chim, Richard
 Mrs. LEE Pui Ling, Angelina
 Mr. ZHU Qi (*appointed on 1 January 2022*)
 Mr. HO Shut Kan (*appointed on 28 December 2022*)
 Mr. CHENG Hoi Chuen, Vincent (*passed away on 28 August 2022*)
 Mr. LEE Siu Kwong, Ambrose (*passed away on 14 August 2022*)

In accordance with Bye-law 109(A), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Vincent, Mrs. Lee Pui Ling, Angelina (“Mrs. Lee”) and Mr. Chu Shik Pui shall retire by rotation and, being eligible, have offered themselves for re-election at the 2023 Annual General Meeting of the Company. Mrs. Lee, an Independent Non-Executive Director, has served more than nine years. The Nomination Committee of the Company is fully satisfied that Mrs. Lee demonstrates complete independence in character and judgement both in her designated roles and as Board members and is of the opinion that she continues to bring independent judgement and fresh perspectives on the Company’s affairs to the Board notwithstanding her length of service. The Board believes that her in-depth knowledge of the Group’s business and her extensive experience and expertise continue to provide invaluable contribution to the Board.

In accordance with Bye-Law 100, Mr. Ho Shut Kan, who was appointed as an Independent Non-executive Director on 28 December 2022, shall retire and, being eligible, has offered himself for re-election at the 2023 Annual General Meeting.

The independence of Independent Non-executive Directors has been assessed by the Nomination Committee of the Company. 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.

REPORT OF THE DIRECTORS

The changes in the information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the Company's last interim report are set out below:

- (1) Mr. Zhu Qi was appointed as the Chairman of Audit Committee of the Company on 25 November 2022.
- (2) Mr. Zhu Qi was appointed as an Independent Non-executive Director of China Merchants China Direct Investments Limited (listed in Hong Kong) on 2 December 2022.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the senior management of the Company are set out on pages 111 to 118 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 2022, 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	64,930,835 ⁽¹⁾	8.68)	64.38
	Interests of Controlled Corporations	Corporate Interests	95,918,364 ⁽²⁾	12.83)	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393 ⁽³⁾	34.06)	
	Founder of a Discretionary Trust	Trust Interests	65,866,676	8.81)	
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,341,561	0.18)	34.97
	Interests of Controlled Corporations	Corporate Interests	5,442,810 ⁽⁴⁾	0.73)	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393 ⁽³⁾	34.06)	
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,198	0.00	0.00
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,353,973 ⁽⁵⁾	0.18)	34.24
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393 ⁽³⁾	34.06)	
Law Wai Duen	Beneficial Owner	Personal Interests	2,450,858 ⁽⁶⁾	0.33)	34.39
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393 ⁽³⁾	34.06)	
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293	0.00)	34.06
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393 ⁽³⁾	34.06)	
Lo Ying Sui	Beneficial Owner	Personal Interests	1,540,000	0.21)	39.50
	Interests of Controlled Corporations	Corporate Interests	39,180,903 ⁽⁷⁾	5.24)	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	254,664,393 ⁽³⁾	34.06)	
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	1,203,488 ⁽⁸⁾	0.16	0.16
Kan Tak Kwong	Beneficial Owner	Personal Interests	4,750,193 ⁽⁹⁾	0.64	0.64
Chu Shik Pui	Beneficial Owner	Personal Interests	2,029,554 ⁽¹⁰⁾	0.27	0.27

REPORT OF THE DIRECTORS

Notes:

- (1) Among these interests, 3,378,000 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 254,664,393 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 5,442,810 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, 440,000 were share options.
- (6) Among these interests, 440,000 were share options.
- (7) These 39,180,903 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of such company.
- (8) Among these interests, 1,075,000 were share options.
- (9) Among these interests, 2,060,000 were share options.
- (10) Among these interests, 1,737,000 were share options.
- (11) This percentage has been compiled based on 747,723,345 shares of the Company in issue as at 31 December 2022.

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 2022, the Group owned 68.28% 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 2022 are disclosed as follows:

Name of Directors	Total Number of Units/ Underlying Units Held	Percentage of Issued Units ⁽²⁾
Lo Ka Shui	16,911,617 ⁽¹⁾	0.28
Lo Ying Sui	239,000	0.00
Chu Shik Pui	8,000	0.00

Notes:

- (1) Among these 16,911,617 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) 10,061,000 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 5,973,675,590 units of Champion REIT in issue as at 31 December 2022.

REPORT OF THE DIRECTORS

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 2022, the Group owned 69.70% 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 2022 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⁾	3.81
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 3,273,483,079 SSUs of LHI in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

- Chairman of Shui On Land Limited ("SOL"), the Shui On Group's flagship property development company in the Chinese Mainland. SOL through its subsidiaries and associates 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 the Chinese Mainland, 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 may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

REPORT OF THE DIRECTORS

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 Group'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 2022 are as follows:

Date of Grant	Number of Share Options				Outstanding as at 31/12/2022	Exercisable Period	Exercise Price per Share (HK\$)
	Outstanding as at 01/01/2022	Granted during the Year	Exercised during the Year	Lapsed during the Year			
14/03/2017 ⁽¹⁾	2,842,000	–	–	(2,842,000)	–	15/03/2019–14/03/2022	37.15
14/03/2018 ⁽¹⁾	3,619,000	–	–	(270,000)	3,349,000	15/03/2020–14/03/2023	42.40
14/03/2019 ⁽¹⁾	4,120,000	–	–	(346,000)	3,774,000	15/03/2021–14/03/2024	39.05
18/03/2020 ⁽²⁾	4,525,000	–	–	(489,000)	4,036,000	19/03/2022–18/03/2025	21.65
18/03/2021 ⁽²⁾	4,277,000	–	–	(500,000)	3,777,000	19/03/2023–18/03/2026	28.45
18/03/2022 ⁽²⁾	–	5,052,000 ⁽³⁾	–	(542,000)	4,510,000	19/03/2024–18/03/2027	19.06
Total	19,383,000	5,052,000	–	(4,989,000)	19,446,000		

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 2022, 1,816,000 share options were granted to the Directors of the Company and their Associates, while 3,236,000 share options were granted to eligible employees of the Group. Please refer to the announcement of the Company dated 18 March 2022 for details.
- (4) During the year ended 31 December 2022, 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 2022 (i.e. 17 March 2022) was HK\$18.58 (According to the price adjustment method released by the Stock Exchange in relation to special cash dividend, the closing price was subsequently adjusted to HK\$18.07).

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

During the year ended 31 December 2022, the details of the movements in the share options granted to the Group'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:

Directors	Date of Grant	Number of Share Options				Outstanding as at 31/12/2022	Exercise Price per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2022	Granted during the Year	Exercised during the Year	Lapsed during the Year			
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	-
	18/03/2022 ⁽²⁾	-	700,000	-	-	700,000	19.06	-
		2,678,000	700,000	-	-	3,378,000		
Lo Hong Sui, Antony	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	-
	18/03/2022 ⁽²⁾	-	50,000	-	-	50,000	19.06	-
		490,000	50,000	-	(100,000)	440,000		
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	-
	18/03/2022 ⁽²⁾	-	50,000	-	-	50,000	19.06	-
		490,000	50,000	-	(100,000)	440,000		
Lo Chun Him, Alexander	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	-
	18/03/2022 ⁽²⁾	-	180,000	-	-	180,000	19.06	-
		1,095,000	180,000	-	(200,000)	1,075,000		

REPORT OF THE DIRECTORS

Directors	Date of Grant	Number of Share Options				Outstanding as at 31/12/2022	Exercise Price per Share (HK\$)	Weighted Average Closing Price Immediately Before the Date of Exercise (HK\$)
		Outstanding as at 01/01/2022	Granted during the Year	Exercised during the Year	Lapsed during the Year			
Kan Tak Kwong	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	-
	18/03/2022 ⁽²⁾	-	420,000	-	-	420,000	19.06	-
		2,020,000	420,000	-	(380,000)	2,060,000		
Chu Shik Pui	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	-
	18/03/2022 ⁽²⁾	-	380,000	-	-	380,000	19.06	-
		1,657,000	380,000	-	(300,000)	1,737,000		
Associates of Directors of the Company	14/03/2017 ⁽¹⁾	230,000	-	-	(230,000)	-	37.15	-
	14/03/2018 ⁽¹⁾	40,000	-	-	-	40,000 ⁽⁷⁾	42.40	-
	14/03/2019 ⁽¹⁾	60,000	-	-	-	60,000 ⁽⁷⁾	39.05	-
	18/03/2020 ⁽²⁾	40,000	-	-	-	40,000 ⁽⁷⁾	21.65	-
	18/03/2021 ⁽²⁾	36,000	-	-	-	36,000 ⁽⁷⁾	28.45	-
	18/03/2022 ⁽²⁾	-	36,000	-	-	36,000 ⁽⁷⁾	19.06	-
		406,000	36,000	-	(230,000)	212,000		
Eligible Employees (other than Directors of the Company and their Associates ⁽⁷⁾)	14/03/2017 ⁽¹⁾	1,532,000	-	-	(1,532,000)	-	37.15	-
	14/03/2018 ⁽¹⁾	1,691,000	-	-	(270,000)	1,421,000	42.40	-
	14/03/2019 ⁽¹⁾	2,094,000	-	-	(346,000)	1,748,000	39.05	-
	18/03/2020 ⁽²⁾	2,645,000	-	-	(489,000)	2,156,000	21.65	-
	18/03/2021 ⁽²⁾	2,585,000	-	-	(500,000)	2,085,000	28.45	-
	18/03/2022 ⁽²⁾	-	3,236,000	-	(542,000)	2,694,000	19.06	-
		10,547,000	3,236,000	-	(3,679,000)	10,104,000		

Notes:

- (1) Share options were granted under the 2009 Share Option Scheme.
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 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.
Share options granted on 18/03/2022 are exercisable during the period from 19/03/2024 to 18/03/2027.
- (3) During the year ended 31 December 2022, 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 2022 (i.e. 17 March 2022) was HK\$18.58 (According to the price adjustment method released by the Stock Exchange in relation to special cash dividend, the closing price was subsequently adjusted to HK\$18.07).
- (7) Being share options held by Mr. Lo Chun Cheong and Mr. Lo Chun Lai, Andrew.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2022, 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⁾	42.13
Powermax Agents Limited	246,937,926 ⁽²⁾	33.03
Mind Reader Limited	49,481,019 ⁽³⁾	6.62
Surewit Finance Limited	45,342,008 ⁽⁴⁾	6.06
Eagle Guardian Limited	41,763,361 ⁽⁵⁾	5.59
Adscan Holdings Limited	39,180,903 ⁽⁶⁾	5.24

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 2022:
 - (i) 254,664,393 shares representing 34.06% 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) 65,866,676 shares representing 8.81% 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 45,342,008 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 747,723,345 shares of the Company in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 126 to 130) 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\$234,000 (2021: HK\$1,618,000). 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 Involvement" on pages 53 to 60 of this Annual Report.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting to be held on Thursday, 18 May 2023.

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 and developing a high standard of corporate governance practices. 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.

REPORT OF THE DIRECTORS

Details of the Company's corporate governance principles and practices are set out in the "Corporate Governance Report" on pages 82 to 110 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The "Environmental, Social and Governance Report" (the "ESG Report") is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") under Appendix 27 of the Listing Rules and satisfies the mandatory disclosure requirements and "comply or explain" provisions. The ESG Report follows the four Reporting Principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the Guide. The ESG Report is set out on pages 28 to 81 of this Annual Report.

On behalf of the Board

Lo Ka Shui

Chairman and Managing Director

Hong Kong, 3 March 2023

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

To the Members of Great Eagle Holdings Limited

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 145 to 282, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 ("HKSA") 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 judgement, 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
<p>Valuation of investment properties</p> <p>We identified the valuation of investment properties situated in Hong Kong and the Mainland China as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties situated in Hong Kong and the Mainland China amounted to HK\$68,799,402,000 as at 31 December 2022 represented 60.9% of the Group's total assets.</p> <p>The Group's investment properties situated in Hong Kong and the Mainland China 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' judgements, 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.</p>	<p>Our procedures in relation to the valuation of investment properties situated in Hong Kong and the Mainland China included:</p> <ul style="list-style-type: none"> • 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 judgemental areas, key inputs and data used in the valuations; • Evaluating the reasonableness of the key inputs used in the valuations by comparing the capitalisation rate, market rent per square foot 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
<p>Estimation uncertainty in calculation for impairment assessment of hotel properties in the United States of America and New Zealand (the "Hotel Properties")</p> <p>We identified the estimation uncertainty in calculation for impairment/reversal of impairment assessment of the Hotel Properties with carrying amount of HK\$1,661,403,000 and HK\$1,165,443,000, respectively, (note 15 to the consolidated financial statements) 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 impairment assessment calculations.</p> <p>The hotel performances of the Group's certain hotels have been considered as an indicator for impairment testing of hotel properties.</p> <p>As disclosed in note 15 to the consolidated financial statements, the management of the Group concluded there was indication for impairment/reversal of impairment and conducted impairment assessment on certain property, plant and equipment with carrying amounts of HK\$5,485,595,000, out of which the recoverable amounts of the Hotel Properties were assessed based on discounted cash flow analysis and value in use calculations.</p> <p>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, revenue per available room, discount rates and terminal capitalisation rates (if applicable).</p> <p>Reversal of impairment loss on a hotel property of HK\$274,082,000 were recognised in the consolidated income statement for the year then ended.</p>	<p>Our procedures in relation to the estimation uncertainty in calculation for impairment assessment of the Hotel Properties included:</p> <ul style="list-style-type: none"> • 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 in the key assumptions used in the 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 revenue per available room with available industry data; and • Engaging our internal valuation specialists to assist us in assessing whether the discount rates and terminal capitalisation rates applied in the calculation were within an acceptable range.

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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 judgement 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.



INDEPENDENT AUDITOR'S REPORT

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
3 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	5	8,884,832	7,830,429
Cost of goods and services		(5,227,278)	(4,633,598)
Operating profit before depreciation		3,657,554	3,196,831
Depreciation		(885,628)	(849,367)
Operating profit		2,771,926	2,347,464
Fair value changes on investment properties	14	(1,923,046)	(2,178,596)
Fair value changes on derivative financial instruments		351,737	290,780
Fair value changes on financial assets at fair value through profit or loss		(122,855)	(47,172)
Other income	7	154,804	344,948
Administrative and other expenses		(530,027)	(446,598)
Allowance for credit losses on notes and interest receivables		(61,240)	(108,396)
Reversal of impairment loss on a hotel property		274,082	–
Finance costs	8	(829,907)	(705,271)
Share of results of joint ventures		(43,237)	13,742
Share of results of associates		17,102	6,100
Profit (loss) before tax		59,339	(482,999)
Income taxes	9	(470,153)	(309,019)
Loss for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	10	(410,814)	(792,018)
(Loss) profit for the year attributable to:			
Owners of the Company		(181,404)	(499,034)
Non-controlling interests		7,338	(21,936)
Non-controlling unitholders of Champion REIT		(174,066)	(520,970)
		(236,748)	(271,048)
		(410,814)	(792,018)
Loss per share:	13		
Basic		(HK\$0.25)	(HK\$0.69)
Diluted		(HK\$0.25)	(HK\$0.69)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
Loss for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		(410,814)	(792,018)
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		(3,462,353)	3,805,143
Share of other comprehensive income of an associate		1,748	3,303
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(507,691)	(170,681)
Cash flow hedges:			
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedges	21	107,427	47,586
Reclassification of fair value adjustments to profit or loss	21	(119)	36,956
Deferred tax related to fair value adjustments recognised in other comprehensive income	21	(14,207)	–
Other comprehensive (expense) income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		(3,875,195)	3,722,307
Total comprehensive (expense) income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		(4,286,009)	2,930,289
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(4,073,662)	3,172,163
Non-controlling interests		7,125	(20,255)
Non-controlling unitholders of Champion REIT		(4,066,537) (219,472)	3,151,908 (221,619)
		(4,286,009)	2,930,289

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investment properties	14	69,349,079	71,063,934
Property, plant and equipment	15	20,379,056	21,356,674
Interests in joint ventures	16	260,319	337,743
Interests in associates	17	204,018	56,394
Equity instruments at fair value through other comprehensive income	18	1,943,495	5,195,583
Notes and loan receivables	19	432,734	600,152
Derivative financial instruments	21	111,589	15,732
Deposit for hotel renovation and acquisition of an investment property		–	31,087
		92,680,290	98,657,299
Current assets			
Stock of properties	22	12,068,882	12,589,462
Inventories	23	127,853	137,918
Debtors, deposits and prepayments	24	890,763	793,752
Notes and loan receivables	19	371,341	41,699
Financial assets at fair value through profit or loss	25	539,842	732,251
Derivative financial instruments	20, 21	144,085	53,504
Tax recoverable		2,082	23,315
Restricted cash	26	53,288	102,889
Time deposits with original maturity over three months	26	66,380	–
Bank balances and cash	26	5,941,727	6,119,146
		20,206,243	20,593,936
Current liabilities			
Creditors, deposits and accruals	27	6,719,586	7,194,736
Derivative financial instruments	20	2,753	5,641
Provision for taxation		253,346	529,863
Distribution payable		169,665	207,033
Borrowings due within one year	28	8,482,640	6,542,795
Medium term notes	29	3,017,389	643,000
Lease liabilities	30	5,407	11,121
		18,650,786	15,134,189
Net current assets		1,555,457	5,459,747
Total assets less current liabilities		94,235,747	104,117,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current liabilities			
Derivative financial instruments	20, 21	60,963	90,065
Borrowings due after one year	28	17,693,997	19,174,451
Medium term notes	29	4,006,947	7,006,560
Deferred taxation	31	1,286,645	1,219,012
Lease liabilities	30	6,363	11,127
		23,054,915	27,501,215
NET ASSETS			
		71,180,832	76,615,831
Equity attributable to:			
Owners of the Company			
Share capital	32	373,862	365,520
Share premium and reserves		56,446,194	61,083,140
		56,820,056	61,448,660
Non-controlling interests		(619,872)	(618,377)
		56,200,184	60,830,283
Net assets attributable to non-controlling unitholders of Champion REIT		14,980,648	15,785,548
		71,180,832	76,615,831

The consolidated financial statements on pages 145 to 282 were approved and authorised for issue by the Board of Directors on 3 March 2023 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 2022

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total equity HK\$'000	Amount attributable to non-controlling unitholders of Champion REIT HK\$'000	Total HK\$'000
	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				
At 1 January 2021	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(439,329)	(439,329)
Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to owners of the Company												Non-controlling interests HK\$'000	Total equity HK\$'000	Amount attributable to non-controlling unitholders of Champion REIT HK\$'000	Total HK\$'000
	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				
At 1 January 2022	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
(Loss) profit for the year	-	-	-	-	-	-	-	-	-	-	(181,404)	(181,404)	7,338	(174,066)	(236,748)	(410,814)
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(3,448,372)	-	-	-	-	-	-	-	-	(3,448,372)	-	(3,448,372)	(13,981)	(3,462,353)
Share of other comprehensive income of an associate	-	-	1,748	-	-	-	-	-	-	-	-	1,748	-	1,748	-	1,748
Change in fair value of cash flow hedges, net of related income tax	-	-	-	-	-	-	-	-	63,362	-	-	63,362	-	63,362	29,739	93,101
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(508,909)	-	-	(87)	-	(508,996)	(213)	(509,209)	1,518	(507,691)
Total comprehensive (expense) income for the year	-	-	(3,446,624)	-	-	-	(508,909)	-	63,362	(87)	(181,404)	(4,073,662)	7,125	(4,066,537)	(219,472)	(4,286,009)
Transaction with non-controlling unitholders of Champion REIT Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(372,467)	(372,467)
Transactions with owners: Dividend paid (note 12)	-	-	-	-	-	-	-	-	-	-	(977,789)	(977,789)	-	(977,789)	-	(977,789)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	-	-	(1,667)	-	-	-	-	-	-	-	2,441	774	-	774	(774)	-
Shares issued at premium	8,342	258,252	-	-	-	-	-	-	-	-	-	266,594	-	266,594	-	266,594
Lapse of share options	-	-	-	-	-	-	-	(26,927)	-	-	26,927	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	20,405	-	-	-	20,405	-	20,405	-	20,405
Increase of interests in subsidiaries (note b)	-	-	-	-	-	-	-	-	-	135,074	-	135,074	18,164	153,238	(212,187)	(58,949)
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(26,784)	(26,784)	-	(26,784)
At 31 December 2022	373,862	7,059,099	282,983	23,109	3,054	400,965	(1,058,788)	89,013	36,364	8,463,767	41,146,628	56,820,056	(619,872)	56,200,184	14,980,648	71,180,832

Notes:

- Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group (defined in note 2) in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.
- 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 2022

	2022 HK\$'000	2021 HK\$'000
Operating activities		
Profit (loss) before tax	59,339	(482,999)
Adjustments for:		
Dividends received from equity securities held for trading	(8,780)	(5,288)
Dividends received from equity instruments at fair value through other comprehensive income	(15,555)	(10,173)
Loss (gain) on disposal of property, plant and equipment	2,349	(272)
Written off of a lease liability	(342)	–
Interest income	(96,352)	(162,756)
Fair value changes on investment properties	1,923,046	2,178,596
Fair value changes on derivative financial instruments	(351,737)	(290,780)
Fair value changes on financial assets at fair value through profit or loss	122,855	47,172
Allowance for credit losses on notes and interest receivables	61,240	108,396
Reversal of impairment loss on property, plant and equipment	(274,082)	–
Provision for allowance for doubtful debts, net of amounts recovered	5,523	5,617
Depreciation	885,628	849,367
Recognition of share-based payments	20,405	19,373
Interest expense	829,907	705,271
Share of results of joint ventures	43,237	(13,742)
Share of results of associates	(17,102)	(6,100)
Exchange differences	832	(1,927)
Operating cash flows before movements in working capital	3,190,411	2,939,755
Increase in debtors, deposits and prepayments	(97,597)	(96,503)
Decrease (increase) in inventories	10,065	(32,032)
Increase in creditors, deposits and accruals	71,094	192,760
Decrease (increase) in stock of properties	112,620	(319,818)
Increase in equity securities held for trading	(123,290)	(327,356)
Cash generated from operations	3,163,303	2,356,806
Hong Kong Profits Tax paid	(648,624)	(346,661)
Other jurisdictions tax paid	(8,136)	(1,769)
Hong Kong Profits Tax refunded	142	7,059
Other jurisdictions tax refunded	1,682	94,541
Net cash from operating activities	2,508,367	2,109,976
Investing activities		
Additions of equity instruments at fair value through other comprehensive income	(219,128)	(328,600)
Additions of financial assets at fair value through profit or loss	(688,436)	(916,245)
Additions of investment properties	(35,639)	(97,822)
Additions of investment in associates	(134,228)	–
Acquisition of investment property	(166,177)	–
Advance to loan and mortgage loan receivables	(13,660)	(12,315)
Additions of property, plant and equipment	(450,357)	(819,952)
Additions of notes receivables	(359,504)	(783,149)
Deposits paid for acquisition of an investment property	–	(26,078)
Dividends received from associates	5,454	6,277

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Investing activities (continued)		
Dividends received from		
– equity instruments at fair value through other comprehensive income	15,555	10,173
– equity securities held for trading	8,780	5,288
Distribution and repayment from a joint venture	2,952	61,735
Interest received	90,744	192,590
Advance to a joint venture	–	(290,780)
Withdrawal of restricted cash	43,475	70,295
Proceeds on disposal of		
– equity instruments at fair value through other comprehensive income	8,171	8,529
– financial assets at fair value through profit or loss	881,737	766,055
Proceeds on redemption of loan receivables	106,275	36,868
Proceeds on redemption of notes receivables	51,686	2,551,483
Proceeds on disposal of notes receivables	–	24,955
Proceeds on disposal of property, plant and equipment	45	582
Placement of time deposits with original maturity over three months	(66,380)	–
Withdrawal of time deposits with original maturity over three months	–	191,485
Net cash (used in) from investing activities	(918,635)	651,374
Financing activities		
Bank loans origination fees	(44,837)	(90,936)
Change of interests in subsidiaries	(58,949)	(89,111)
Distribution paid to non-controlling unitholders of Champion REIT	(409,875)	(478,741)
Distribution paid to non-controlling interests	(26,784)	–
Dividends paid to shareholders	(711,195)	(702,573)
Interest paid	(852,341)	(902,311)
Proceeds from exercise of share options	–	22,436
Transaction costs attributable to issue of shares	–	(119)
New bank loans raised	5,844,171	9,111,553
Repayments of bank loans	(4,759,269)	(10,992,503)
Repayments of lease liabilities	(11,332)	(10,846)
Interest paid for leases	(412)	(718)
Redemption of medium term notes	(643,000)	–
Net cash used in financing activities	(1,673,823)	(4,133,869)
Net decrease in cash and cash equivalents	(84,091)	(1,372,519)
Effect of foreign exchange rates changes	(93,328)	113,554
Cash and cash equivalents at the beginning of the year	6,119,146	7,378,111
Cash and cash equivalents at the end of the year		
Bank balances and cash	5,941,727	6,119,146



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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, the Company and its subsidiaries (collectively referred to as the “Group”) has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current year has 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)

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
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	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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.

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” (the “2020 Amendments”) and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (the “2022 Amendments”)

The 2020 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 2020 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

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” (the “2020 Amendments”) and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (the “2022 Amendments”) (continued)

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

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

The 2022 Amendments modify the requirements introduced by the 2020 Amendments on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 31 December 2022, 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.

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.

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

3.1 Basis of preparation of consolidated financial statements (continued)

Following the containment of COVID-19 and the gradual lifting of pandemic-related restrictions, the worldwide easing of travel restrictions and social distancing measures enables a recovery of economy. The Group reported a significant improvement of hotels' performance, as well as the reversal of hotel impairment and decrease in negative fair value changes of investment properties during the year.

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*".

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

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

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

3.1 Basis of preparation of consolidated financial statements (continued)

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.

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;

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

- 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 ("OCI") 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.

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.

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

3.2 Significant accounting policies (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

- 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.

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.

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

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.

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.

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)

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.

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.

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.

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)

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.

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. 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.

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.

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.

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 (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "stock of properties" respectively.

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.

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.

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)

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.

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.

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)

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.

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.

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)

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.

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.

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

3.2 Significant accounting policies (continued)

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 remains 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.

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.

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

3.2 Significant accounting policies (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

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.

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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

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 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.

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)

(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.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in "fair value changes on financial assets at fair value through profit or loss" line item.

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

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.

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.

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)

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;
- 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 foregoing, 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.

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)

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.

(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.

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)

(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.

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.

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)

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.

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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

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)

Assessment of hedging relationship and effectiveness (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated income statement as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For fair value hedge of debt instruments at amortised cost or debt instrument at FVTOCI, the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast 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 JUDGEMENTS 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 judgements, 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 judgements in applying accounting policies

The following are the critical judgements, 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 ("The Mainland China"), 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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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 and the Mainland China, 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 judgements 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 impairment indicators/ indicators of reversal of impairment to those properties. If any such indication exists, the recoverable amount of the relevant property is estimated in order to determine the extent of the impairment loss/reversal of impairment (if any). The hotel performances on the Group's certain hotels have been considered as an indicator for impairment/reversal of impairment of hotel buildings and hotel buildings under development. In determining whether the impairment loss of hotel buildings and hotel buildings under development would be recognised or reversed, 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/reversal of impairment 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 JUDGEMENTS 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. 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).

	2022 HK\$'000	2021 HK\$'000
Hotel income	4,841,728	2,816,730
Rental income from investment properties	2,497,221	2,581,484
Building management service income	283,162	289,296
Sales of properties	919,963	1,821,021
Sales of goods	147,209	125,942
Dividend income	24,335	15,461
Others	171,214	180,495
	8,884,832	7,830,429

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

5. REVENUE (continued)

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

2022

	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/ reclassification HK\$'000	Consolidated HK\$'000
Hotel income	4,872,776	-	-	-	4,872,776	-	375,958	-	(407,006)	4,841,728
Building management service income	-	16,790	-	-	16,790	266,372	-	-	-	283,162
Sales of properties	-	-	919,963	-	919,963	-	-	-	-	919,963
Sales of goods	-	-	-	147,209	147,209	-	-	-	-	147,209
Others	-	-	-	505,567	505,567	-	-	-	(334,353)	171,214
Revenue from contracts with customers	4,872,776	16,790	919,963	652,776	6,462,305	266,372	375,958	-	(741,359)	6,363,276
Rental income from investment properties	-	134,311	-	-	134,311	2,358,939	-	41,073	(37,102)	2,497,221
Dividend income	-	-	-	20,372	20,372	-	-	-	3,963	24,335
	4,872,776	151,101	919,963	673,148	6,616,988	2,625,311	375,958	41,073	(774,498)	8,884,832

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/ reclassification 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

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers:

– by source of revenue:

2022

	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Total HK\$'000
Hotel income			
– room revenue	–	2,983,550	2,983,550
– food & beverage revenue	1,442,752	–	1,442,752
– others	262,077	153,349	415,426
Building management service income	–	283,162	283,162
Sales of properties	919,963	–	919,963
Sales of goods	143,406	3,803	147,209
Others	–	171,214	171,214
Revenue from contracts with customers	2,768,198	3,595,078	6,363,276
Rental income from investment properties			2,497,221
Dividend income			24,335
			8,884,832

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

5. REVENUE (continued)

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

– by geographical locations:

2022

	Revenue recognised at a point in time HK\$'000	Revenue recognised over time HK\$'000	Total HK\$'000
Hong Kong	1,503,583	1,007,495	2,511,078
The USA	635,553	1,164,338	1,799,891
The Mainland China	37,132	196,735	233,867
Canada	65,688	421,556	487,244
The United Kingdom	182,774	468,141	650,915
Australia	202,849	228,361	431,210
New Zealand	137,833	107,407	245,240
Others	2,786	1,045	3,831
Revenue from contracts with customers	2,768,198	3,595,078	6,363,276
Rental income from investment properties			2,497,221
Dividend income			24,335
			8,884,832

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 Mainland China	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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:

2022

	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	801,694	62,007	4,005	867,706
Sales of properties	928,438	–	–	928,438
Sales of goods	99,654	114,955	–	214,609
Others	22,433	–	–	22,433
	1,852,219	176,962	4,005	2,033,186

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

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 Pacific Eagle (US) Real Estate Fund, L.P. and its subsidiaries (collectively referred to as 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 rental income and related expenses of the property 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 time deposits with original maturity over three months, 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 “Leases” 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

2022

	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	4,839,627	150,458	919,963	338,795	6,248,843	2,588,852	2,101	41,073	3,963	8,884,832
Inter-segment revenue	33,149	643	-	334,353	368,145	36,459	373,857	-	(778,461)	-
Total	4,872,776	151,101	919,963	673,148	6,616,988	2,625,311	375,958	41,073	(774,498)	8,884,832

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	615,898	97,081	457,271	530,113	1,700,363	1,788,143	313,753	17,937	(113,464)	3,706,732
Depreciation					(671,128)	-	(225,765)	(321)	11,586	(885,628)
Operating profit (loss) after depreciation					1,029,235	1,788,143	87,988	17,616	(101,878)	2,821,104
Fair value changes on investment properties					(166,946)	(1,749,233)	-	(6,867)	-	(1,923,046)
Fair value changes on derivative financial instruments					268,652	-	83,085	-	-	351,737
Fair value changes on financial assets at FVTPL					(102,709)	(20,146)	-	-	-	(122,855)
Reversal of impairment loss on a hotel property					274,082	-	-	-	-	274,082
Other income					9,563	-	685	563	(1,537)	9,274
Administrative and other expenses					(488,325)	(26,823)	(11,572)	(3,429)	122	(530,027)
Allowance for credit losses on notes and interest receivables					(13,000)	(48,240)	-	-	-	(61,240)
Net finance costs					(171,502)	(425,075)	(142,221)	1,668	3,575	(733,555)
Share of results of joint ventures					(729)	(42,508)	-	-	-	(43,237)
Share of results of associates					17,102	-	-	-	-	17,102
Profit (loss) before tax					655,423	(523,882)	17,965	9,551	(99,718)	59,339
Income taxes					(232,989)	(225,442)	(12,868)	-	1,146	(470,153)
Profit (loss) for the year					422,434	(749,324)	5,097	9,551	(98,572)	(410,814)
Less: (Loss) profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(897)	236,748	(1,663)	(4,778)	-	229,410
Profit (loss) attributable to owners of the Company					421,537	(512,576)	3,434	4,773	(98,572)	(181,404)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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.

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 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
Profit (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)
Profit (loss) for the year					161,367	(831,365)	(74,246)	914	(48,688)	(792,018)
Less: (Loss) profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(368)	271,048	22,762	(458)	-	292,984
Profit (loss) attributable to owners of the Company					160,999	(560,317)	(51,484)	456	(48,688)	(499,034)

Notes:

- The inter-segment revenue of Langham mainly includes the rental income of three hotel properties receivable from Great Eagle.
- During the year, income from sale of properties and rental income of HK\$nil (2021: HK\$19,061,000) and HK\$41,073,000 (2021: HK\$33,791,000) respectively, were recognised by the US Real Estate Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2022

	Assets HK\$'000	Liabilities HK\$'000	Net Assets HK\$'000
Hotel operation (note a)	18,476,568	5,718,745	12,757,823
Property investment (note a)	5,261,668	46,813	5,214,855
Property development (note a)	12,352,257	6,434,278	5,917,979
Other operations (note a)	576,537	221,970	354,567
Unallocated (note a)	6,615,440	4,934,001	1,681,439
Great Eagle Operations (note b)	43,282,470	17,355,807	25,926,663
Champion REIT (note c)	44,538,279	11,925,942	32,612,337
Langham (note d)	10,470,774	4,782,590	5,688,184
US Real Estate Fund (note e)	434,526	157,631	276,895

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

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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\$5,015,236,000 (2021: HK\$4,359,818,000) and borrowings of HK\$12,192,311,000 (2021: HK\$11,573,080,000), representing net debt of HK\$7,177,075,000 as at 31 December 2022 (2021: HK\$7,213,262,000).
- (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 68.28% (2021: 67.76%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK\$365,218,000 (2021: HK\$435,128,000).
- (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 69.70% (2021: 69.39%). It includes three hotel properties with appraised value of HK\$14,685,000,000 as at 31 December 2022 (2021: HK\$14,407,000,000). 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\$3,423,855,000 (2021: HK\$3,591,409,000) 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% (2021: 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 Mainland China, Japan, Italy and others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

6. SEGMENT INFORMATION (continued)

Geographical information (continued)

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	4,987,588	5,769,654	73,057,507	74,882,098
The USA	1,844,937	911,075	8,411,140	8,194,219
The Mainland China	233,867	403,764	2,549,079	3,004,657
Canada	487,244	146,257	580,782	592,741
The United Kingdom	650,915	250,733	1,337,755	1,568,657
Australia	431,210	199,607	673,092	752,610
New Zealand	245,240	147,281	1,172,970	1,291,910
Japan	–	–	1,616,862	1,804,921
Italy	–	–	328,948	328,795
Others	3,831	2,058	–	–
	8,884,832	7,830,429	89,728,135	92,420,608

Information about major customers

There were no customers individually contributing over 10% of the total sale amounts for both years.

7. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Interest income on:		
Bank deposits	57,854	25,170
Financial assets at FVTPL	8,248	21,088
Notes and loan receivables	25,487	108,255
Others	4,763	8,243
	96,352	162,756
Government subsidy (note)	51,686	173,480
Gain on disposal of property, plant and equipment	–	272
Sundry income	6,696	8,440
Bad debt recovery	70	–
	154,804	344,948

Note: During the current year, the Group recognised government grants of HK\$51,686,000 (2021: HK\$173,480,000) in respect of COVID-19-related subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank and other borrowings	603,694	564,234
Interest on medium term notes	239,665	246,514
Interest on lease liabilities	412	718
Other borrowing costs	76,802	125,946
	920,573	937,412
Less: amount capitalised (note)	(90,666)	(232,141)
	829,907	705,271

Note: Interest were capitalised at an average annual rate of 1.47% (2021: 2.32%) to property development projects.

9. INCOME TAXES

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	314,042	404,885
Other jurisdictions	86,589	8,841
	400,631	413,726
Under (overprovision) in prior years:		
Hong Kong Profits Tax	2,214	(2,924)
Other jurisdictions	(3,199)	(38,562)
	(985)	(41,486)
	399,646	372,240
Deferred tax (note 31):		
Current year	71,637	14,686
Overprovision in prior years	(1,130)	(77,907)
	70,507	(63,221)
	470,153	309,019

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% (2021: 29%) of the estimated assessable profit for current year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

9. INCOME TAXES (continued)

The tax charge for the year can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2022 HK\$'000	2021 HK\$'000
Profit (loss) before tax	59,339	(482,999)
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	9,791	(79,695)
Tax effect of expenses that are not deductible for tax purpose	390,866	423,004
Tax effect of income that is not taxable for tax purpose	(83,238)	(73,429)
Overprovision in prior years	(2,115)	(119,393)
Tax effect of share of results of associates	(2,822)	(1,006)
Tax effect of share of results of joint ventures	7,134	(2,268)
Tax effect of tax losses not recognised	114,967	140,195
Utilisation of tax losses previously not recognised	(18,256)	(2,734)
Effect of different tax rates of subsidiaries operating in other jurisdictions	40,859	(2,875)
Others	12,967	27,220
Tax charge for the year	470,153	309,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

10. LOSS FOR THE YEAR

	2022 HK\$'000	2021 HK\$'000
Loss for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	2,456,920	1,895,035
Share-based payments (including Directors' emoluments)	20,405	19,373
	2,477,325	1,914,408
Depreciation	885,628	849,367
Auditor's remuneration	17,045	16,225
Trustee's remuneration	8,459	10,131
Cost of inventories recognised as an expense	944,274	1,352,495
Net exchange loss (included in administrative and other expenses)	33,788	1,058
Loss on disposal of property, plant and equipment (included in administrative and other expenses)	2,349	–
Allowance for doubtful debts	5,593	5,617
Share of tax of associates (included in the share of results of associates)	39	43
Share of tax of a joint venture (included in the share of results of joint ventures)	12,395	3,015
and after crediting:		
Gain on disposal of property, plant and equipment (included in other income)	–	272
Dividend income from		
– equity instruments at FVTOCI	15,555	10,173
– financial assets at FVTPL	8,780	5,288
Rental income from investment properties less related outgoings of HK\$302,499,000 (2021: HK\$256,226,000)	2,194,722	2,325,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the sixteen (2021: fourteen) Directors were as follows:

	2022					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions HK\$'000	
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	220	15,112	1,589	3,490	636	21,047
Mr. LO Hong Sui, Antony	220	1,728	216	420	86	2,670
Madam LAW Wai Duen	220	704	88	420	35	1,467
Mr. KAN Tak Kwong	220	7,310	913	2,068	365	10,876
Mr. CHU Shik Pui	220	5,221	957	1,765	261	8,424
Mr. LO Alexander Chun Him	220	2,655	339	1,080	136	4,430
Professor POON Ka Yeung, Larry	220	3,001	375	–	150	3,746
Sub-total	1,540	35,731	4,477	9,243	1,669	52,660

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

	2022					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2022					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions HK\$'000	
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent (note a)	362	–	–	–	–	362
Professor WONG Yue Chim, Richard	510	–	–	–	–	510
Mrs. LEE Pui Ling, Angelina	510	–	–	–	–	510
Mr. LEE Siu Kwong, Ambrose (note b)	310	–	–	–	–	310
Mr. ZHU Qi (note c)	505	–	–	–	–	505
Mr. HO Shut Kan (note d)	5	–	–	–	–	5
Sub-total	2,202	–	–	–	–	2,202

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

Total	55,522
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	2021					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions 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
Professor POON Ka Yeung, Larry (note e)	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2021					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions 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.

	2021					Total HK\$'000
	Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions 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
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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Notes:

- (a) Mr. CHENG Hoi Chuen, Vincent passed away and ceased to be an independent non-executive director of the Company on 28 August 2022.
- (b) Mr. LEE Siu Kwong, Ambrose passed away and ceased to be an independent non-executive director of the Company on 14 August 2022.
- (c) Mr. ZHU Qi was appointed as an independent non-executive director of the Company on 1 January 2022.
- (d) Mr. HO Shut Kan was appointed as an independent non-executive director of the Company on 28 December 2022.
- (e) Professor POON Ka Yeung, Larry was redesignated from independent non-executive director to executive director of the Company on 22 December 2021.

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.

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 2022 and 31 December 2021.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2021: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2021: two) individuals were as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	9,337	10,803
Discretionary bonuses	1,219	560
Share options	1,540	658
Retirement benefits scheme contributions	704	1,026
	12,800	13,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments (continued)

	2022 Number of employees	2021 Number of employees
Bands:		
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	–	1
HK\$7,000,001 – HK\$7,500,000	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

	2022 HK\$'000	2021 HK\$'000
Dividends paid:		
– Final dividend of HK50 cents in respect of the financial year ended 31 December 2021 (2021: HK50 cents in respect of the financial year ended 31 December 2020) per ordinary share	365,520	360,396
– Special final dividend of HK50 cents in respect of the financial year ended 31 December 2021 (2021: HK50 cents in respect of the financial year ended 31 December 2020) per ordinary share	365,520	360,396
	731,040	720,792
– Interim dividend of HK33 cents in respect of the financial year ended 31 December 2022 (2021: HK33 cents in respect of the financial year ended 31 December 2021) per ordinary share	246,749	241,243
	977,789	962,035

12. DIVIDENDS (continued)

On 21 June 2022, 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 2021.

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.

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

	2022 HK\$'000	2021 HK\$'000
Dividends:		
Cash	98,926	100,934
Share alternative (note 34)	266,594	259,462
	365,520	360,396

	2022 HK\$'000	2021 HK\$'000
Dividends proposed:		
– Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2022 (2021: HK50 cents in respect of the financial year ended 31 December 2021) per ordinary share	373,862	365,520
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2021 per ordinary share	–	365,520
	373,862	731,040

The proposed final dividends in respect of the financial year ended 31 December 2022 is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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:

	2022 HK\$'000	2021 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	(181,404)	(499,034)
	2022	2021
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	739,861,798	726,045,117

For the year ended 31 December 2022 and 2021, 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

	2022 HK\$'000	2021 HK\$'000
FAIR VALUE		
At 1 January	71,063,934	73,111,626
Exchange adjustments	(19,737)	10,893
Additions	35,673	120,011
Acquisition of property	192,255	–
Decrease in fair value recognised in the consolidated income statement	(1,923,046)	(2,178,596)
At 31 December	69,349,079	71,063,934

- (a) The Group's property interests situated in Hong Kong of HK\$68,532,500,000 (2021: HK\$70,250,000,000), in the USA of HK\$549,677,000 (2021: HK\$549,795,000) and in the Mainland China of HK\$266,902,000 (2021: HK\$264,139,000) 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. The management reports the valuation reports and findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

- (c) Included in the fair value of investment properties as at 31 December 2022 is HK\$68,525,002,000 (2021: HK\$70,961,034,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2022 HK\$'000	2021 HK\$'000
FAIR VALUE		
At 1 January	70,961,034	73,014,926
Exchange adjustments	(19,737)	10,893
Additions	35,673	120,011
Decrease in fair value recognised in the consolidated income statement	(1,902,291)	(2,184,796)
Transfers out of level 3	(549,677)	–
At 31 December	68,525,002	70,961,034

Unrealised loss on property revaluation included in profit or loss amounted to HK\$1,902,291,000 (2021: HK\$2,184,796,000). Investment property of HK\$549,677,000 transfers out of Level 3 to Level 2 during the year.

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

	2022 HK\$'000	2021 HK\$'000
Leases in Hong Kong	68,532,500	70,250,000
Leases outside Hong Kong	816,579	813,934
	69,349,079	71,063,934

- (e) The fair value of the Group's investment properties at 31 December 2022 and 2021 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.

Investment properties in the Mainland China – 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.

- (f) The Group entered into sales and purchase agreement to dispose of the investment property located in Malibu, the USA. The closing of such transaction is scheduled to be completed after 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2022						
Commercial property in Wan Chai, Hong Kong	3,687,100	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. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) Note (ii)
Commercial properties in Central, Hong Kong	38,942,000	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. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) Note (ii)
Office and mall properties in Mongkok, Hong Kong	24,613,000	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. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) Note (ii)
Furnished apartments in Hong Kong	1,016,000	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%. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) Note (ii)
Commercial properties in Shanghai, the Mainland China	266,902	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 8.00% for retail. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) Note (ii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2022 (continued)					
Condominiums in the USA	549,677	Level 2	Market price	N/A	N/A
Apartments in Hong Kong	101,400	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
Shops in Central, Hong Kong	173,000	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

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. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) 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. Market rent, taking into account direct market comparables within the property.	The higher the capitalisation rate, the lower the fair value. The higher the market rent, the higher the fair value.	Note (i) Note (ii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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)						
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)
Commercial properties in Shanghai, the Mainland China	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	

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Right-of-use leasehold land	Right-of-use properties	Hotel buildings	Hotel buildings under development	Owner occupied properties situated in Hong Kong	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST										
At 1 January 2021	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
Exchange adjustments	(279,678)	-	(972)	(580,780)	(23,669)	-	(155,494)	(35)	(4)	(1,040,632)
Additions	-	-	1,521	55,316	135,920	-	199,569	-	-	392,326
Transfer in (out)	-	-	-	56,188	(59,777)	-	3,589	-	-	-
Disposals/written off	-	-	(3,868)	-	-	-	(71,876)	(999)	(76)	(76,819)
At 31 December 2022	3,801,304	2,349,418	55,139	17,416,311	1,396,365	1,100,409	4,308,773	4,908	87	30,432,714
DEPRECIATION AND IMPAIRMENT										
At 1 January 2021	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
Exchange adjustments	(1,387)	-	(689)	(180,757)	-	-	(101,749)	(42)	(4)	(284,628)
Charge for the year	-	44,765	5,449	407,015	-	66,147	361,737	505	10	885,628
Reversal of impairment loss	-	-	-	(274,082)	-	-	-	-	-	(274,082)
Eliminated on disposals/written off	-	-	(3,540)	-	-	-	(69,810)	(999)	(76)	(74,425)
At 31 December 2022	113,486	1,225,737	46,558	5,497,865	-	352,070	2,814,094	3,794	54	10,053,658
CARRYING AMOUNTS										
At 31 December 2022	3,687,818	1,123,681	8,581	11,918,446	1,396,365	748,339	1,494,679	1,114	33	20,379,056
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

Included in the additions of furniture and fixtures of HK\$199,569,000 (2021: HK\$217,038,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK\$18,938,000 (2021: HK\$69,918,000), HK\$8,936,000 (2021: HK\$7,966,000) and HK\$5,690,000 (2021: HK\$1,329,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2022, the leasehold land with carrying amounts of HK\$1,123,681,000 (2021: HK\$1,168,446,000) are situated in Hong Kong. Freehold land is situated outside Hong Kong. Owner occupied properties situated in Hong Kong are land and buildings.

The management of the Group concluded there was indication for impairment/reversal of impairment and conducted impairment assessment on certain property, plant and equipment with carrying amounts of HK\$5,485,595,000 (2021: HK\$20,319,395,000).

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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. 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 CGU of hotel property in the USA with carrying amount of HK\$1,661,403,000 (2021: certain hotel properties of HK\$5,315,895,000), 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. Based on the result of the assessment, management of the Group determined that the recoverable amount of the hotel property in the USA is higher than that of the carrying amount, and reversal of impairment loss of HK\$274,082,000 has been recognised in current year. The carrying amount of the relevant hotel properties did not exceed the recoverable amount based on fair value less costs of disposal and no impairment has been recognised in prior year.

For CGUs of hotel properties in New Zealand and Australia with carrying amounts of HK\$1,165,443,000 and HK\$233,834,000 (2021: certain hotel properties of HK\$11,698,860,000), given that there is no independent professional property valuer 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; (ii) the use of pre-tax discount rates from 6.5% to 9.25% as at 31 December 2022 (2021: 5.5% to 9.25%); and (iii) the use of terminal capitalisation rates from 5% to 7% (2021: 3.5% to 8.37%) to estimate return of the hotel properties beyond 5 years. The carrying amount of the hotel properties does not exceed the recoverable amount based on value in use and no impairment has been recognised in current and prior year.

For CGUs of hotel properties in Mainland China with carrying amounts of HK\$2,424,915,000, given that there is no independent professional property valuer to perform valuation, the management believes that it is more appropriate to adopt fair value less costs of disposal approach for calculating the recoverable amounts of these CGUs individually for the impairment test. The calculation is based on the market comparison method, which is based on a per room basis on actual sales transaction and offering of comparable property during the year that have been made, subject to appropriate adjustments made for variable factors, including location and grading. The carrying amount of the hotel properties does not exceed the recoverable amount based on fair value less costs of disposal approach and no impairment has been recognised in current year.

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

	2022 HK\$'000	2021 HK\$'000
Cost of investments in joint ventures (note i)	386,302	413,332
Share of post-acquisition results and other comprehensive income	(177,429)	(132,928)
	208,873	280,404
Amounts due from joint ventures (note ii)	51,446	57,339
	260,319	337,743

Notes:

- (i) Included an amount due from a joint venture of HK\$209,588,000 (2021: HK\$233,733,000) which is in substance form part of the Group's net investment in the joint venture. The amount is unsecured and non-interest bearing.
- (ii) Included an amount due from a joint venture of HK\$51,154,000 (2021: 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\$208,873,000 as at 31 December 2022 (2021: HK\$280,404,000) are accounted for using the equity method in these consolidated financial statements.

Pursuant to the shareholders' agreement signed between an indirect non-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.

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 2022 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

	2022 HK\$'000	2021 HK\$'000
Current assets	76,525	105,398
Non-current assets	2,279,863	2,617,372
Current liabilities	287,236	238,328
Non-current liabilities	1,373,524	1,537,384
The above amounts of assets and liabilities include the followings:		
Investment properties	1,972,960	2,568,710
Cash and cash equivalents	66,162	97,135
Current financial liabilities (excluding trade and other payable and provisions)	195,408	211,287
Non-current financial liabilities (excluding trade and other payable and provisions)	1,373,524	1,526,488
Net property income	84,655	72,772
(Loss) profit from continuing operations	(157,436)	82,645
Total comprehensive (expense) income for the year	(157,436)	82,645
The above (loss) profit for the year includes the followings:		
Interest expense	40,574	32,117
Income tax expense	45,909	11,166

16. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint venture (continued)

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

	2022 HK\$'000	2021 HK\$'000
Net assets of Athene Investment	695,628	947,058
Proportion of the Group's ownership interest in Athene Investment	27%	27%
Carrying amount of the Group's interest in Athene Investment	187,820	255,706

Aggregate information of joint ventures that are not individually material

	2022 HK\$'000	2021 HK\$'000
The Group's share of results for the year	(730)	(8,572)
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive expense	(730)	(8,572)
Aggregate carrying amount of the Group's interests in the joint venture	21,053	24,698

17. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Cost of investment in associates	134,336	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	69,682	56,286
	204,018	56,394

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

17. INTERESTS IN ASSOCIATES (continued)

Pursuant to the subscription and shareholders' agreement signed between an indirect non-wholly owned subsidiary of the Company and certain independent third party investors in April 2022, IEH Holdings Limited was established as an associate for holding the equity interests in a pastry business in Hong Kong.

Pursuant to the acquisition and shareholders' agreement signed between an indirect wholly owned subsidiary of the Company and an independent third party investor in August 2022, Tonkichi Holdings Limited was established as an associate for holding the equity interests in a business engaging in restaurant operations in Hong Kong.

Particulars regarding the associates are set out in note 45.

At 31 December 2022 and 2021, the Group's interest in associates were not individually material to the Group.

Aggregate information of associates that are not individually material

	2022 HK\$'000	2021 HK\$'000
The Group's share of profit for the year	17,102	6,100
The Group's share of other comprehensive income	1,748	3,303
The Group's share of total comprehensive income	18,850	9,403
Dividends received from associates during the year	5,454	6,277
Aggregate carrying amount of the Group's interests in these associates	204,018	56,394

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK\$'000	2021 HK\$'000
Listed equity securities in Hong Kong	298,765	281,123
Listed equity securities outside Hong Kong	721,155	4,003,540
Unlisted equity securities in Hong Kong	142,270	152,946
Unlisted equity securities outside Hong Kong	781,305	757,974
	1,943,495	5,195,583

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

	2022 HK\$'000	2021 HK\$'000
Notes receivables (note a)	487,013	232,481
Loan receivables (note b)	219,664	218,358
Mortgage loan receivables (note c)	97,398	191,012
	804,075	641,851
Less: Amounts due within one year shown under current assets	(371,341)	(41,699)
Amounts due after one year	432,734	600,152

Notes:

(a) Notes receivables

At 31 December 2022, the Group held secured bonds with principal amount of HK\$10,468,000 (2021: HK\$23,494,000) and unsecured bonds with principal amounts of HK\$476,545,000 (2021: HK\$208,987,000). Details of the notes receivables are set out below:

2022:

Nominal value	Interest rate (per annum)	Maturity
US\$200,000 to US\$4,000,000	1.5% to 7.875%	March 2023 to May 2026
AU\$2,010,000 to AU\$5,000,000	3.1% to 3.66%	March 2023
C\$30,381,000	4.78%	March 2023
EUR2,500,000	1.83%	February 2023

2021:

Nominal value	Interest rate (per annum)	Maturity
US\$500,000 to US\$8,000,000	3.75% to 11.5%	January 2022 to October 2025

Included in the carrying amount of notes receivables as at 31 December 2022 is accumulated allowance for credit losses of HK\$164,410,000 (2021: HK\$105,814,000). During the year, the Group recognised HK\$59,182,000 (2021: HK\$105,466,000) allowance for credit losses on notes receivables in the consolidated income statement. Details of impairment assessment of notes receivables are set out in note 41.

(b) Loan receivables

At 31 December 2022, the Group held loan receivables with aggregate carrying amount of US\$28,128,000 (equivalent to approximately HK\$219,664,000) (2021: US\$28,000,000 (equivalent to approximately HK\$218,358,000)), which bears interest at 1.69% to 6% per annum and have a maturity dates ranging from 2025 to 2027.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swaps	84,109	14,306	–	63,122
Cross currency swaps	–	8,535	53,504	–
Foreign currency derivative contracts	43,867	2,753	–	–
	127,976	25,594	53,504	63,122
Less: Would be matured within one year shown under current assets/liabilities	(127,976)	(2,753)	(53,504)	(5,641)
Would be matured after one year	–	22,841	–	57,481

The Group entered into interest rate swaps with aggregate notional amount of HK\$5,000,000,000 (2021: HK\$3,200,000,000) 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 3.995% (2021: 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.

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 and their maturity dates are detailed as follows:

Interest rate swaps	Maturity May 2023 to December 2025
Cross currency swaps	June 2027
Foreign currency derivative contracts	January 2023 to June 2023

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2022 HK\$'000	2021 HK\$'000
Derivative as assets		
Designated as cash flow hedge		
– interest rate swaps (note i)	111,038	–
– cross currency swaps (note ii)	16,660	15,732
	127,698	15,732
Analysed for reporting purpose:		
Shown under current assets	16,109	–
Shown under non-current assets	111,589	15,732
	127,698	15,732
Derivative as liabilities		
Designated as cash flow hedge		
– interest rate swaps (note i)	24,937	30,214
– cross currency swaps (note ii)	13,185	2,370
	38,122	32,584
Analysed for reporting purpose:		
Shown under non-current liabilities	38,122	32,584

Notes:

(i) Interest rate swaps

As at 31 December 2022 and 2021, 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 0.88% to 0.95% (2021: 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.

	2022	2021
Carrying amount – assets/(liabilities) (HK\$'000)	86,101	(30,214)
Notional amount (HK\$'000)	3,900,000	2,900,000
Maturity date	28 June 2024 to 29 June 2026	28 June 2024
Change in fair value of outstanding instruments during the year (HK\$'000)	116,974	33,783
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	(116,974)	(33,783)
Weighted average swap rate per annum (before interest margin)	2.07%	1.27%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

Notes: (continued)

(ii) Cross currency swaps

As at 31 December 2022 and 2021, 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.

	2022	2021
Carrying amount – assets (HK\$'000)	3,475	13,362
Notional amount (US\$'000)	639,400	476,400
Maturity date	17 January 2023 to 15 June 2030	17 January 2023 to 15 June 2030
Change in fair value of hedging instruments during the year (HK\$'000)	(9,547)	13,803
Change in value of hedged item used to determine hedge effectiveness during the year (HK\$'000)	9,547	(13,803)
Weighted average exchange rate (US\$: HK\$)	7.7829	7.7640

(iii) Hedging reserve

	Cross currency swaps HK\$'000	Interest rate swaps HK\$'000	Total hedging reserves HK\$'000
As at 1 January 2021	(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 of amount attributable to non-controlling unitholders of Champion REIT	2,203	(30,131)	(27,928)
As at 31 December 2021	(6,584)	(20,414)	(26,998)
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	(9,547)	116,974	107,427
Reclassification of fair value adjustments to profit or loss	1,092	(1,211)	(119)
Deferred tax related to fair value adjustments recognised in other comprehensive income	–	(14,207)	(14,207)
Reclassification of amount attributable to non-controlling unitholders of Champion REIT	2,631	(32,370)	(29,739)
As at 31 December 2022	(12,408)	48,772	36,364

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

22. STOCK OF PROPERTIES

	2022 HK\$'000	2021 HK\$'000
Properties under development for sale (note a)	9,905,453	10,041,857
Properties held for sale (note b)	2,163,429	2,547,605
	12,068,882	12,589,462

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.
- (b) 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 2022 and 2021.

23. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	5,781	13,763
Trading goods	4,322	2,176
Provisions and beverages	42,876	44,705
Work-in-progress	74,874	77,274
	127,853	137,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Trade debtors, net of allowance for doubtful debts	292,416	176,643
Deferred lease receivables	98,530	147,349
Retention money receivables	8,757	8,042
Other receivables, net of credit losses on interest receivables	176,808	216,993
Deposits and prepayments	314,252	244,725
	890,763	793,752

Included in the balance of debtors, deposits and prepayments are trade debtors (net of allowance of doubtful debts) of HK\$292,416,000 (2021: HK\$176,643,000). 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:

	2022 HK\$'000	2021 HK\$'000
Trade receivables from contracts with customers	238,855	119,123
Retention money receivables	8,757	8,042
Amount due within one year	(7,488)	(5,771)
Amount due after one year	1,269	2,271

As at 1 January 2021, trade receivables from contracts with customers and retention money receivables amounted to HK\$55,697,000 and HK\$11,079,000, respectively.

Deposits and prepayments mainly consist of 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:

	2022 HK\$'000	2021 HK\$'000
Within 3 months	244,428	115,789
More than 3 months but within 6 months	16,026	19,142
Over 6 months	31,962	41,712
	292,416	176,643

As at 31 December 2022, included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK\$78,542,000 (2021: HK\$87,549,000) 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 2022 are set out in note 41.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Equity linked notes	4,026	81,003
Currency linked notes	24,037	162,861
Listed equity securities held for trading	511,779	488,387
	539,842	732,251

At the end of the reporting period, all the listed equity securities were 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:

2022

	Nominal value	Maturity period
Equity linked notes – HK dollars	HK\$4,000,000	4 months
Currency linked notes – Japanese yen	JPY139,399,000 to JPY140,171,000	9 months
– Australian dollars	AU\$815,000 to AU\$820,000	6 months

2021

	Nominal value	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

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\$53,288,000 (2021: HK\$102,889,000) carried market interest rates ranging from 0% to 1.495% (2021: 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 rates of 5.42% to 5.66% per annum with original maturity over three months but not exceeding one year for the year ended 31 December 2022.

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 ranging from 0.001% to 5.66% (2021: 0.001% to 2.6%) per annum.

27. CREDITORS, DEPOSITS AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Trade creditors	323,691	398,685
Deposits received	709,993	776,500
Customer deposits and other deferred revenue	413,609	418,706
Construction fee payable and retention money payable	646,393	762,991
Accruals, interest payable and other payables (note)	4,625,900	4,837,854
	6,719,586	7,194,736

Note: With reference to 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\$2,367,000,000 (2021: HK\$2,830,300,000), which is measured at fair value, is included in the accruals, interest payable and other payables as at 31 December 2022.

In determining the sharing of surplus proceeds of the HMT Project, the Directors have 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 reflecting 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% (2021: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

27. CREDITORS, DEPOSITS AND ACCRUALS (continued)

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

	2022 HK\$'000	2021 HK\$'000
Within 3 months	312,415	382,361
More than 3 months but within 6 months	7,668	2,143
Over 6 months	3,608	14,181
	323,691	398,685

Customer deposits and other deferred revenue comprised:

	2022 HK\$'000	2021 HK\$'000
Hotel operations	243,147	240,627
Sales of properties	141,960	153,462
Sales of goods	5,253	3,757
Others	23,249	20,860
	413,609	418,706

As at 1 January 2021, customer deposits and other deferred revenue amounted to HK\$451,150,000.

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.

	2022 HK\$'000	2021 HK\$'000
Hotel operations	74,171	121,732
Sales of properties	108,102	83,420
Sales of goods	2,240	1,067
Others	19,148	15,603
	203,661	221,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

28. BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank loans and revolving loans	26,051,946	25,588,014
Other loans	218,666	218,358
	26,270,612	25,806,372
Loan front-end fee	(93,975)	(89,126)
	26,176,637	25,717,246

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

	2022 HK\$'000	2021 HK\$'000
Within one year	8,482,640	6,542,795
More than one year but not exceeding two years	7,494,618	6,916,926
More than two years but not exceeding five years	10,199,379	12,257,525
	26,176,637	25,717,246
Less: Amounts due within one year shown under current liabilities	(8,482,640)	(6,542,795)
Amounts due after one year shown under non-current liabilities	17,693,997	19,174,451

Borrowings amounting to HK\$14,067,830,000 (2021: HK\$14,264,826,000) 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:

	2022 HK\$'000	2021 HK\$'000
More than three years but not exceeding four years	233,383	–
More than four years but not exceeding five years	–	232,794
	233,383	232,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

28. BORROWINGS (continued)

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

	2022 HK\$'000	2021 HK\$'000
Within one year	8,482,640	6,542,795
More than one year but not exceeding two years	7,494,618	6,916,926
More than two years but not exceeding three years	4,210,899	10,277,603
More than three years but not exceeding four years	3,094,317	440,109
More than four years but not exceeding five years	2,660,780	1,307,019
	25,943,254	25,484,452

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

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	1% to 2.86%	1% to 2.86%
Variable-rate borrowings	0.31% to 4.75%	0.33% to 4.98%

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

	2022 HK\$'000	2021 HK\$'000
Medium term notes	7,060,441	7,695,890
Origination fees	(36,105)	(46,330)
	7,024,336	7,649,560
Less: Amount due within one year shown under current liabilities	(3,017,389)	(643,000)
Amount due after one year shown under non-current liabilities	4,006,947	7,006,560

The maturity of the medium term notes is as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	3,017,389	643,000
More than one year but not exceeding two years	199,965	3,008,647
More than two years but not exceeding five years	1,218,735	1,416,401
More than five years	2,588,247	2,581,512
	7,024,336	7,649,560
Less: Amount due within one year shown under current liabilities	(3,017,389)	(643,000)
Amount due after one year shown under non-current liabilities	4,006,947	7,006,560

The major terms of the issued medium term notes are set out below:

As at 31 December 2022

Principal amount

US\$686,400,000
HK\$1,700,000,000

Coupon rate (per annum)

2.95% to 3.75%
Fixed rates ranging from 2.75% to 4.00%

As at 31 December 2021

Principal amount

US\$686,400,000
HK\$2,343,000,000

Coupon rate (per annum)

2.95% to 3.75%
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

30. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Within one year	5,407	11,121
More than one year but not exceeding two years	2,031	5,156
More than two years but not exceeding five years	4,332	5,104
More than five years	–	867
	11,770	22,248
Less: Amount due within one year shown under current liabilities	(5,407)	(11,121)
Amount due after one year shown under non-current liabilities	6,363	11,127

The weighted average incremental borrowing rates applied to lease liabilities range from 1.07% to 4.75% (2021: from 1.07% to 4.75%) per annum.

Lease obligations that are denominated in currencies other than the functional currency of the Group are set out below:

	2022 HK\$'000	2021 HK\$'000
US\$	3,073	8,934
RMB	210	2,005

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 2021	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
Exchange differences	(17,891)	340	470	(17,081)
Charge (credit) to profit or loss for the year	102,914	8,909	(41,316)	70,507
Charge to other comprehensive income for the year	–	–	14,207	14,207
At 31 December 2022	1,572,823	(221,931)	(64,247)	1,286,645

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\$5,559,218,000 (2021: HK\$5,178,134,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,134,264,000 (2021: HK\$1,168,524,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$4,424,954,000 (2021: HK\$4,009,610,000) 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\$334,167,000 (2021: 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\$334,167,000 (2021: 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\$1,711,966,000 (2021: HK\$1,510,750,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

32. SHARE CAPITAL

	2022		2021	
	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	731,040	365,520	719,920	359,960
Issued upon exercise of share options under the share option schemes	–	–	873	436
Issued as scrip dividends	16,683	8,342	10,247	5,124
Balance carried forward	747,723	373,862	731,040	365,520

During the year ended 31 December 2022, 16,682,933 (2021: 10,247,300) shares of HK\$0.50 each in the Company were issued at HK\$15.98 (2021: HK\$25.32) 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 2022 amounting to HK\$3,255,000 (2021: HK\$2,920,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2022 charged to the consolidated income statement amounted to HK\$88,102,000 (2021: HK\$74,273,000). As at 31 December 2022, contributions of HK\$6,375,000 (2021: HK\$3,465,000) 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 2022, 16,682,933 (2021: 10,247,300) shares of HK\$0.50 each in the Company were issued at HK\$15.98 (2021: HK\$25.32) per share as scrip dividends.

During the year ended 31 December 2021, bank borrowings of HK\$5,877,000,000 was assumed from previous developer to the Group.

35. PLEDGE OF ASSETS

At 31 December 2022, 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\$266,902,000 (2021: HK\$264,139,000) 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\$14,123,628,000 (2021: HK\$11,659,155,000); and
- (c) the Group's stock of properties with a total carrying value of HK\$9,905,453,000 (2021: HK\$8,571,518,000).

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 9.37% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2022 Year of grant of options	Outstanding options at 1 January 2022	Number of shares		Outstanding options at 31 December 2022
		Options exercised	Options lapsed	
2017	2,842,000	–	(2,842,000)	–
2018	3,619,000	–	(270,000)	3,349,000
2019	4,120,000	–	(346,000)	3,774,000
	10,581,000	–	(3,458,000)	7,123,000
Exercisable at end of the year				7,123,000
Weighted average exercise price	HK\$39.69	N/A	HK\$37.75	HK\$40.63

In 2021 Year of grant of options	Outstanding options at 1 January 2021	Number of shares		Outstanding options at 31 December 2021
		Options exercised	Options lapsed	
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	HK\$25.70	HK\$36.73	HK\$39.69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

36. SHARE OPTIONS (continued)

2019 Share Option Scheme

In 2022 Year of grant of options	Outstanding options at 1 January 2022	Number of shares		Outstanding options at 31 December 2022
		Options granted	Options lapsed	
2020	4,525,000	–	(489,000)	4,036,000
2021	4,277,000	–	(500,000)	3,777,000
2022	–	5,052,000	(542,000)	4,510,000
	8,802,000	5,052,000	(1,531,000)	12,323,000
Exercisable at end of the year				4,036,000
Weighted average exercise price	HK\$24.95	HK\$19.06	HK\$22.95	HK\$22.79

In 2021 Year of grant of options	Outstanding options at 1 January 2021	Number of shares		Outstanding options at 31 December 2021
		Options granted	Options lapsed	
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	HK\$24.88	HK\$24.95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

In 2022 Year of grant of options	Outstanding options at 1 January 2022	Number of shares			Outstanding options at 31 December 2022
		Options granted	Options exercised	Options lapsed	
2017 – 2019	4,934,000	–	–	(1,080,000)	3,854,000

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

2019 Share Option Scheme

In 2022 Year of grant of options	Outstanding options at 1 January 2022	Number of shares			Outstanding options at 31 December 2022
		Options granted	Options exercised	Options lapsed	
2020 – 2022	3,496,000	1,780,000	–	–	5,276,000

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

No option has been exercised under the 2009 Share Option Scheme and 2019 Share Option Scheme for the year ended 31 December 2022.

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.

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			
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
2022	18.3.2022	19.3.2024 – 18.3.2027	19.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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\$
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
18.3.2022	19.06	19.06	33.54%	5.26%	5 years	2.15%	4.24

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\$20,405,000 for the year ended 31 December 2022 (2021: HK\$19,373,000) 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 2022, 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\$7,980,246,000 (2021: HK\$9,386,652,000) in aggregate of which HK\$906,456,000 (2021: HK\$888,306,000) 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\$2,497,221,000 (2021: HK\$2,581,484,000). 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 2022 amounted to HK\$118,303,000 (2021: HK\$39,051,000).

Minimum lease payments receivable on leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	1,847,704	2,281,948
In the second year	1,222,361	1,601,087
In the third year	602,850	771,745
In the fourth year	170,883	276,581
In the fifth year	62,542	41,471
After five years	10,783	9,794
	3,917,123	4,982,626

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\$720,000 (2021: HK\$3,444,000) 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.

	2022 HK\$'000	2021 HK\$'000
Transaction with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee income	1,344	1,344

	2022 HK\$'000	2021 HK\$'000
Transactions with related companies for the year ended 31 December		
Shui On Land Limited and its subsidiaries ¹		
Lease payment	1,159	1,899
Hotel income	524	–
Management fee expenses	3,450	3,631
Shui Sing Holdings Limited and its subsidiaries ²		
Management fee income	264	264
Repair and maintenance income	222	369
Agency fee income	67	50
Healthy Seed ³		
Management fee income	144	143
Rental income	201	259
Building management fee income	166	166
Repair and maintenance income	–	31

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)

	2022 HK\$'000	2021 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
Shui On Land Limited and its subsidiaries ¹	1,524	1,961
Shui Sing Holdings Limited and its subsidiaries ²	382	559
	1,906	2,637
Amounts due from a related party (included in debtors, deposits and prepayments)		
Mr. Lo Kai Shui	664	664
Amounts due to related companies (included in creditors, deposits and accruals and lease liabilities)		
Shui On Land Limited and its subsidiaries ¹	270	525
Healthy Seed ³	96	96
Shui Sing Holdings Limited and its subsidiaries ²	431	1,058
	797	1,679

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 34.06% (2021: 33.78%) interest of the Company.
- ³ Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander, are directors of this company.

The remuneration of the Directors and 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.

(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/SONIA 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

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 (2021: 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 profit before tax (2021: loss before tax) for the year ended 31 December 2022 would decrease/increase by HK\$67,977,000 (2021: increase/decrease by HK\$78,841,000).

(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\$639,400,000 (2021: US\$476,400,000). 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) **Market risk (continued)**

(ii) **Currency risk (continued)**

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
US\$	878,994	8,970,761	340,196	1,608,709
RMB	275,321	48,880	–	–
Pound Sterling	284,673	624,009	–	305,298
Euro dollars	73,756	71,344	429	3,012
Australian dollars	8,206	83,456	–	–
Macau pataca	15	4,605	–	–
Singapore dollars	94,366	92,262	–	–

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2021: 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% (2021: 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% (2021: 10%) change in foreign currency rate. A positive number below indicates a decrease in loss before tax where Hong Kong dollars weaken 10% (2021: 10%) against the relevant currency. For a 10% (2021: 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.

	2022 HK\$'000	2021 HK\$'000
RMB	27,532	4,888
Pound Sterling	28,467	31,871
Euro dollars	7,333	6,833
Australian dollars	821	8,346
Macau pataca	2	461
Singapore dollars	9,437	9,226

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% (2021: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK\$194,350,000 (2021: HK\$519,558,000) 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% (2021: 10%) higher/lower, fair value changes on financial assets at FVTPL would increase/decrease by HK\$51,178,000 (2021: HK\$48,839,000) 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, maintains sufficient availability of banking facilities and ensures compliance with loan covenants as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK\$5,941,727,000 as at 31 December 2022 (2021: HK\$6,119,146,000). 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\$10,507,778,000 as at 31 December 2022 (2021: HK\$9,059,092,000).

The Group established a US\$3 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\$1,700,000,000 and US\$686,400,000 as at 31 December 2022 (2021: HK\$2,343,000,000 and US\$686,400,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 at 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
2022								
Rental deposit received	-	313,713	138,424	114,984	18,629	7,741	593,491	593,491
Non-interest bearing	-	1,835,954	-	-	-	-	1,835,954	1,835,954
Financial liability designated at fair value	-	1,168,000	-	-	-	1,199,000	2,367,000	2,367,000
Fixed interest rate instruments	1.00% to 4.00%	3,201,464	321,793	1,335,749	313,921	2,875,136	8,048,063	7,257,719
Variable interest rate instruments	0.31% to 4.75%	9,395,599	7,964,616	4,904,806	3,127,349	2,690,899	28,083,269	25,943,254
Lease liabilities	1.10% to 2.62%	6,396	2,666	1,783	1,740	870	13,455	11,770
		15,921,126	8,427,499	6,357,322	3,461,639	6,773,646	40,941,232	38,009,188
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 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

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
2022						
Derivatives net settlement						
Interest rate swaps	140,873	24,793	(25,713)	-	139,953	155,904
Cross currency swaps	15,692	22,698	(72,093)	529	(33,174)	(5,060)
Currency forward contracts	41,114	-	-	-	41,114	41,114

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

	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

(c) Interest rate benchmark reform

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

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate benchmark reform (continued)

HIBOR (continued)

(i) *Risks arising from the interest rate benchmark reform (continued)*

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.

(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.

For the year ended 31 December 2022, there is no interest rate benchmark reform on the bank loans.

For the year ended 31 December 2021, LIBOR bank loans with carrying amount of HK\$1,783,885,000 in aggregate, which were maturing in 2022 and 2023, have been transitioned to SONIA. The Group accounted for the changes using the practical expedient in HKFRS 9 which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

A LIBOR bank loan with carrying amount of HK\$927,378,000 in aggregate, and LIBOR interest rate swap with notional amount of HK\$927,378,000, which are maturing in 2023, are expected to transit in latest by June 2023.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate benchmark reform (continued)

HIBOR (continued)

(ii) *Progress towards implementation of alternative benchmark interest rates (continued)*

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 2022 and 2021 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 table below details 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	
				2022 HK\$'000	2021 HK\$'000
Financial assets					
Notes receivables	19	Low risk	12m ECL	476,545	171,803
		Doubtful	Lifetime ECL (not credit-impaired)	23,468	62,373
		Loss	Lifetime ECL (credit-impaired)	151,410	104,119
				651,423	338,295
Loan receivables and mortgage loan receivables	19	Low risk	12m ECL	317,062	409,370
Trade debtors	24	Low risk	Lifetime ECL	319,411	202,433
Other receivables	24	Low risk	12m ECL	161,325	146,174
		Loss	Lifetime ECL (credit-impaired)	4,996	2,939
				166,321	149,113
Amounts due from joint ventures	16	Low risk	12m ECL	51,446	57,339
Restricted cash	26	Low risk	12m ECL	53,288	102,889
Time deposits with original maturity over three months	26	Low risk	12m ECL	66,380	–
Bank balances	26	Low risk	12m ECL	5,933,739	6,112,094
Other item					
Deferred lease receivables	24	Low risk	Lifetime ECL	98,530	147,349

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 2022, net loss allowance provision of HK\$5,523,000 (2021: HK\$5,617,000) 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 carrying amount of HK\$476,545,000 (2021: 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 carrying amount of HK\$174,878,000 (2021: 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 2022, the Group has provided HK\$13,000,000 (2021: HK\$1,689,000) allowance for credit losses (lifetime (not credit-impaired)) and HK\$46,182,000 (2021: HK\$103,777,000) allowance for credit losses (lifetime (credit-impaired)) on notes receivables respectively, and HK\$2,058,000 (2021: HK\$2,930,000) allowance for credit losses (lifetime (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 2021	2,276	18,898	21,174
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
Allowance recognised in profit or loss	–	5,593	5,593
Amounts recovered	–	(70)	(70)
Amounts written off	–	(4,318)	(4,318)
As at 31 December 2022	2,276	24,719	26,995

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

The following table shows reconciliation of loss allowance 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 2021	–	–	–
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
Allowance recognised in profit or loss	13,000	46,182	59,182
Transfer to credit impaired	(1,695)	1,695	–
Exchange difference	–	(586)	(586)
As at 31 December 2022	13,000	151,410	164,410

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Credit risk and impairment assessment (continued)

The following table shows reconciliation of loss allowance 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 2021	–	–	–
Allowance recognised in profit or loss	–	2,930	2,930
Exchange difference	–	9	9
As at 31 December 2021	–	2,939	2,939
Allowance recognised in profit or loss	–	2,058	2,058
Exchange difference	–	(1)	(1)
As at 31 December 2022	–	4,996	4,996

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
Trade debtors	292,416	176,643
Other receivables	161,325	146,174
Notes receivables	487,013	232,481
Loan receivables	219,664	218,358
Mortgage loan receivables	97,398	191,012
Amounts due from joint ventures	51,446	57,339
Restricted cash	53,288	102,889
Time deposits with original maturity over three months	66,380	–
Bank balances and cash	5,941,727	6,119,146
	7,370,657	7,244,042
<i>Financial assets mandatorily measured at FVTPL</i>		
Equity and currency linked notes	28,063	243,864
Financial assets held for trading	511,779	488,387
	539,842	732,251
<i>Equity instruments at FVTOCI</i>		
Equity instruments at FVTOCI	1,943,495	5,195,583
<i>Derivative financial instruments</i>		
Derivative instruments in designated hedge accounting relationships	127,976	53,504
Derivative financial instruments	127,698	15,732
Financial liabilities		
<i>Financial liabilities at amortised costs</i>		
Trade creditors	323,691	398,685
Other payables	696,205	677,252
Rental deposits received	593,491	649,320
Construction fee payable and retention money payable	646,393	762,991
Distribution payable	169,665	207,033
Borrowings	26,176,637	25,717,246
Medium term notes	7,024,336	7,649,560
	35,630,418	36,062,087
<i>Derivative financial instruments</i>		
Derivative financial instruments	25,594	63,122
<i>Financial liability designated as at fair value</i>		
Financial liability designated as at fair value	2,367,000	2,830,300
<i>Derivative instruments in designated hedge accounting relationships</i>		
Derivative financial instruments	38,122	32,584

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 establish 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
2022				
Financial assets				
<i>Financial assets mandatorily measured at FVTPL</i>				
Equity and currency linked notes	–	–	28,063	28,063
Derivative financial instruments	–	127,976	–	127,976
Derivative financial instruments under hedge accounting	–	127,698	–	127,698
Listed equity securities held for trading	511,779	–	–	511,779
<i>Equity investments at FVTOCI</i>				
Listed equity securities	1,019,920	–	–	1,019,920
Unlisted equity securities	653,787	–	269,788	923,575
Total	2,185,486	255,674	297,851	2,739,011
Financial liabilities				
<i>Financial liabilities at FVTPL</i>				
Derivative financial instruments	–	25,594	–	25,594
Derivative financial instruments under hedge accounting	–	38,122	–	38,122
Financial liability designated as at fair value	–	–	2,367,000	2,367,000
Total	–	63,716	2,367,000	2,430,716

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
2021				
Financial assets				
<i>Financial assets mandatorily measured at FVTPL</i>				
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
<i>Equity investments at FVTOCI</i>				
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				
<i>Financial liabilities at FVTPL</i>				
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

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

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		Fair value hierarchy	Valuation technique and key inputs
	2022 HK\$'000	2021 HK\$'000		
Listed equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	1,019,920	4,284,663	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the consolidated statement of financial position.	511,779	488,387	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.	653,787	696,221	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.	43,867 (2,753)	–	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.	195,147 (39,243)	(93,336)	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.	16,660 (21,720)	69,236 (2,370)	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2022 HK\$'000	2021 HK\$'000			
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	269,788	214,699	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.	28,063	243,864	Level 3	Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices/foreign currency exchange rate. (note b)
Other payable classified as financial liability designated as at fair value in the consolidated statement of financial position.	2,367,000	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)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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.

(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 2021	–	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
Increase	–	143,673	113,852
Decrease	(463,300)	(364,360)	–
Transfer to level 1	–	–	(822)
Transfer to level 2	–	–	(38,992)
Change in fair value	–	4,886	(18,949)
As at 31 December 2022	2,367,000	28,063	269,788

The above changes in fair value of equity and currency linked notes and unlisted equity securities are included in “fair value changes on financial assets at FVTPL” in the consolidated income statement and “fair value (loss) gain on equity instruments at FVTOCI” in the consolidated statement of comprehensive income, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2021	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
Distribution declared	-	-	-	-	-	977,789	399,251	1,377,040
Interest expenses (note)	-	780,493	39,922	10,291	412	-	-	831,118
Fair value adjustment	(219,425)	-	-	-	-	-	-	(219,425)
New leases entered/lease modified	-	-	-	-	1,316	-	-	1,316
Financing cash flows	-	(852,341)	1,040,065	(643,000)	(11,744)	(711,195)	(436,659)	(1,614,874)
Foreign exchange translations	-	-	(369,907)	7,485	(120)	-	-	(362,542)
Interest capitalisation	-	90,666	-	-	-	-	-	90,666
Other non-cash changes	999	-	(250,689)	-	(342)	(266,594)	40	(516,586)
At 31 December 2022	(191,956)	108,490	26,176,637	7,024,336	11,770	-	169,665	33,298,942

Note: The amounts reclassified from hedging reserve are excluded in the reconciliation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2022 and 2021 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	
			2022	2021
<i>Incorporated and operating in the British Virgin Islands</i>				
Jolly Trend Limited	2 shares of US\$1 each	Investment holding	100%	100%

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of share(s)	Issued and paid up share capital HK\$		2022	2021
<i>Incorporated and operating in Hong Kong</i>					
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%
Brilliant Loyalty Program Limited*	1	1	Hospitality service	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%	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	Holding of recreational club membership debenture	100%	100%
G.E. Secretaries Limited	2	2	Provision of secretarial services	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of share(s)	Issued and paid up share capital HK\$		2022	2021
<i>Incorporated and operating in Hong Kong (continued)</i>					
GE Hospitality Asset Management Limited	1	1	Hospitality asset management	100%	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	100%	100%
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	Provision of real estate agency services	100%	100%
Great Eagle Trading Holdings Limited	1,000	82,992,841	Investment holding	94.5%	94.5%
Great Eagle Venture Capital (HK) Limited*	1	1	Asset management	100%	–
Ka Yick Company Limited	100,000	100,000	Securities 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%	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of share(s)	Issued and paid up share capital HK\$		2022	2021
<i>Incorporated and operating in Hong Kong (continued)</i>					
Longworth Management Limited	10,000	10,000	Property management	100%	100%
Magic Energy Limited	1	1	Property development	100%	100%
Mega Bloom (China) Limited	1	1	Investment holding	100%	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	100%	100%
Profit Lord Limited	2	2	Investment holding	100%	100%
Ropark Company Limited	2	2	Investment holding	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	Investment holding	100%	100%
Sunlight Fortune Limited	1	1	Property development and investment	100%	100%
Sunrise Success Limited	1	1	Property development and investment	100%	100%
Sunshine Gain Limited	1	1	Property development and investment	100%	100%
Sunshine Horizon Limited	1	1	Property development and investment	100%	100%
Sunshine Prospect Limited	1	1	Property development and investment	100%	100%
Sunshine Strength Limited	1	1	Property development and investment	100%	100%
The Great Eagle Company, Limited	2,000,000	1,000,000	Investment holding and property investment	100%	100%
The Great Eagle Development and Project Management Limited	2	20	Project management	100%	100%
The Great Eagle Estate Agents Limited	2	20	Provision of real estate agency services	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%
VCN Limited*	1	1	Investment holding	100%	–
Venus Glory Company Limited	2	2	Property investment	100%	100%
Wai Cheong Company Limited	5,000	500,000	Property investment	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued		Principal activities	Percentage of issued equity share capital held by the Company	
	Number of share(s)	Issued and paid up share capital HK\$		2022	2021
<i>Incorporated and operating in Hong Kong (continued)</i>					
Wisdom Living Limited	1	1	Operation of loyalty membership platform	100%	100%
Worth Bright Company Limited	2	2	Property investment	100%	100%
YNF Hotels IP Limited*	1	1	Investment holding	100%	–
YNF Hotels Management & Services (HK) Limited*	1	1	Hotel management	100%	–
YNF Hotels Management & Services Holdings Limited*	1	1	Investment holding	100%	–
YNF Hotels Operation & Leasee Holdings Limited*	1	1	Investment holding	100%	–
Zamanta Investments Limited	100	1,000	Property investment	100%	100%
<i>Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT</i>					
CP (A1) Limited	1	1	Property investment	68.28%	67.76%
CP (B1) Limited	1	1	Property investment	68.28%	67.76%
CP (MC) Limited	1	1	Property investment	68.28%	67.76%
CP (PH) Limited	1	1	Property investment	68.28%	67.76%
CP (SH) Limited	1	1	Property investment	68.28%	67.76%
CP (WC) Limited	1	1	Property investment	68.28%	67.76%
CP Finance Limited	1	1	Financing	68.28%	67.76%
CP (Portion A) Limited	2	2	Property investment	68.28%	67.76%
CP (Portion B) Limited	2	2	Property investment	68.28%	67.76%
CP Success Limited	1	1	Financing	68.28%	67.76%
CP Wealth Limited	1	1	Financing and treasury	68.28%	67.76%
Elegant Wealth Limited	1	1	Property investment	68.28%	67.76%
Langham Beauty Limited	1	1	Beauty store operations	68.28%	67.76%
Maple Court Limited	2	2	Property investment	68.28%	67.76%
Panhy Limited	2	2	Property investment	68.28%	67.76%
Renaissance City Development Company Limited	2	20	Property investment	68.28%	67.76%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	68.28%	67.76%
Trump Treasure Limited	1	1	Treasury	68.28%	67.76%
Well Charm Development Limited	2	2	Property investment	68.28%	67.76%
<i>Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham</i>					
Cordis Hong Kong Limited	2	2	Property investment	69.70%	69.39%
Grow On Development Limited	5,000	5,000	Property investment	69.70%	69.39%
Harvest Star International Limited	2	2	Property investment	69.70%	69.39%
LHIL Finance Limited	1	1	Financing	69.70%	69.39%
LHIL Treasury (HK) Limited	1	1	Financing	69.70%	69.39%
LHIL Treasury Company Limited	1	1	Treasury management	69.70%	69.39%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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	
			2022	2021
<i>Incorporated in the British Virgin Islands</i>				
Achiever Wealth Limited	1 share of US\$1	Investment holding	100%	100%
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%
Delight Chance Limited*	1 share of US\$1	Investment holding	94.5%	–
Ecobest Ventures Limited	1 share of US\$1	Treasury management	100%	100%
Elite Trend Limited	1 share of US\$1	Investment holding	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%	100%
GEVC AIC II Limited	1 share of US\$1	Investment holding	100%	100%
GEVC AZ Diagnostic Limited	1 share of US\$1	Investment holding	100%	100%
Great Eagle Nichemusic Limited	1 share of US\$1	Treasury management	100%	100%
Great Eagle VC (Gene Edit Base) Limited	1 share of US\$1	Investment holding	100%	100%
Great Eagle VC (Window Materials) Limited*	1 share of US\$1	Investment holding	100%	–
Great Eagle Venture Capital Limited (formerly known as Great Eagle Investments Limited)	1 share of US\$1	Investment holding	100%	100%
Keen Flow Investments Limited	1 share of US\$1	Investment holding of Champion REIT units	100%	100%
LHL 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%
Rising Vantage Limited	1 share of US\$1	Investment holding	100%	100%
Tech Run 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%
Venture Amber Limited*	1 share of US\$1	Investment holding	100%	–
Venture Silver Limited*	1 share of US\$1	Investment holding	100%	–
Wellsmart Assets Limited	1 share of US\$1	Investment holding	100%	100%
<i>Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT</i>				
EAM-Champion REIT Limited	1 share of US\$1	Securities investment	68.28%	67.76%
<i>Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT</i>				
CP Investments (UK) Limited	1 share of US\$1	Investment holding	68.28%	67.76%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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	
			2022	2021
<i>Incorporated in the British Virgin Islands and operating in Australia</i>				
Katesbridge Group Limited	1 share of US\$1	Investment holding	100%	100%
Ruby Dynasty Limited	1 share of US\$1	Investment holding	100%	100%
<i>Incorporated in the British Virgin Islands and operating in Hong Kong</i>				
Raychen Investments Limited	1 share of US\$1	Provision of computer system solutions and investment holding	100%	100%
<i>Incorporated in the British Virgin Islands and operating in New Zealand</i>				
Great Eagle Hotels (New Zealand) Limited	1 share of US\$1	Hotel ownership	100%	100%
<i>Incorporated in the British Virgin Islands and operating in the United Kingdom</i>				
Great Eagle Hotels (UK) Limited	1 share of US\$1	Hotel ownership and operation	100%	100%
<i>Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT</i>				
Champion MTN Limited	1 share of US\$1	Medium term notes issuer	68.28%	67.76%
Ernest Limited	100 shares of US\$1 each	Investment holding	68.28%	67.76%
<i>Incorporated and operating in Australia</i>				
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%
<i>Incorporated and operating in Canada</i>				
Great Eagle Hotels (Canada) Limited	10 common shares of C\$1 each	Hotel ownership and operation	100%	100%
<i>Incorporated and operating in Indonesia</i>				
PT. Langham Hotels Management Indonesia	IDR10,000,000,000	Hotel management	100%	100%
<i>Incorporated and operating in Italy</i>				
Rio dei Vetrai S.r.l.	EUR100,000	Hotel development	100%	100%
<i>Incorporated and operating in Luxembourg</i>				
Yeni International Investments S.á.r.l.	12,000 shares of EUR1 each	Investment holding	100%	100%
<i>Incorporated and operating in Japan</i>				
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ contribution paid/ registered capital	Principal activities	Percentage of issued equity share capital held by the Company	
			2022	2021
<i>Incorporated and operating in New Zealand</i>				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%	100%
<i>Incorporated and operating in the Mainland China**</i>				
卓環管理諮詢(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%
上海哈比鵬網絡科技有限公司*	US\$6,000,000	Investment holding	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%
奕風酒店(上海)有限公司*	RMB30,000,000	Hospitality service	100%	–
奕風酒店管理(上海)有限公司*	RMB1,000,000	Hotel management	100%	–
<i>Incorporated and operating in Singapore</i>				
Langham Hospitality Singapore Pte. Limited	1 share of SGD1	Hotel management	100%	100%
<i>Incorporated and operating in the USA</i>				
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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	
			2022	2021
<i>Incorporated and operating in the USA (continued)</i>				
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 2022.

** All these subsidiaries are registered as wholly foreign-owned enterprise in the Mainland China.

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 2022 and 2021 at any time during both years.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2022 and 2021:

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	
		2022	2021	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Champion REIT	HK/Property investment	31.72%	32.24%	(236,748)	(271,048)	14,980,648	15,785,548
Langham	Cayman Islands/Property investment	30.30%	30.61%	1,663	(22,762)	(914,736)	(907,779)
US Real Estate Fund	the USA/Property investment	50.03%	50.03%	4,778	458	272,049	266,892

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.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2022 has 68.28% and 69.70% (2021: 67.76% and 69.39%) 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 2022 has 49.97% (2021: 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.

Champion REIT and its subsidiaries

	2022 HK\$'000	2021 HK\$'000
Current assets	1,070,513	1,947,222
Non-current assets	64,158,366	65,925,782
Current liabilities	(6,941,475)	(4,918,080)
Non-current liabilities, excluding net assets attributable to unitholders	(11,059,637)	(13,992,305)
Net assets attributable to non-controlling unitholders of Champion REIT	14,980,648	15,785,548
Revenue	2,625,311	2,769,213
Expenses	(1,315,476)	(1,293,425)
Loss for the year, before distribution to unitholders	(749,324)	(831,364)
Distribution to unitholders	(1,168,444)	(1,352,982)
Loss for the year, after distribution to unitholders (note a)	(1,917,768)	(2,184,346)
Other comprehensive income for the year (note b)	55,162	151,594
Total comprehensive expense for the year (note c)	(1,862,606)	(2,032,752)

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

	2022 HK\$'000	2021 HK\$'000
Attributable to non-controlling unitholders of Champion REIT:		
Loss for the year, before distribution to unitholders	(236,748)	(271,048)
Other comprehensive income for the year	17,276	49,429
Total comprehensive expense for the year	(219,472)	(221,619)
Distributions to non-controlling unitholders of Champion REIT	372,467	439,329
Net cash inflow from operating activities	1,266,709	1,495,200
Net cash (outflow) inflow from investing activities	(180,378)	1,124,918
Net cash outflow from financing activities	(2,046,505)	(2,633,487)
Net cash outflow	(960,174)	(13,369)

Notes:

	2022 HK\$'000	2021 HK\$'000
(a) Loss for the year, after distributions to unitholders attributable to owners of the Company	(1,308,553)	(1,473,969)
attributable to non-controlling unitholders of Champion REIT	(609,215)	(710,377)
	(1,917,768)	(2,184,346)
(b) Other comprehensive income for the year attributable to owners of the Company	37,886	102,165
attributable to non-controlling unitholders of Champion REIT	17,276	49,429
	55,162	151,594
(c) Total comprehensive expense for the year attributable to owners of the Company	(1,270,667)	(1,371,804)
attributable to non-controlling unitholders of Champion REIT	(591,939)	(660,948)
	(1,862,606)	(2,032,752)

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2022 HK\$'000	2021 HK\$'000
Current assets	330,314	198,956
Non-current assets	14,692,317	14,413,620
Current liabilities	(6,397,557)	(417,445)
Non-current liabilities	(464,121)	(6,395,345)
Equity attributable to non-controlling interests before intragroup eliminations	2,472,769	2,387,514
Equity attributable to non-controlling interests after intragroup eliminations (note)	(914,736)	(907,779)
Revenue	332,106	224,352
Expenses	(176,054)	(150,020)
Profit (loss) and total comprehensive income (expense) for the year	419,561	(346,562)
Attributable to non-controlling interests of Langham: Profit (loss) and total comprehensive income (expense) for the year (note)	1,663	(22,762)
Distributions to non-controlling interests of Langham	–	–
Net cash inflow from operating activities	216,577	89,797
Net cash outflow from investing activities	(61,483)	(26,259)
Net cash outflow from financing activities	(89,127)	(101,969)
Net cash inflow (outflow)	65,967	(38,431)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund and its subsidiaries

	2022 HK\$'000	2021 HK\$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	276,799	271,673
Equity attributable to non-controlling interests after intragroup eliminations (note)	272,049	266,892
Profit and total comprehensive income for the year	9,551	914
Attributable to non-controlling interests of US Real Estate Fund: Profit and total comprehensive income for the year (note)	4,778	458
Distributions to non-controlling interests of US Real Estate Fund	—	—

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 2022 and 2021 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	
			2022	2021
<i>Incorporated in the British Virgin Islands</i> Wealth Joy Holdings Limited	2 shares of US\$1 each	Investment holding of subsidiaries which are inactive	50%	50%
<i>Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT</i> Athene Investment (BVI) Limited	100 shares of US\$1 each	Property investment	18.44%	18.30%
<i>Incorporated in the USA</i> 8701 Collins Avenue, LLC	US\$26,112,500	Investment holding of a subsidiary which is engaged in property development	33%	33%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

45. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2022 and 2021 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	
			2022	2021
<i>Incorporated in the British Virgin Islands</i>				
City Apex Ltd.	3,500 shares of US\$1 each	Investment holding	23%	23%
IEH Holdings Limited	900 shares of US\$1 each	Investment holding	37.8%	N/A
Tonkichi Holdings Limited	5,714,286 shares of HK\$1 each	Investment holding	30%	N/A
<i>Incorporated in the Cayman Islands</i>				
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

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Investment in a subsidiary	4,290,402	4,290,402
Amount due from a subsidiary	18,627,026	19,032,836
	22,917,428	23,323,238
Current assets		
Prepayments	217	222
Amount due from a subsidiary	731,039	720,792
Bank balances and cash	9,828	9,076
	741,084	730,090
Current liability		
Accruals and other payables	11,708	11,129
Net current assets	729,376	718,961
NET ASSETS	23,646,804	24,042,199
Share capital and reserves		
Share capital	373,862	365,520
Reserves	23,272,942	23,676,679
TOTAL EQUITY	23,646,804	24,042,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2021	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
Shares issued at premium	258,252	-	-	-	-	258,252
Lapse of share options	-	-	-	(26,927)	26,927	-
Recognition of equity-settled share-based payments	-	-	-	20,405	-	20,405
Profit and total comprehensive income for the year	-	-	-	-	295,395	295,395
Dividend paid	-	-	-	-	(977,789)	(977,789)
At 31 December 2022	7,059,099	3,054	424,627	89,013	15,697,149	23,272,942

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 2022, total profits (including contributed surplus) available for distribution to shareholders was HK\$13,601,035,000 (2021: HK\$14,256,501,000).

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%
Unit No. 1 & 1A, Ground Floor, Tak Woo House, 17-19 D'Aguilar Street, and 1-3 Wo On Lane, Central, Hong Kong	Commercial	1,500	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%
Ying'n Flo 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	69.70%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	375,000	69.70%
Cordis, Hong Kong 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	580,000	69.70%
The Langham, Shanghai, Xintiandi 99 Madang Road, Xintiandi, Shanghai 200021, the Mainland China	Hotel/Commercial	575,000	100%
Three Garden Road 3 Garden Road, Central, Hong Kong	Commercial/Office	1,638,000	68.28%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	68.28%
Cordis, Shanghai Hongqiao 333 Shen Hong Road, Minhang District, Shanghai 201106, the Mainland China	Hotel/Commercial	505,000	100%

APPENDIX I
LIST OF MAJOR PROPERTIES

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	289,000	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, NSW 2000, 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, DC 20005, the USA	Hotel	173,000	100%
Cavalleri 6487-89 Cavalleri Road, Malibu, CA 90265, the USA	Condominium	186,000	49.97%

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 d)	Hotel	406,000	100%
1125 Market Street, San Francisco, CA94103, the USA (note d)	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 e)	Hotel	142,547	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	Residential	742,000	(note c)

Notes:

- (a) Under design and planning.
- (b) Construction has been completed. Sales in progress.
- (c) The Group has development rights in this project. Main contract has been awarded. Super structure work is in progress.
- (d) Currently on hold but entitlement will be continued to be monitored.
- (e) Under design and planning. Tender for foundation works has been awarded.

APPENDIX II

FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
RESULTS					
Revenue	10,156,180	9,236,830	10,305,287	7,830,429	8,884,832
Profit (loss) before tax	8,914,195	(146,283)	(12,398,274)	(482,999)	59,339
Income taxes	(526,500)	(429,789)	(403,811)	(309,019)	(470,153)
Profit (loss) for the year	8,387,695	(576,072)	(12,802,085)	(792,018)	(410,814)
Attributable to:					
Owners of the Company	5,810,713	(337,790)	(8,540,252)	(499,034)	(181,404)
Non-controlling unitholders of Champion REIT	2,667,742	(188,831)	(4,148,346)	(271,048)	(236,748)
Non-controlling interests	(90,760)	(49,451)	(113,487)	(21,936)	7,338
	8,387,695	(576,072)	(12,802,085)	(792,018)	(410,814)
Earnings (loss) per share					
Basic	HK\$8.33	(HK\$0.48)	(HK\$11.94)	(HK\$0.69)	(HK\$0.25)
Diluted	HK\$8.31	(HK\$0.48)	(HK\$11.94)	(HK\$0.69)	(HK\$0.25)
ASSETS AND LIABILITIES					
Total assets	128,425,457	127,960,446	111,779,591	119,251,235	112,886,533
Total liabilities	(36,915,214)	(38,050,672)	(36,904,726)	(42,635,404)	(41,705,701)
	91,510,243	89,909,774	74,874,865	76,615,831	71,180,832
Attributable to:					
Owners of the Company	69,352,812	68,922,297	58,811,392	61,448,660	56,820,056
Non-controlling unitholders of Champion REIT	22,705,392	21,901,034	16,671,121	15,785,548	14,980,648
Non-controlling interests	(547,961)	(913,557)	(607,648)	(618,377)	(619,872)
	91,510,243	89,909,774	74,874,865	76,615,831	71,180,832

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
"Board"	Board of Directors of the Company
"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 68.28% as at 31 December 2022
"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
"Director(s)"	the director(s) of the Company
"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 69.70% as at 31 December 2022

GLOSSARY OF TERMS

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 2022
"We" or "us"	the Group, unless the context otherwise requires, i.e. the Company only (Exclude in the Independent Auditor's Report and Financial Statements)

This annual report is available in both English and Chinese versions and has been published on the Group's website (www.GreatEagle.com.hk) and the HKEXnews' website (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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