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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

*Neither this announcement nor anything herein constitutes an offer of securities for sale or solicitation of an offer to buy securities in the United States. The Notes (as defined below) have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.*

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

***Notice to Hong Kong investors:** The Issuer and the Guarantor (as defined below) confirm that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

GE (MTN) Limited

(incorporated with limited liability in the British Virgin Islands)

U.S.$2,000,000,000

Guaranteed Medium Term Note Programme

unconditionally and irrevocably guaranteed by

鷹君集團有限公司
Great Eagle
Holdings Limited
於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability

(Stock Code: 41)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular of GE (MTN) Limited (the "**Issuer**") and Great Eagle Holdings Limited (鷹君集團有限公司) (the "**Guarantor**") dated 27 July 2021 (the "**Offering Circular**") appended herein in relation to the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme (the "**Programme**"). As disclosed in the Offering Circular, the notes to be issued under the Programme (the "**Notes**") are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Hong Kong, 28 July 2021

As at the date of this announcement, the board of directors of the Guarantor comprises 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) and Mr. CHU Shik Pui being the Executive Directors; Madam LO TO Lee Kwan, Mr. LO Hong Sui, Vincent and Dr. LO Ying Sui being the Non-executive Directors; and Mr. CHENG Hoi Chuen, Vincent, Professor WONG Yue Chim, Richard, Mrs. LEE Pui Ling, Angelina, Mr. LEE Siu Kwong, Ambrose and Professor POON Ka Yeung, Larry being the Independent Non-executive Directors.

As at the date of this announcement, the board of directors of the Issuer comprises Dr. LO Ka Shui, Mr. LO Chun Him, Alexander and Mr. KAN Tak Kwong.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO ANY U.S. PERSONS

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR, IN CERTAIN CIRCUMSTANCES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO ANY U.S. PERSONS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to each of the Issuer, the Guarantor, the Sole Arranger and the Dealers (each as defined in the Offering Circular) that (1) you are not in the United States, and the electronic mail address that you provided and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer (as defined in the Offering Circular) in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Sole Arranger or the Dealers, nor any person who controls the Issuer, the Guarantor, the Sole Arranger or any Dealer, nor any director, officer, employee or agent of the Issuer, the Guarantor, the Sole Arranger or any Dealer, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Sole Arranger or any Dealer.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular dated 27 July 2021

GE (MTN) Limited

(incorporated in the British Virgin Islands with limited liability)
(as Issuer)

U. S.$2,000,000,000
Guaranteed Medium Term Note Programme
Guaranteed by

鷹君集團有限公司
Great Eagle
Holdings Limited

於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability

(Stock Code: 41)

Under the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), GE (MTN) Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue guaranteed medium term notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee**") by Great Eagle Holdings Limited (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies).

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**HKSE**") for the listing of the Programme under which the Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this document on the HKSE. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: each of the Issuer and the Guarantor confirms that each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes issued under the Programme is intended for purchase by Professional Investors only and, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or the Guarantor or the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "*Terms and Conditions of the Notes*" and each term therein, a "**Condition**") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche.

Each Series (as defined in "*Terms and Conditions of the Notes*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**"). Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the relevant issue date, in the case of Notes for which the D Rules are specified in the relevant Pricing Supplement as applicable, upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates (as defined in "*Summary of the Programme*") may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") (the "**Common Depositary**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States, or, in certain circumstances, to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). Any Series of Notes may be subject to additional selling restrictions. The Relevant Pricing Supplement in respect of such Series of Notes will specify any such restriction. See "*Subscription and Sale*" and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is unrated. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to other Tranches of Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under "*Risk Factors*" below.

Sole Arranger for the Programme
Citigroup

NOTICE TO INVESTORS

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and the Guarantor and its subsidiaries taken as a whole (the "**Group**"), the Notes and the Guarantee that is material in the context of the issue and offering of the Notes (including all information which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Notes and the Guarantee), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group are in every material respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes or the Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements contained in this Offering Circular and (vi) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of any of the Issuer, the Guarantor, any member of the Group, the Sole Arranger (as defined in "*Summary of the Programme*") or any of the Dealers (as defined in "*Summary of the Programme*"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, the Guarantor or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Sole Arranger and the Dealers to inform themselves about and to observe any such restrictions. The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or, in certain circumstances, to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). The Notes and Guarantee are being offered and sold outside the United States or, in certain circumstances, to non-U.S. persons, in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, and transfers of Notes and on the distribution of this Offering Circular, see "*Subscription and Sale*".

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Sole Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Sole Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**"), as modified or amended from time to time and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Sole Arranger or the Dealers to subscribe for, or purchase, any Notes.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

No representation or warranty, express or implied, is made or given by the Sole Arranger, the Dealers, Citicorp International Limited (the "**Trustee**") or the Agents (as defined in "*Terms and Conditions of the Notes*") or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates. None of the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful of complete.

To the fullest extent permitted by law, none of the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Sole Arranger, a Dealer, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates or on its behalf in connection with the Issuer, the Guarantor, the Group, or the issue and offering of the Notes. The Sole Arranger, each Dealer, the Trustee and each Agent and each of their respective representatives, advisers, directors, officers, employees, agents and affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. None of the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor and the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates.

Except as otherwise indicated in this Offering Circular, any statistical, industry and market-related data contained herein has been extracted or derived from publicly available information and industry publications which the Issuer and the Guarantor believe to be accurate and reliable in all material respects. The information has not been independently verified by the Issuer, the Guarantor, the Group, the Trustee or the Agents or by their respective representatives, advisers, directors, officers, employees, agents and advisors and none of the Issuer, the Guarantor, the Group, the Trustee or the Agents or their respective representatives, advisers, directors, officers, employees, agents or advisors make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CURRENCIES

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" or "**Hong Kong SAR**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to "**HK$**" or "**Hong Kong dollar**" are to Hong Kong dollars, references to "**PRC**" are to the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong, to "**U.S.$**" or "**U.S. dollar**" are to U.S. dollars, to "**sterling**" or "**£**" are to the currency of the United Kingdom, to "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time and to "**Renminbi**", "**RMB**" and "**CNY**" are to the currency of the PRC.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Dealers in the Dealer Agreement (as defined in "*Subscription and Sale*") that unless the Issuer has notified the Dealers in writing that it does not intend to issue Notes under the Programme for the time being, it shall prepare and publish an amendment or supplement to the Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and/or the Group and/or of the rights attaching to the Notes and/or the Guarantee.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include, but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical facts.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor or the Group or any member of the Group to be materially different include, among others:

- general economic, political and business conditions and competitive environment, including those related to Hong Kong and globally;
- ability to successfully implement business plans and strategies;
- capital expenditure plans and ability to carry out those plans;
- ability of the Group to control its costs;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- the actions and developments of the Group's competitors;
- financial condition and performance;
- any changes in the laws, rules and regulations of the government in Hong Kong and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to Hong Kong and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;

- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;
- other risks associated with industries in which the Group operates; and
- other factors, including those discussed in "*Risk Factors*" below.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" below and elsewhere in this Offering Circular. Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. Neither the Issuer nor the Guarantor undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020 (the "**Audited Financial Statements**"), included elsewhere in this Offering Circular.

The Audited Financial Statements were prepared and presented 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.

Unless otherwise stated, all financial data contained herein which is stated as relating to the Guarantor is referring to the consolidated data of the Guarantor.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each applicable Pricing Supplement, the most recently published audited annual accounts and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts of the Group from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Consequently, any unaudited financial information incorporated by reference in this Offering Circular should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Sole Arranger, the Dealers, the Trustee or the Agents or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year. Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents set out at the end of this Offering Circular. See "*General Information*" for a description of the financial statements currently published by the Group.

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SUMMARY OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Offering Circular

Issuer	GE (MTN) Limited
Guarantor	Great Eagle Holdings Limited
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate principal amount of the Programme in accordance with the terms of the Dealer Agreement.
Sole Arranger	Citigroup Global Markets Limited
Dealers	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Dealers**" are to all persons appointed as dealers in respect of one or more Tranches.
Trustee	Citicorp International Limited.
Issuing and Paying Agent (for Notes other than CMU Notes)	Citibank, N.A., London Branch.
Registrar (for CMU Notes)	Citicorp International Limited.
Registrar (for Notes other than CMU Notes)	Citicorp International Limited.
Transfer Agent (for CMU Notes)	Citicorp International Limited.
Transfer Agent (for Notes other than CMU Notes)	Citibank, N.A., London Branch.
CMU Lodging and Paying Agent	Citicorp International Limited.

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same issue date. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and will be identical to the terms of other Tranches of the same Series) will be completed in the applicable pricing supplement (the "**Pricing Supplement**").
Issue Price	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a temporary Global Note or a permanent Global Note, in each case as specified in the applicable Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream, Luxembourg and/or, as the case may be, the CMU and/or any other relevant clearing system. Each temporary Global Note will be exchangeable for a permanent Global Note or, if so specified in the applicable Pricing Supplement, for Definitive Notes. If the D Rules are specified in the applicable Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Note or receipt of any payment of interest in respect of a temporary Global Note. Each permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Certificates. Certificates representing Registered Notes that are registered in the name of a nominee for one or more of Euroclear, Clearstream, Luxembourg and the CMU are referred to as "**Global Certificates**".
Clearing Systems	The CMU, Clearstream, Luxembourg and/or Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor the Trustee, the Issuing and Paying Agent (or, the CMU Lodging and Paying Agent, as the case may be) and the relevant Dealer.

Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Status of Notes	The Notes will constitute direct, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future. See *"Terms and Conditions of the Notes – Guarantee and Status"*.
Guarantee and Status of Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed (as defined in "*Terms and Conditions of the Notes*"). The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Guarantor, present and future. See *"Terms and Conditions of the Notes – Guarantee and Status"*.
Negative Pledge	See "*Terms and Conditions of the Notes – Covenants – Negative Pledge*".
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Specified Denomination	Notes will be in such denominations as may be specified in the applicable Pricing Supplement save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the applicable Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the applicable Pricing Supplement.
Partly Paid Notes	See "*Terms and Conditions of the Notes – Interest and other Calculations*".
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement.

Redemption	The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies). See *"Terms and Conditions of the Notes – Redemption, Purchase and Options"*.
Optional Redemption	The applicable Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption. See *"Terms and Conditions of the Notes – Redemption, Purchase and Options"*.
Early Redemption	Except as provided in "– *Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Withholding Tax	All payments of principal and interest in respect of the Notes or under the Guarantee will be made free and clear of, and without set-off or counterclaim and without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Bermuda or Hong Kong or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to limited exceptions specified in "*Terms and Conditions of the Notes – Taxation*".
Cross Default	See "*Terms and Conditions of the Notes – Events of Default*".
Ratings	The Programme is unrated. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	English law.

Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange under which the Notes may be issued by way of debt issues to Professional Investors only. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Japan, the People's Republic of China, Singapore, Bermuda and the British Virgin Islands, see "*Subscription and Sale*".
Legal Entity Identifier	The LEI of the Issuer is 2138009BBQ9Q9LZJY308.

SUMMARY FINANCIAL INFORMATION

The following tables set out the summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020. The summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 has been derived from the Guarantor's Audited Financial Statements.

The Audited Financial Statements were prepared and presented in accordance with HKFRSs issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular. The Guarantor's historical consolidated financial information should not be taken as an indication of its future financial performance.

Consolidated Income Statement

	For the year ended 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	10,156,180	9,236,830	10,305,287
Cost of goods and services	(5,992,257)	(5,194,954)	(6,348,396)
Operating profit before depreciation	4,163,923	4,041,876	3,956,891
Depreciation	(712,514)	(768,529)	(831,868)
Operating profit	3,451,409	3,273,347	3,125,023
Fair value changes on investment properties	6,660,669	(2,146,787)	(14,252,703)
Fair value changes on derivative financial instruments	(77,541)	(51,303)	(194,050)
Fair value changes on financial assets at fair value through profit or loss	(37,618)	24,837	40,908
Other income	259,866	232,036	534,387
Administrative and other expenses	(511,718)	(639,038)	(489,189)
Impairment loss on property, plant and equipment	–	–	(347,898)
Finance costs	(821,256)	(884,426)	(802,927)
Share of results of joint ventures	(10,389)	43,860	(16,972)
Share of results of associates	773	1,191	5,147
Profit (loss) before tax	8,914,195	(146,283)	(12,398,274)
Income taxes	(526,500)	(429,789)	(403,811)
Profit (loss) for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	8,387,695	(576,072)	(12,802,085)
Profit (loss) for the year attributable to:			
Owners of the Company	5,810,713	(337,790)	(8,540,252)
Non-controlling interests	(90,760)	(49,451)	(113,487)
	5,719,953	(387,241)	(8,653,739)
Non-controlling unitholders of Champion REIT	2,667,742	(188,831)	(4,148,346)
	8,387,695	(576,072)	(12,802,085)
Profit (loss) per share:			
Basic	HK$8.33	(HK$0.48)	(HK$11.94)
Diluted	HK$8.31	(HK$0.48)	(HK$11.94)

Consolidated Statement of Financial Position

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investment properties	89,408,450	87,322,962	73,111,626
Property, plant and equipment	19,630,708	20,201,239	21,565,777
Interests in joint ventures	1,352,771	112,116	94,767
Interests in associates	68,755	55,700	53,268
Equity instruments at fair value through other comprehensive income	900,472	1,034,736	1,065,589
Notes and loan receivables	339,100	755,421	995,203
Derivative financial instruments	66,322	65,652	–
	111,766,578	109,547,826	96,886,230
Current assets			
Stock of properties	4,685,334	6,096,557	3,430,283
Inventories	145,990	126,821	105,886
Debtors, deposits and prepayments	995,993	853,885	734,060
Notes and loan receivables	–	15,613	2,318,802
Financial assets at fair value through profit or loss	230,032	234,665	463,846
Derivative financial instruments	71	11,562	20,954
Tax recoverable	1,054	608	78,189
Restricted cash	170,798	166,405	171,745
Time deposits with original maturity over three months	702,833	200,000	191,485
Bank balances and cash	8,544,217	10,706,504	7,378,111
	15,476,322	18,412,620	14,893,361
Asset classified as held for sale	1,182,557	–	–
	16,658,879	18,412,620	14,893,361
Current liabilities			
Creditors, deposits and accruals	3,882,883	4,534,943	5,035,056
Derivative financial instruments	–	4,198	49,980
Provision for taxation	104,119	526,998	459,097
Distribution payable	271,748	264,668	246,761
Borrowings due within one year	4,981,198	4,146,215	4,659,429
Medium term notes	–	199,929	–
Lease liabilities	–	11,513	9,267
	9,239,948	9,688,464	10,459,590
Net current assets	7,418,931	8,724,156	4,433,771
Total assets less current liabilities	119,185,509	118,271,982	101,320,001

	As at 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Derivative financial instruments	99,969	115,007	394,657
Borrowings due after one year	20,643,663	21,523,056	17,147,860
Medium term notes	5,536,292	5,326,277	7,608,548
Deferred taxation	1,395,342	1,379,636	1,282,957
Lease liabilities	–	18,232	11,114
	27,675,266	28,362,208	26,445,136
NET ASSETS	91,510,243	89,909,774	74,874,865
Equity attributable to:			
Owners of the company			
Share capital	349,324	354,191	359,960
Share premium and reserves	69,003,488	68,568,106	58,451,432
	69,352,812	68,922,297	58,811,392
Non-controlling interests	(547,961)	(913,557)	(607,648)
	68,804,851	68,008,740	58,203,744
Net assets attributable to non-controlling unitholders of Champion REIT	22,705,392	21,901,034	16,671,121
	91,510,243	89,909,774	74,874,865

The following, other than the words in italics, is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued under the Programme. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement; or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement or in the Trust Deed. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Note is issued by GE (MTN) Limited (the "**Issuer**") and guaranteed by Great Eagle Holdings Limited (鷹君集團有限公司) (the "**Guarantor**").

The Notes are constituted by a Trust Deed (as amended and/or supplemented from time to time and as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 27 July 2021 between the Issuer, the Guarantor and Citicorp International Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the **Trust Deed**) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended and/or supplemented from time to time and as at the Issue Date, the "**Agency Agreement**") dated 27 July 2021 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as initial issuing and paying agent and transfer agent, Citicorp International Limited (花旗國際有限公司) as lodging and paying agent and transfer agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and registrar, and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**" and collectively, the "**Agents**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Trust Deed and the Agency Agreement are available for inspection by the Noteholders at all reasonable time during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the principal office of the Trustee (presently at 20/F Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified offices of the Paying Agents and the Transfer Agents upon prior written request and proof of holdings and identity to the satisfaction of the Trustee or, as the case may be, the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") (the "**Receiptholders**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed or in the applicable Pricing Supplement. As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series with such Tranche of Notes and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or issue prices.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred, subject to Conditions 2(b) and 2(f) and the Agency Agreement, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar (at the expense of the Issuer, failing whom the Guarantor) to any Noteholder for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) upon prior written request and proof of holding and identity to the satisfaction of the Registrar at the specified office of the Registrar.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within seven business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or, as the case may be, the Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of the final Instalment Amount in respect of, that Note; or (ii) after any redemption option for such Note has been exercised by the Noteholder; or (iii) during the period commencing on (and including) any Record Date and ending on (and including) the due date for payment of any interest (which for this purpose shall include all Instalment Amounts other than the first Instalment Amount).

3. Guarantee and Status

(a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, the Receipts and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed.

(b) **Status of Notes and Guarantee:** The Notes and the Receipts and Coupons relating to them constitute direct, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4. Covenants

(a) **Negative Pledge:** So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of the other members of the Group (other than the Listed Subsidiaries and their respective Subsidiaries) will, create, or permit to subsist, any mortgage, charge, lien, pledge or other security interest ("**Security**") other than Permitted Security upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto

(i) securing the Notes and the Coupons equally or rateably therewith or (ii) providing such other security or entering into such arrangements as either (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders; or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) **Definitions:**

For the purpose of these Conditions:

"**Group**" means the Issuer, the Guarantor and their respective subsidiaries for the time being;

"**Listed Subsidiaries**" means any Subsidiary of the Guarantor the shares, units or share stapled units of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited or any other stock exchange, which currently include but not limited to Champion Real Estate Investment Trust and Langham Hospitality Investments and Langham Hospitality Investments Limited;

"**Permitted Security**" means any Security for the benefit of the holders of any Relevant Indebtedness in respect of the assets or revenues of any member of the Group existing at the time it becomes a member of the Group;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (but excluding instruments commonly referred to as transferable loan certificates) which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market having an original maturity of more than 365 days from its date of issue; and

"**Subsidiary**" means, in relation to any person, any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

5. Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11:00 a.m. (London time in the case of LIBOR, Hong Kong time in the case of HIBOR or Brussels time in the case of EURIBOR) or 11:15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2:30 p.m. (Hong Kong time), then as of 2:30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, HIBOR, EURIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) If the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall promptly inform the Issuer and the Issuer shall use its best endeavours to appoint an Independent Investment Bank and procure such Independent Investment Bank to request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Independent Investment Bank and the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate and if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11:00 a.m. (Hong Kong time), or if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Independent Investment Bank and the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent has received quotations from fewer than two Reference Banks, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated at the request of the Independent Investment Bank to the Independent Investment Bank and the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Independent Investment Bank and the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11:00 a.m. (London time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11:00 a.m. (Hong Kong time), or, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Independent Investment Bank suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

For the purposes of this Condition 5(b)(iii)(B), "**Independent Investment Bank**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise (which shall not be the Calculation Agent) appointed by (and at the expense of) the Issuer for the purposes of this Condition 5(b)(iii)(B) and notified in writing by the Issuer to the Calculation Agent and the Trustee.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amount, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or Instalment Amount or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified in writing to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination or calculation but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount; or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be determined or calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so determined or calculated need be made unless the Trustee otherwise requires. The determination or calculation of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Failure by the Calculation Agent to Make Determination or Calculation:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, the Issuer shall appoint another agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, such additional agent appointed by the Issuer shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{([360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{([360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{([360\times(Y_2-Y_1)]+[30\times(M_2-M_1)]+(D_2-D_1))}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February; or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR; or (ii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, Hong Kong dollars, euro or Renminbi or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Independent Investment Bank or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(m) **Benchmark discontinuation**

(A) **Independent Adviser**

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(m)(B)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(m)(D)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(m)(A) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith, gross negligence, wilful default or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(m)(A).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(m)(A) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding

Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be determined using the Original Reference Rate last displayed on the relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(m)(A).

(B) **Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(m)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(m)).

(C) **Adjustment Spread**

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(D) **Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(m) and the Independent Adviser, determines (i) that amendments to these Conditions and/or the Trust Deed/Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(m)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Trust Deed/Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two directors of the Issuer who are also Authorised Signatories of the Issuer pursuant to Condition 5(m)(E), the Trustee shall (at the expense of the Issuer, failing whom the Guarantor), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(m), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(m) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(m)(D), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(E) **Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(m) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by two directors of the Issuer who are also Authorised Signatories of the Issuer:

(i) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate, (c) the applicable Adjustment Spread and (d) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(m); and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to accept without verification or investigation and to rely conclusively on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders. The Trustee shall be protected and shall have no liability to any Noteholder, the Issuer, the Guarantor or any other person for so accepting and relying on any such certificate and/or opinion.

Notwithstanding any other provision of this Condition 5(m), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(m), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability to any person for not doing so.

(F) **Survival of the Original Reference Rate**

Without prejudice to the obligations of the Issuer under Conditions 5(m)(A), (B), (C) and (D), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(B) will continue to apply unless and until a Benchmark Event has occurred.

(G) **Definitions**

In this Condition 5(m):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)

(iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(m)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(m)(D).

"**Benchmark Event**" means:

(1) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(5) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(6) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (2) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, none of the Trustee, the Calculation Agent or the Paying Agents shall have any responsibility or liability for making such determination and shall have no obligation to monitor whether any Benchmark Event has occurred.

"**business day**" means a day, other than a Saturday or Sunday, on which banks are generally open for business in the place of the specified office of the Calculation Agent.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(m)(A).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6. Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) Early Redemption:

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph (C) shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable) and to the Trustee and the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent in writing, at their Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to (but excluding) the date fixed for redemption), if the Issuer (or the Guarantor, if the Guarantee was called) satisfies the Trustee immediately before the giving of such notice that (i) it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Bermuda or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (A) a certificate signed by two directors who are also Authorised Signatories of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it (B) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment as is referred to in (i) above of this Condition 6(c) has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to, without further enquiry and without liability to any Noteholder, any Couponholder or any other person, accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent in writing, (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee and the Issuing and Paying Agent, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption following Change of Control:** If Change of Control Put Option is specified hereon and if, at any time while any of the Notes remains outstanding, a Change of Control (as defined below) occurs, then the holder of each such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or Condition 6(d)) to require the Issuer either to redeem or, at the Issuer's option, purchase (or procure the purchase of) all (but not some only) of such holder's Notes on the date which is 14 days after the expiration of the Change of Control Put Period (as defined below) (or such other date as may be specified hereon) (the "**Change of Control Put Date**") at the Change of Control Redemption Amount specified hereon together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Change of Control Put Date.

A “**Change of Control**” will be deemed to occur if:

(i) any Person or Persons (other than the Permitted Holders) acting together acquires Control of the Guarantor;

(ii) the Permitted Holders collectively cease to, directly or indirectly, hold or own at least (a) 30 per cent.; or (b) such other percentage as is from time to time defined under the Hong Kong Codes on Takeovers and Mergers and Share Repurchases as constituting control of a company, in each case of issued share capital of the Guarantor; or

(iii) the Issuer ceases to be, directly or indirectly, a wholly-owned subsidiary of the Guarantor.

Not more than 14 days after the Issuer becoming aware that a Change of Control has occurred the Issuer shall give notice (a “**Change of Control Notice**”) to the Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent in writing of the occurrence of a Change of Control, which notice shall specify the nature of the Change of Control Put Option and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of the Note must (in the case of Bearer Notes) deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) deposit the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, in each case at any time during normal business hours in the location of the specified office of such Paying Agent, the Registrar or such Transfer Agent, as the case may be, falling within the period (the “**Change of Control Put Period**”) of 30 days after a Change of Control Notice is given or such other date as may be specified hereon, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Issuing and Paying Agent, the Registrar or any Transfer Agent, as the case may be. No Note or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

Neither the Trustee nor any Agent is under any obligation to ascertain or verify whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred, and, until it shall have received written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred.

For the purpose of this Condition 6(e):

"**Control**" means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the relevant company or the right to appoint and/or remove all or the majority of the members of the relevant company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Family Member**" means spouse, child (natural, adopted or step child), parent, parent-in-law, grandparent, brother or sister;

"**Permitted Holders**" means:

(i) the discretionary beneficiaries of a discretionary trust including 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 (directors of the Guarantor); and

(ii) any trust, corporation, partnership or other entity, of which the beneficiaries and/or discretionary beneficiaries, settlor(s), founder(s), stockholder(s), partner(s) or owner(s) are Persons referred to in paragraph (i) above or any Family Member of them; and

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state of other entity, whether or not having separate legal personality.

(f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) **Purchases:** Any member of the Group may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of any member of the Group, shall not be deemed outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12.

(i) **Cancellation:** All Notes purchased by or on behalf of a member of the Group may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) In the case of a currency other than Renminbi, by transfer to an account denominated in such currency with, a Bank; and

(ii) In the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Notes**:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or, in the case of Renminbi or if otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) In the case of a currency other than Renminbi, by transfer to an account in the relevant currency maintained by the payee with a Bank;

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Notes are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

So long as the Global Note or, as the case may be, the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due; (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent; (ii) a Registrar in relation to Registered Notes; (iii) a Transfer Agent in relation to Registered Notes; (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU; (v) one or more Calculation Agent(s) where these Conditions so require; and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved in writing by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in the location of the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. For the purposes of Conditions 7 and 10, "**Payment Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are generally open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for, or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Bermuda or Hong Kong or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the British Virgin Islands, Bermuda or Hong Kong other than the mere holding of the Note, Receipt or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it; (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it; and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

For the avoidance of doubt, neither the Trustee nor any Agent shall be responsible or liable for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of the Trustee or any of the Agents shall be responsible or liable for (i) determining whether the Issuer, the Guarantor or any Noteholder, Receiptholder or Couponholder is liable to pay any taxes, duty, charges, withholding or other payment referred to in this Condition 8; or (ii) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure of the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder, or any other third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it being indemnified and/or secured and/or pre-funded by the Noteholders to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly thereby become, immediately due and repayable at their Early Redemption Amount plus (if applicable) accrued interest to the date of repayment if any of the following events has occurred:

(a) a default is made in the payment of any principal or interest due in respect of any of the Notes and such default is not remedied within seven Payment Business Days in the case of principal or 14 Payment Business Days in the case of interest;

(b) the Issuer or the Guarantor does not perform or comply with one or more of its other obligations under the Notes or the Trust Deed, which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Guarantor (as appropriate) by the Trustee;

(c) the Issuer, the Guarantor or any Principal Subsidiary (as defined below) is (or is, or could properly be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts which it will or might otherwise be unable to pay when due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary;

(d) (i) any other present or future indebtedness of the Issuer, the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described) and is not repaid within any applicable grace period; or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Issuer, the Guarantor or any

Principal Subsidiary fails to pay when due (or within any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds U.S.$30,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank selected by the Trustee on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(e) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary, which is material to the Guarantor and its Subsidiaries as a whole, and is not discharged or stayed within 30 days;

(f) an order is made or an effective resolution passed for the winding-up, dissolution, judicial management or administration of the Guarantor, the Issuer or any Principal Subsidiary; or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for any voluntary solvent winding up, liquidation or dissolution of any Principal Subsidiary; (ii) for the purpose of, and followed by, a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution; or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries; or (iii) a disposal of a Principal Subsidiary to any person on arm's length terms where the consideration (whether cash or otherwise) resulting from such disposal is vested in the Issuer or the Guarantor or another of their respective Subsidiaries;

(g) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or substantially all of the property, assets or revenues of either the Issuer, the Guarantor or any Principal Subsidiary (as the case may be) and is not discharged within 30 days;

(h) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes or the Trust Deed and any such unlawfulness is not remedied within 15 days;

(i) the Issuer ceases to be a direct or indirect wholly-owned Subsidiary of the Guarantor;

(j) any step is taken by any person that will result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any Principal Subsidiary, which is material to the Guarantor and its Subsidiaries as a whole;

(k) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(c) to 10(j) (both inclusive); or

(l) the Guarantee ceases for any reason to be in full force and effect or it becomes impossible for the Guarantor to perform any of its obligations thereunder.

The Issuer shall (i) inform the Trustee immediately upon becoming aware that one of the events set out above in this Condition 10 has occurred; and (ii) provide all relevant information in respect of such event to the Trustee.

For the purposes of this Condition 10:

"**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement are at least 10.0 per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of, Subsidiaries not consolidated and of, jointly controlled entities and after adjustments for minority interests; or

(b) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 10.0 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(c) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the transferor Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the transferee Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a company, corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant company, corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to any Subsidiary which itself has Subsidiaries but no consolidated accounts are prepared and audited, total revenue or total assets of such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor; and

(iii) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed and/or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor, or the Trustee and shall be convened by the Trustee upon request in writing from the Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing 50 per cent. or more in aggregate principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes; (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes; (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes; (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest; (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, Change of Control Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount; (vi) to vary the currency or currencies of payment or denomination of the Notes; (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution; or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes for the time being outstanding; or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the applicable Pricing Supplement in relation to such Series.

(b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provision of applicable laws and regulations, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.

(c) **Substitution:** The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed, the Agency Agreement and such other conditions as may be set out in the Trust Deed or as the Trustee may in its discretion require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or Guarantor or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) **Entitlement of the Trustee:** In connection with performance and the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require on behalf of any Noteholder or Couponholder, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such steps and/or actions and/or institute such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking any step and/or action and/or instituting any proceeding to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders or any other person on any opinion, report, confirmation or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert or professional adviser, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such opinion, report, confirmation, certificate or advice and such opinion, report, confirmation, certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Noteholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Noteholders, the Couponholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Noteholders or in the event that no direction is given to the Trustee by the Noteholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor or any other person appointed by the Issuer or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions and shall not be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) or Change of Control has occurred or may occur.

Each Noteholder and Couponholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and/or the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

14 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is mutilated, defaced or alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any other notes issued pursuant to this Condition 15 and consolidated and forming a single series with the Notes.

16 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be the South China Morning Post). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by these Conditions, and shall be deemed to have been given on the date of delivery to such clearing system; or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons or the Trust Deed ("**Proceedings**") may be brought in such courts. The Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process:** Each of the Issuer and the Guarantor has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

(d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer or the Guarantor will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer or the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular principal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer or the Guarantor in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the applicable Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the applicable Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) with the consent of the Issuer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the applicable Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, on or after the first day following the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent or CMU Lodging and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless upon due presentation of the Global Note, exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the words "in the relevant place of presentation" (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant permanent Global Note upon its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by a member of the Group if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of the whole or any part of the holding Notes represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is, or any Notes represented by a Global Certificate are, held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests on the basis that such accountholders or participants were the holder(s) thereof.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the applicable Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Notes. The risks and uncertainties described below may not be the only ones that the Group faces. Additional risks and uncertainties that the Group is not aware of or that they currently believe are immaterial may also adversely affect the Group's business, financial condition, results of operations and cash flow. If any of the possible events described below occur, the Group's business, financial condition, results of operations and cash flow could be materially and adversely affected. In such case, the Issuer and/or the Guarantor and/or the Group may not be able to satisfy their obligations under the Notes and/or the Guarantee (as applicable), and investors could lose all or part of their investment.

Adverse global and local macroeconomic conditions could adversely affect the Group's business, financial condition, results of operations and cash flow

Political tension and trade war between the U.S. and China, and the outbreak of the ongoing novel coronavirus ("**COVID-19**") pandemic, is causing significant volatility in worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. There is also an uncertainty relating to the new U.S. administration, further blurring the economic outlook for China and consequently, this could impact the economic outlook for Hong Kong. Hong Kong has also been affected by social unrest since June 2019. The effects of such instability may contribute to a decline in the economic prospects of our current and potential tenants and the economy in general, which in turn could adversely impact the property market in Hong Kong and reduce the demand for the office and retail space in the Group's properties. In particular, the Group may be affected by, among other things, the following:

- the reduced ability of its tenants to pay rent in a timely manner or at all;
- the reduction of, or fluctuations in, demand for office and retail space, which would result in vacancies or reductions in leased space, as well as potential oversupply;
- possible downward pressure on rental rates, operating income and profits;
- the reduction of or fluctuations in liquidity, and potential difficulty in securing financing; and
- an increase in counterparty risk.

In addition to the impact of macroeconomic conditions, full economic recovery and long-term growth may be hindered by a number of factors, including inflation, energy costs, geopolitical instability and natural disasters. These and other issues resulting from the global economic slowdown and volatility in the financial markets may adversely affect the Group, its tenants and its potential property purchasers, which, in turn, may lead to a decline in the general demand for the Group's properties. In addition, any further tightening of liquidity in the global financial markets may adversely affect the Group's liquidity and access to financing. As such, in the event of global economic slowdown and turmoil in the financial markets, the Group's business, financial condition, results of operations and cash flow may be adversely affected.

The global outbreak of the COVID-19 may have an adverse effect on the Group's business operations, financial condition and results of operations

The Group's business has been, and will continue to be, adversely affected by the global outbreak of COVID-19. The outbreak of COVID-19 started in late 2019 and was declared a pandemic by the World Health Organisation on 11 March 2020. There has been rapid and widespread increase in new infections across the globe, including the locations in which the Group operates, such as Hong Kong, the PRC, European Union, Australia, New Zealand, the UK, Japan and North America and other parts of the world.

Many countries have declared a state of emergency, closed their borders to international travellers and restricted movements of their citizens with a view to containing the pandemic. The Group's profitability depends, in part, on tourism, business traffic and the general outlook of the global economy. Government-led measures designed to slow the spread of the virus may, therefore, directly and indirectly affect the Group's operations. Both the duration of the border control, travel and movement restrictions and the longer-term effects of the COVID-19 pandemic on the Group's business are uncertain.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cut, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. While these measures aim to contain the economic impact of the pandemic, stabilise the markets and provide liquidity easing to the markets, there is no assurance that such measures may be introduced in time or will be sufficient or effective in achieving their policy objectives; nor can there be any assurance that these measures will be successful in reducing the economic impact of the pandemic or stabilising the markets. Any potential economic slowdowns may also negatively affect the purchasing powers of the Group's customers, which may lead to a decline in the general demand for its products and services.

The COVID-19 pandemic and COVID-19-related restrictions triggered by it have temporarily suspended some of the Group's construction and sales activities and reduced the price and demand for hotel rooms. In particular, the Group's hotel and hospitality operations have been severely affected by COVID-19-related travel restrictions in Hong Kong, the PRC, the UK, the European Union, Australia, New Zealand, North America and Japan.

The situation of the COVID-19 pandemic is still evolving. At the current time there is no clarity as to how long the domestic or the global economies will continue to be impacted by the effects of the COVID-19 pandemic or as to how severe the impact will be. While the recent arrival of various COVID-19 vaccines may provide the much-needed protection for kick-starting travelling again, it will take time to implement such a large-scale vaccination program. Meanwhile, there are renewed travel restrictions in many parts of the world in response to new coronavirus strains that are potentially more contagious. Even when restrictions are lifted, there might be a period of significantly reduced economic activity, potential increased unemployment, and reduced consumer spending and market liquidity. In addition, restrictions can be re-introduced if the situation worsens again. It is possible that the outbreak of COVID-19 will cause an unprecedented impact on the global economy and a prolonged global economic crisis or recession. The outlook of the property market, economy slowdown and dampened business sentiment could potentially have an unfavourable impact on the real estate industry, global consumption, hospitality market and tourism related sectors. The heightened uncertainties surrounding the pandemic may disrupt the Group's business operations and consequently have a material adverse effect on the Group's financial conditions, results of operations and growth prospects.

Given the uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. Should the disruption to its operations extend for a long period, the Group may experience delays in completion and delivery of its ongoing projects and may suffer from reduced demand for its services, which may materially and adversely affect the Group's business, financial condition and results of operations and may also cause reputational damage.

The Group incurred losses for the years ended 31 December 2019 and 2020 based on the statutory accounting principles and may continue to incur loss in the future

Based on the statutory accounting principles, the Group recorded a loss for the year attributable to owners of the Group of approximately HK$337.8 million and HK$8,540.3 million for the years ended 31 December 2019 and 2020, respectively. The substantial increase in the Group's loss for the year attributable to owners of the Group from 2019 to 2020 was mainly due to (i) the decrease in fair value on investment properties and derivative financial instruments; and (ii) the increase in impairment loss on property, plant and equipment, amid the global outbreak and spread of COVID-19 across the world. The pandemic has led to reduction in operating activities, consumption shrinkage and project delay in the locations where the Group has operations. For more details on the impact of COVID-19, see "*Risk Factors – The global outbreak of the COVID-19 may have an adverse effect on the Group's business operations, financial condition and results of operations*". As the fallout from the COVID-19 pandemic continues to impact the retail and hotel industries in particular, and uncertainties regarding lockdowns and border restrictions persist, there is no assurance that the Group will not continue to incur loss in the future, which could have a material adverse effect on the Group's business, results of operation, financial condition and prospects.

Risks Relating to Property Investment and Property Development

The Group is subject to risks incidental to the operation of established properties and property ownership

The Group is subject to risks incidental to the operation of residential, commercial (including entertainment) and related retail properties and property ownership. The Group makes certain undertakings in its pre-sale contracts, and its pre-sale contracts and the laws and regulations provide for remedies for breach of these undertakings. For example, if the Group fails to complete delivery of a pre-sold property on time, it may be liable to the relevant customers for late delivery under the relevant pre-sale contracts or pursuant to relevant laws and regulations. If its delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for compensation. A customer may also terminate his or her contract with the Group and/or bring claims for compensation for certain other contractual disputes, including, for example, in Hong Kong if the actual saleable area of the relevant unit deviates materially from the saleable area of that unit as set out in the contract and sale brochure; if the floor plan of the relevant unit is different from what is set out in the contract and substantially adversely affects the quality and functionality of the unit; or if the interior decoration of the relevant unit is inferior to what is set out in the contract and sale brochure. Any of such factors could have a material adverse effect on its business, financial condition and results of operations. Though the Group is typically entitled to claim damages from the third party contractors if such breaches are due to their fault, there is no assurance that the damages it recoups will fully compensate its losses.

Investments in real estate are subject to various risks, including, but not limited to: (a) adverse changes in political or economic conditions; (b) adverse local market conditions; (c) the financial condition of tenants and buyers and sellers of properties; (d) changes in availability of debt or equity financing, which may result in an inability by the Group to finance future acquisitions on favourable terms or at all; (e) changes in interest rates and other operating expenses; (f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (g) environmental claims arising in respect of real estate; (h) changes in market rents; (i) changes in energy prices; (j) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (k) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms; (l) inability to renew tenancies or re-let space as existing tenancies expire; (m) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of tenants or otherwise; (n) insufficiency of insurance coverage or increases in insurance premiums; (o) increases in the rate of inflation; (p) inability of the property managers to provide or procure the provision of adequate maintenance and other services; (q) defects affecting the portfolio properties which need to be rectified, or other required repair and maintenance of the portfolio properties, leading to unforeseen capital expenditure; (r) unapproved uses of the portfolio properties which may result in the relevant member of the Group being in breach of the terms and conditions in the relevant government grant, which may give rise to the right on the part of the government to terminate the government grant and re-enter the property; (s) the relative illiquidity of real estate investments; (t) considerable dependence on cash flows for the maintenance of, and improvements to, the portfolio properties; (u) increased operating costs, including real estate taxes; (v) any interest and/ or encumbrance that cannot be or has not been revealed by a land search conducted at the Land Registry at the time of the search; (w) fire or other damage to the properties; and (x) acts of God, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental rates or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. The annual valuation of the properties will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of the Group's real estate assets may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in Hong Kong. If the Group acquires any overseas properties, such overseas investments will be subject to additional risk factors generally applicable to investing outside Hong Kong (such as political and socio-economic risks, legal and regulatory risks, tax risk, repatriation risk and foreign exchange risk) and specific to the relevant overseas jurisdiction.

The property investment and development markets in regions where the Group operates are susceptible to changes in laws and regulations

The property development and investment markets are subject to extensive real estate laws and regulations. For example, in Australia, overseas residential real estate investors purchasing Australian property have been subject to a new surcharge since 2016 and certain major Australian banks have established stricter lending criteria for home loans to overseas investors. In Hong Kong, the government introduced various measures to cool the property market, such as the imposition of buyer stamp duty in 2012 and additional measures in 2015, 2016 and 2017. The Residential Properties (First-hand Sales) Ordinance (Cap. 621) also came into full operation in April 2013, which aims to enhance the transparency and fairness of the sales arrangements and transactions of first-hand residential properties. The Singapore government also introduces measures to cool the property market from time to time. An example is the imposition of higher stamp duty rates for foreigners and buyers of second residential properties which came into effect in July 2018.

These policies may adversely impact the level of pre-sales which the Group may be able to achieve and the level of settlements for pre-sold units in the areas which the Group operates. There can be no assurance that the Group will successfully achieve the necessary amount of pre-sales in order to obtain sufficient financing for its projects.

Withdrawal of the UK from the European Union may slow down the rate of growth in property prices and transaction volumes and limit the likelihood of property development and investment in the UK, which could have an adverse effect on the financial condition and results of operations of the Group. There can be no assurance that the local and national governments will not introduce any further measures which may affect sales or property values in the areas where the Group operates and that property values will not decline in the future. Trade tensions among major economies, which intensified in 2019 and have continued in 2020 and 2021, may negatively affect the real estate market. Subject to any further control or measure that the PRC government may impose, the Group's funding conditions may become tight due to the increase in financing costs and weakened investor sentiment.

The Group's expansion into new geographical markets presents certain risks and uncertainties

In order to achieve sustainable growth, the Group seeks new development opportunities in regions with the potential for growth and where it has no existing operations. The Group may not be able to identify geographic locations with sufficient growth potential to expand its market reach or operate its new projects. As the Group may face challenges not previously encountered, it may fail to recognise or properly assess risks or take full advantage of opportunities.

Furthermore, its experience in existing markets and its current business model may not be readily transferable to, and replicated in, new markets in its target cities. The property markets in its target cities may be different from each other in terms of the level of local economic and industrial development, local governmental policies and support, development phases of local businesses, market demand for its properties, types of properties to be developed and development cycles. The Group may have limited ability to leverage its established brands and reputation in new markets in the way it has done in its existing markets. Furthermore, the administrative, regulatory and tax environments in its target cities may be different from each other and the Group may face additional difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, the Group may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put it in a disadvantageous position.

As the Group continues to expand, it will have to continue to improve its managerial, development and operational expertise and allocation of resources. To effectively manage its expanded operations, the Group will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy its property development requirements, including staff with local market knowledge. In order to fund its ongoing operations and its future growth, the Group needs to have sufficient internal capital sources or access to additional financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, the Group will need to further strengthen its internal controls and compliance functions to ensure that the Group is able to comply with its legal and contractual obligations and to reduce its operational and compliance risks. There is no assurance that the Group will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. The Group may also experience difficulties in expanding its existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

The Group conducts certain businesses through joint ventures and associates

The Group has entered into joint ventures and established associated companies with third parties for its business operations, including property development and investment, and may continue to do so in the future. The performance of such joint ventures and associated companies has affected, and will continue to affect, the Group's results of operations and financial position. The success of a joint venture or an associated company depends on a number of factors, some of which are beyond the Group's control. For example, there is no assurance that disputes will not arise between the Group and its joint venture partners due to dissimilar business interests or otherwise, or that its joint venture partners will not breach their obligations owed to the Group or under the relevant joint venture agreements. Since the Group does not have full control over the business and operations of its joint ventures and associated companies, it cannot assure that they have been, or will be in strict compliance with all applicable laws and regulations. In the event any of the Group's joint venture partners is unable or unwilling to fulfil its obligations under the relevant joint venture agreements, or any such joint venture partner is forced to dispose of its interest in the joint venture, or the Group's joint ventures and associated companies fail to secure governmental approval or are in violation of laws and regulations, the Group may not be able to realise the anticipated economic and other benefits from its joint ventures and associated companies, which may in turn have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

There is no assurance that suitable sites at commercially acceptable prices may be available for the Group's future development

The Group may from time to time acquire land to fulfil its specific project requirements. In the countries where the Group operates, the supply of land is largely controlled by local governments depending on each country's economic conditions and priorities. Local governments may implement various measures to regulate the means by which property developers obtain land for property development. The ability of the Group to acquire land for future development and its land acquisition costs will accordingly be affected by government policies in relation to land supply. The Group's future growth prospects may therefore be affected to the extent that it is unable to acquire land for future development in the countries where the Group operates at commercially acceptable prices to generate reasonable returns.

The future fair value of the Group's investment properties is likely to fluctuate from time to time and may increase or decrease significantly

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 the Group's ability to comply with the financial covenants under the loan facility as well as any external borrowings the Group 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 the Group's cash position and therefore do not increase or decrease respectively the Group's 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.

The Group relies on independent contractors and sub-contractors for the provision of certain services

The Group engages independent third-party contractors and sub-contractors to provide various services, including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators. There is no assurance that the services rendered by any independent third-party contractor or sub-contractor engaged by the Group will be satisfactory. The Group is also exposed to the risk that its contractors and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's major contractors and sub-contractors may experience financial or other difficulties which may affect their ability to discharge their obligations and thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorism, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption or delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and results of operations of the Group.

As the revenue from the sale of properties is only recognised upon delivery, the revenue contribution from the Group's property development business may vary significantly from period to period

Property development is one of the Group's core businesses, primarily in Hong Kong and the United States. The Group recognises revenue from sale of its properties at a point in time when control of the completed properties is delivered to buyers, which normally takes place within one to three years after the commencement of pre-sale. As the timing of delivery of the Group's properties varies according to their construction schedules, the Group's results of operations may vary significantly from period to period depending on the gross floor area ("**GFA**") or saleable area (as the case may be) and timing of delivery of the properties. For the years ended 31 December 2018 and 2019, no revenue was recognised from the property development business as the properties were under development, while revenue from the Group's property development business amounted to approximately 61.8 per cent. of the Group's total revenue from core business for the year ended 31 December 2020. In addition, periods in which the Group delivers more properties in terms of GFA or saleable area (as the case may be) typically generate higher levels of revenue. Periods in which the Group pre-sells a large aggregate GFA or saleable area (as the case may be), however, may not generate a correspondingly level of revenue if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on its operational results is accentuated by the fact that during any particular period the Group can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs as well as a limited supply of land.

Furthermore, the property development 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.

The Group faces competition in its property investment and development business

The Group holds interests in property development projects and invests in retail and commercial buildings in Hong Kong and the United States.

In relation to its property development business, the Group competes with local and overseas property developers in the regions it operates. Such competitors may have larger local operations, better access to land bank acquisition opportunities, greater market share domestically and greater financial resources compared to the Group. Intensified competition among property developers may result in increased costs for construction and land acquisition, an oversupply of properties for sale, a decrease in property prices and a slowdown in the approval process for new property developments by the relevant government authorities, all of which may adversely affect the business of the Group.

The Group's investment property portfolio comprises mainly commercial buildings and retail units in Hong Kong. While the value of the Group's investment properties has generally remained stable, the continuous supply of new retail and commercial properties located near the Group's investment properties could adversely affect residential and commercial rental and occupancy rates. There is no assurance that the Group will be able to secure commercially desirable rental returns or market values for its investment properties as a result of increased competition as well as continuous supply in the rental market and failure to do so could result in higher rate of property vacancy which may materially and adversely affect the financial conditions and prospects of the Group.

The Group's business will be adversely affected if it fails to obtain, or experiences material delay in obtaining, the necessary governmental approvals for any major property development

In general, there are regulations that strictly regulate the real estate market in the countries that the Group operates. Property developers must comply with various local laws and regulations, including rules promulgated by local governments to enforce such laws and regulations. To develop and complete a property project, the Group must apply for various licences, permits, certificates and approvals at the relevant governmental authorities. Before such authorities issue any certificate or permit, the Group must first meet the prerequisites set forth by the relevant authorities. There is no assurance that the Group will not encounter serious delay or other difficulties in fulfilling such conditions, or that the Group will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry. There may also be delay on the part of the relevant regulatory bodies in reviewing the Group's applications and granting approvals. Therefore, in the event that the Group fails to obtain, or encounters significant delays in obtaining, the necessary governmental approvals for any of its major property projects, the Group may not be able to continue with or carry out its development plans on schedule and its business and financial condition may be adversely affected.

The Group may be adversely affected by the concentration and illiquidity of property investments

Property investments are relatively illiquid, particularly investments in large high value properties such as those in which the Group has already invested. Such illiquidity may affect the Group's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, property market or other conditions. For example, the Group may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, the Group may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real property due to the illiquid nature of its property assets. These factors could have an adverse effect on the Group's business, financial condition, results of operations and cash flow.

The Group's properties or part thereof may be acquired compulsorily and there is a risk that their government leases may not be renewed at the end of their terms

The government has the power to acquire compulsorily any land in Hong Kong pursuant to the provisions of applicable legislation including the Lands Resumption Ordinance (Cap. 124) of Hong Kong, Roads (Works, Use and Compensation) Ordinance (Cap. 370) of Hong Kong, Railways Ordinance (Cap. 519) of Hong Kong, Land Acquisition (Possessory Title) Ordinance (Cap. 130) of Hong Kong, Land Drainage Ordinance (Cap. 446) of Hong Kong, Urban Renewal Authority Ordinance (Cap. 563) of Hong Kong and Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Cap. 276) of Hong Kong.

In the event of any compulsory acquisition of property in Hong Kong, the amount of compensation to be awarded is based on the open market value of the relevant property and is assessed on the basis prescribed in the relevant ordinances. If any of the Group's properties were acquired compulsorily by the government, the level of compensation paid to the Group pursuant to this basis of calculation may be less than the price which the Group paid for such properties and/or the market value of such properties at the relevant time.

In addition, each of the Group's properties is held under a lease from the government of Hong Kong which will expire on 30 June 2047. There is no assurance that such leases will be renewed on acceptable terms or at all.

Risks Relating to Hotel and Hospitality Business

Outbreaks of highly contagious diseases, natural disasters or severe weather conditions could affect the Group's business operations

Since December 2019, the outbreak of COVID-19 has resulted in a widespread and global health crisis, which has led to restrictions on travel and public transport and prolonged closures of workplaces and has severely impacted the global economy. The entry restrictions, travel bans and quarantine measures implemented across the globe since the outbreak of COVID-19 have had a significant impact on the travel industry and in turn have adversely affected the Group's hospitality business in the form of a fall mainly in room occupancy rates and average room rates. COVID-19 has had and may continue to have a material and adverse impact on the Group's hotel operations and financial condition.

In addition to the recent outbreak of COVID-19, there were other outbreaks of contagious diseases in the past, such as Severe Acute Respiratory Syndrome in 2003, H5N1 virus or "Avian Influenza A" in 2005 and H1N1 virus or "Swine Influenza A" in 2009, and these diseases have had a significant adverse impact on the economies of the affected countries and regions. Any further significant outbreak of a highly contagious disease such as COVID-19 may adversely affect the financial condition and results of operations of the Group.

There can be no assurance there will not be another significant outbreak of a highly contagious disease in Hong Kong, the PRC, the UK, the European Union, Australia, New Zealand, North America and Japan and/or elsewhere in the future which will give rise to similar negative impacts above. If such an outbreak were to occur, it may cause a decline in corporate, convention and leisure guests, thus leading to reduced occupancy rates and room rates across hospitality industry, which may have a material adverse impact on the business, financial condition or results of operations of the Group.

If any of the Group's properties is damaged by severe weather conditions or any other natural disasters affecting the regions where such property is situated, the Group's business may also be materially and adversely affected.

The Group is subject to risks associated with the development and construction of hotels

The Group owns and is currently developing, investing in and managing several hotels in Hong Kong, the PRC, the UK, the European Union, Australia, New Zealand, North America and Japan, which are in various stages of planning, development and operation. Whilst estimated completion schedules and cost budgets are or will be in place for each project, there can be no assurance that construction deadlines will be met or that actual costs of design and construction will not exceed their estimates. As with any construction project, the Group may also face substantial cost increases, cost overruns or delays caused by a number of factors, including shortages of, or price increases in, energy, raw materials or skilled labour, unforeseen environmental problems, contractor default or insolvency as well as difficulties in obtaining or inability to obtain any requisite licences, approvals or permits from regulatory authorities. Any such cost increases, cost overruns or delays could prevent or delay the development, completion or opening of the Group's current and future hotel projects, which may materially and adversely affect the Group's business, financial condition and results of operations.

The Group faces competition in its hotel operations and management business

The hospitality sectors in Hong Kong, the PRC, the UK, the European Union, Australia, New Zealand, North America and Japan are highly competitive. The Group's hotels generally compete with other quality hotels in the cities where the Group's hotels are located. For example, in Hong Kong, competition is expected to remain intense in the coming years as more hotels come into market. Following the implementation of the Individual Visit Scheme by the PRC government in July 2003 which deregulated the grant of visas for individual mainland residents to visit Hong Kong, more competitors, including other established hotel operators, have started to enter the market and a number of property developers, including competitors which have significantly greater financial and other resources or are more reputable than the Group, have started to construct new quality hotels.

There can be no assurance that new or existing competitors will not offer significantly lower room rates or offer greater convenience, services or amenities or significantly expand or improve facilities in a market in which the Group operates.

A hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to both predictable and unpredictable factors

A substantial portion of the Group's revenue is derived from its hotel operations. Since hotel guests are short-term occupants of hotel rooms, they are generally not committed to contracts of medium-term or long-term rental payment. Consequently, a hotel's occupancy rate and room rate are subject to a high degree of fluctuations due to both predictable and unpredictable factors including seasonality, social stability, natural hazards, epidemic diseases and economic condition as well as the nature of hotel business. The outlook of the hospitality industry is also challenged by the continued trade tensions and political uncertainty both domestically and abroad. As a result, the Group's hotel and hospitality business may be materially and adversely affected.

Risks Relating to Champion REIT's Business

The fair value of Champion REIT's investment properties may decline or be subject to a high degree of volatility in the future and the valuation of Champion REIT's properties may prove to be unrepresentative of an investment in Champion REIT

The valuation of the properties was prepared by the independent property valuer. In conducting its valuation, the independent property valuer used principally the income capitalisation approach, counter checked by the direct comparison approach. The valuation was based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the independent property valuer in particular, include a subjective determination of certain factors relating to the properties, such as its relative market position, financial and competitive strengths, location, and physical condition.

Accordingly, there can be no assurance that the assumptions are correct or that the properties were valued accurately. Cyclical changes in valuation parameters such as availability of credit, interest rates, investor sentiment could result in significant fluctuations in the fair value of investment properties of Champion REIT and Champion REIT's net asset value. There is no assurance that the fair value of any investment properties that Champion REIT presently owns has not already changed since the last valuation date.

The appraised value of a property is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which Champion REIT may sell the properties or any portion thereof, either at the present time or at any time in the future, may be lower than the appraised value or the initial acquisition price of the properties. For the year ended 31 December 2020, Champion REIT reported a loss mainly due to the drop in fair value of investment properties.

Champion REIT is exposed to cyclicality and volatility in the Central Grade A office building rental property market and retail property market in Hong Kong

Champion REIT's property portfolio comprises the Three Garden Road Property and the Langham Place Property. The Three Garden Road Property is located in the Central district of Hong Kong. Historically, the office rental property market in Central district has been volatile and has experienced significant price fluctuations. In particular, property values and rental rates for Central district are subject to cyclicality and volatility in excess of the other office districts in Hong Kong because of the concentration of financial institutions in Central. In the past 20 years, rent levels have fallen significantly during various periods such as the rental market downturns caused by the Asian financial crisis in 1998, the dot com bust in 2001, the SARS outbreak in 2003, the global financial crisis in 2009 and the European debt crisis in 2011, and could be negatively affected by the ongoing political tension and trade war between the U.S. and China and the COVID-19 pandemic. There is no assurance that rental rates and property values in Central district will not decline from present levels or experience a high degree of volatility in the future.

A significant portion of Champion REIT's revenue is also derived from the retail property market of Hong Kong. Rents in the retail sector are dependent on tenant sales and these in turn are affected by consumer spending. Domestic retail spending is affected by factors such as the rate of economic growth, salary increases and inflation in Hong Kong. Also, local consumer spending is gradually shifting from physical shops to online purchases due to the rise of many popular online shopping platforms and convenient payment options, particularly in times when the Hong Kong dollar is relatively strong. Tourist spending also has an effect on the retail property market of Hong Kong. Factors affecting tourist arrivals and spending include disease outbreaks and political developments in Hong Kong and mainland China, travel restrictions and changes in sales taxes in mainland China, the purchasing power parity of Hong Kong compared to other countries, currency fluctuations in and the economic prosperity of certain countries where the bulk of Hong Kong's tourists come from.

2019 was an extremely challenging year for the Hong Kong office and retail sector. Although the office rental segment of Champion REIT's property portfolio is expected to be less vulnerable than the retail segment given that the market rates of both the Three Garden Road Property and the Langham Place Office Property are slightly above the passing rents, the sluggish trend of the office rental property market in Central district is expected to remain in 2020 because of dampened business sentiments amid the social unrest in Hong Kong since June 2019, the political tension and trade war between the U.S. and China and the ongoing COVID-19 pandemic. The slowdown in retail sales, which started in the beginning of 2019, deepened in the second half of the year on flagging local economic conditions as well as protracted social unrest. Langham Place Mall experienced a drop in tenant sales in 2020. Business for shops focusing on mainland Chinese tourists in particular suffered from the disruptions. Access to the mall was partially affected by closure of the Mongkok MTR station on certain days and blockage of roads due to confrontations in surrounding areas, causing a low double-digit fall in footfall in 2019. The decline in footfall is expected to continue in 2020 as the COVID-19 pandemic affects tourism and consumer spending. With the imposition of mandatory home quarantine and other travel restriction put in place by the government of Hong Kong due to COVID-19, it is expected that Champion REIT's business is and will continue to be negatively impacted.

If the financial performance of Champion REIT's tenants was to decline significantly because of a retail downturn or poor business environment, some of these tenants could decide not to renew their tenancy agreements or to terminate their tenancy agreements before they expire (in cases where tenants have termination rights exercisable by written notice), or alternatively seek to re-negotiate the terms of their leases, temporary rental concessions and/or early surrender. Some tenants could also be unable to pay their rents or expense recovery charges. In the event of defaults, Champion REIT is likely to experience delays and costs in enforcing its rights as landlord. Any loss of tenants will result in reduced occupancy which will negatively impact Champion REIT's revenue. In addition, there could be a delay in finding replacement tenants, and Champion REIT could be required to reduce rent in order to secure them. Any decline in the business environment in Hong Kong could have a material adverse effect on Champion REIT's business, financial condition, results of operations and cash flow.

Champion REIT's financial condition, results of operations and level of distributions to its unitholders may be adversely impacted if it undertakes Property Development and Related Activities

Pursuant to the Code on Real Estate Investment Trusts issued by Securities and Futures Commission of Hong Kong (the "**REIT Code**") and the trust deed entered into by Champion REIT on 26 April 2006 (the "**REIT Trust Deed**"), Champion REIT may undertake property development activities including both new development projects and the redevelopment ("**Property Development and Related Activities**") subject to certain restrictions as prescribed under the REIT Code and REIT Trust Deed. In the event that Champion REIT undertakes Property Development and Related Activities, it may be exposed to the following risks:

(a) **Construction risk.** The progress and costs of Property Development and Related Activities may be affected by factors such as shortages of materials, equipment, contractors and skilled labour, labour disputes, construction accidents, natural catastrophes and adverse weather conditions. By undertaking Property Development and Related Activities, Champion REIT will be exposed to the price volatility of labour and construction materials during various stages of development of property. If the costs of labour or construction materials increase significantly, and Champion REIT cannot offset such increase by reducing other costs, this may adversely impact Champion REIT's financial condition, results of operations and level of distributions to its unitholders.

(b) **Risk of default of the construction project counterparties.** If Champion REIT engages third party contractors to carry out various works in relation to Property Development and Related Activities, it cannot guarantee that the services rendered by such third party contractors will always be satisfactory or match Champion REIT's expected quality and safety standards and its timing requirements. Champion REIT's contractors may undertake projects for other development companies thereby diverting resources or may encounter financial or other difficulties, which may cause delay in the completion of Champion REIT's property developments or increase the costs of construction. This in turn may adversely impact Champion REIT's financial condition, results of operations and level of distributions to its unitholders.

(c) **Risk of failure or delays in obtaining governmental approvals.** In order to develop and complete a property development, various governmental permits, licences, certificates and other regulatory approvals at various stages of the property development process are required. Each approval is dependent on the satisfaction of certain conditions. Champion REIT may encounter problems or delays in obtaining such approvals or in fulfilling the conditions required for obtaining the approvals. If Champion REIT fails to obtain the approvals or to fulfil the conditions of those approvals for its property developments in a timely manner, or at all, these property developments may not proceed on schedule. In addition, if there is any change in local legislation, rules and regulations relating to property development, Champion REIT may need to revise its original property development plan, leading to extra cost and time needed for completion. This in turn may adversely impact Champion REIT's financial condition, results of operations and level of distributions to its unitholders.

(d) **Risk of rising financing costs.** Property development projects typically require substantial capital expenditures prior to and during the construction period. Champion REIT may have to obtain debt facilities to finance the construction project. There is a risk that Champion REIT may not be able to source and secure adequate financing to complete a development project. Fluctuations in interest rates may increase the financing costs incurred from the loan agreements and may have an adverse impact on the level of distributions to its unitholders. Changes in the business environment during the construction period, such as fluctuations in rental yield and property value, may affect the cost of the development, which in turn may result in rising financing costs of the project that may adversely impact Champion REIT's financial condition, results of operations and level of distributions to its unitholders.

(e) **Risk of disputes with partners.** Champion REIT may undertake Property Development and Related Activities through joint ventures or in collaboration with third parties, subject to requirements under the REIT Code. Such joint venture arrangements or collaboration involve a number of risks, including disputes with partners in connection with the performance of their obligations under the relevant project, joint venture or cooperative property development agreements, disputes as to the scope of each party's responsibilities under these arrangements, financial difficulties encountered by Champion REIT's partners affecting their ability to perform their obligations under the relevant project, joint venture or cooperative property development agreements with Champion REIT, or conflicts between the policies or objectives adopted by such partners and those adopted by Champion REIT. These disputes may lead to disputes or legal proceedings and may result in damage to Champion REIT's reputation, incurrence of substantial costs and the diversion of resources and management's attention. The occurrence of any of the foregoing and other related factors could adversely affect Champion REIT's financial condition, results of operations and level of distributions to its unitholders.

(f) **Risk of delay and impact on income.** During the period that Property Development and Related Activities are undertaken, Champion REIT may receive reduced or no income in respect of all or part of the underlying property. Such period may be extended if, for the reasons noted above, completion of the Property Development and Related Activities is delayed. This in turn may adversely impact Champion REIT's financial condition, results of operations and level of distributions to its unitholders.

The tenancies of the properties are generally for, or subject to rent reviews within, periods of up to three years and Champion REIT may be unable to renew tenancies, lease vacant space or release space as tenancies expire at the same or at higher rents or at all

Tenancies for the properties of Champion REIT are generally for periods of two to three years or less or subject to rent reviews within such periods, which reflects the general practice in the Hong Kong office and retail property market for tenancies. This is generally shorter than the general practice in many other property markets around the world. As a result, the properties experience lease cycles in which a significant number of the tenancies expire each year. This frequency of renewals makes Champion REIT more susceptible to rental market fluctuations. Champion REIT may not be able to secure replacement tenants at rent rates equal to or higher than those of the expiring tenancies, may not be able to secure replacement tenants in time so as to minimise vacant periods in between tenancies and may not be able to obtain rental rates equal to or above the current rental rates for tenancies subject to rent review. If the rental rates for the properties decrease, Champion REIT's existing tenants do not renew their tenancies or Champion REIT does not or is unable to re-lease a significant portion of its vacant space and space for which tenancies are scheduled to expire, Champion REIT's business, financial condition, results of operations and cash flow may be adversely affected.

The loss of key tenants could reduce Champion REIT's rental income and have an adverse effect on its business, financial condition, results of operations and cash flow

Champion REIT depends on a number of major tenants. These major tenants may experience a downturn in their business, which may weaken their financial conditions and result in their failure to make timely rental payments or a default by them under their tenancies. The tenants may also fail to renew their tenancies for other reasons. If any key tenant defaults, terminates its tenancy, fails to make timely rental payments, or fails to renew its tenancy, Champion REIT may experience delays in enforcing its rights as landlord, may incur substantial costs in protecting its investment and may be unable to re-let the relevant space.

Champion REIT faces significant competition

The office and retail property markets in Hong Kong are highly competitive. Principal competitive factors include rental rates, building quality, prestige and location of properties, availability of nearby amenities and supply of comparable space. The Three Garden Road Property competes primarily with other premium Grade A office buildings in Hong Kong's Central district, including office space in Cheung Kong Center, Exchange Square, International Finance Centre, Pacific Place, Landmark, AIA Central and Chater House, as well as the upcoming new developments, such as the Murray Road Carpark re-development project and Hutchinson House re-development project. The Langham Place Office Tower competes primarily with other Grade A office buildings in Hong Kong's Yau Tsim-Mong district, including office space in K11 ATELIER Victoria Dockside, T.O.P, The Gateway and Grand Century Place. The Langham Place Mall competes primarily with shopping malls in the Yau-Tsim-Mong district such as i-Square, K-11, K-11 Musea, T.O.P., The ONE, MOKO and Olympian City. Due to an increasing decentralisation trend, Champion REIT's properties also compete indirectly with office and retail properties in other districts of Hong Kong, such as Pacific Place, Island East, Kowloon East CBD2 and International Commerce Centre. Champion REIT will also compete against other property companies in Hong Kong and overseas for property acquisitions and property related investments. Such competition is primarily for tenants, and may affect Champion REIT's ability to maintain existing occupancy and rental rates in respect of the properties. In order to avoid falling occupancy and rental rates, rents and charges may need to be lowered, additional capital improvements may need to be made or additional tenant inducements may need to be offered, all of which could reduce Champion REIT's rental income and consequentially, adversely affect Champion REIT's business, financial condition, results of operations and cash flow. A more competitive business environment among retail tenants may also have a detrimental effect on their business and consequentially, their ability to pay rent.

There are risks to leveraging and limitations on Champion REIT's ability to leverage

Champion REIT is expected to use leverage in connection with its investments. In addition, Champion REIT may, from time to time, require additional debt financing to fund working capital requirements, to support the future growth of its business and/or to refinance existing debt obligations.

Borrowings by Champion REIT are limited by the REIT Code to no more than 45 per cent. of its total gross asset value. However, if a downward revaluation of the properties occurs, Champion REIT may exceed the 45 per cent. borrowing limit even without incurring any additional borrowing. Therefore, there can be no assurance that Champion REIT's borrowings will remain at all times below 45 per cent. of its gross asset value, following any revaluation of assets or otherwise. From time to time, Champion REIT may need to draw down on its banking facilities and use overdrafts, but may be unable to do so due to the 45 per cent. borrowing limit prescribed by the REIT Code. Further, Champion REIT's indebtedness means that a portion of its expected cash flow may be required to be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available to Champion REIT for use in its general business operations.

Champion REIT may also face difficulties in securing timely and commercially favourable financing in asset-backed lending transactions secured by real estate or in unsecured lending. In addition, the use of leverage may increase the exposure of Champion REIT to adverse economic factors such as rising interest rates and economic downturns. Champion REIT is subject to general risks associated with debt financing, including the risk of: (i) there being insufficient cash flow to meet payment of principal and repayment of capital requirements; and (ii) not being able to maintain debts at optimum levels in the future due to a lack of capacity in the lending market and/or an unfavourable interest rate environment. As such, if Champion REIT is unable to refinance its debt to meet its scheduled repayments or is unable to borrow at favourable interest rates, Champion REIT's business, financial condition, results of operations and cash flow may be adversely affected.

The Relevant Investments of Champion REIT are exposed to common risks associated with the investments in securities

Pursuant to the REIT Code and the REIT Trust Deed, Champion REIT may invest in the following investments subject to certain caps: (a) securities listed on the Hong Kong Stock Exchange or other internationally recognised stock exchange; (b) unlisted debt securities; (c) government and other public securities; and (d) local or overseas property funds ("**Relevant Investments**"). Investments in Relevant Investment may involve, without limitation, the following risks:

(a) **Market risk.** If Champion REIT invests in the Relevant Investments in the nature of equity securities, debt securities or property funds, it will be vulnerable to the risk that the market as a whole, or certain parts of the market where it has invested in declines or drops. The value of stocks, debt securities and property funds will fluctuate in response to general market and economic conditions. Champion REIT will also be exposed to changes in commodity prices, foreign exchange rates and interest rates. Since Hong Kong dollar is pegged to the U.S. dollar, interest rate movements in Hong Kong can be directly influenced by interest rate movements in the United States. An increase in interest rate will adversely impact the value of debt securities. In addition, there is inflation risk, as the return on debt securities such as bond investments will be affected if commodity prices go up. Such market fluctuations may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to its unitholders.

(b) **Default/Credit risk.** Champion REIT may face financial loss if an issuer or counterparty to the Relevant Investments defaults in payment, or experiences a decline in its payment capacity. A corporate event such as a merger or takeover may lower the credit rating of the issuer. Such decline in the credit quality of an issuer may adversely impact the value of the Relevant Investments.

(c) **Price volatility risk.** There is a risk that substantial fluctuations in the price of a financial instrument will affect the investment negatively. In the case of equity securities, stock prices may be very volatile and unpredictable subject to different market and economic factors both locally and internationally. The Hong Kong stock market is highly open and it is therefore influenced by economic issues in all major markets. In addition, a stock can be suspended from trading, during which time Champion REIT will not be able to buy or sell such stock. The price of the stock may move due to both market and business risk changes during the period of suspension. These fluctuations can be unpredictable, and such occurrences could adversely affect Champion REIT's financial conditions and results of operations.

(d) **Liquidity risk.** There is a risk that Champion REIT cannot sell a sufficient amount of the Relevant Investments at a time that it wishes and at a satisfactory price because demand in the Relevant Investments is low at a particular time, notwithstanding the Relevant Investments being generally liquid and transparently priced. In such circumstances, Champion REIT may be forced to sell the Relevant Investments on unfavourable terms.

(e) **Management and policy risk.** There is a risk that a company that Champion REIT invests in has improper management practices, conducts a transaction that is detrimental to Champion REIT's interests as an investor or, in the case of property funds, poor performance by fund managers. Such actions by management of the relevant company or fund managers may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to its unitholders. Changes in government policies and regulations, both locally and internationally, could have profound impact on equity securities in the relevant sectors or industries.

(f) **Risk in relation to property funds.** Investments in local or overseas property funds may involve other additional risks. There is no assurance that a property fund will achieve its investment objective and strategy. A property fund will be highly susceptible to the relevant real estate market conditions if it concentrates its investment in a single property or asset class. In the case of overseas property funds, changes in exchange rates may have an adverse effect on the value of the fund's assets. Also, investing overseas will entail country/regional risks, as well as political risks.

Risks Relating to the Group's Business in General

The Group is subject to financial covenants under its various debt facilities

Certain loan facilities, bond issues and other borrowings which the Group has entered into or guaranteed contain, or may in the future contain, financial ratio undertakings or restrictive financial covenants. The Group is required to ensure ongoing compliance, such as specified loan-to-value ratios, loan-to-cost ratios, minimum debt service coverage ratios and minimum net equity. Examples of such restrictive financial covenants include restrictions on the ability of a subsidiary to pay dividends to the Guarantor, which may make it more difficult for the Guarantor to meet its payment obligations, including any debt payment obligations or guarantee it gives, if it does not receive cash dividends from its subsidiaries. Failure on the part of the Group to comply with, or obtain waivers concerning, such undertakings and covenants may also cause the Guarantor's and the Guarantor's subsidiaries' lenders, as the case may be, to accelerate the repayment obligations or require the Group to obtain waivers from its lenders. Where certain subsidiaries of the Guarantor act as guarantors of the relevant facilities, they may be required to pay the amount due under the relevant facilities immediately on demand if the relevant borrower does not pay any amount when due.

The Group's business and future growth depends on availability of funding

Development of properties and hotels are capital intensive. Capital costs are funded by the Group from operating cash flow and financing. The Group's ability to secure sufficient financing for land acquisition and property development depends on a number of factors which are beyond its control, including market conditions in debt and equity capital markets, investors' perceptions of its securities, lenders' perceptions of its creditworthiness, the economies in countries where the Group has operations and regulations which affect the availability and finance costs for real estate companies. The availability of future borrowings and access to the capital markets for financing depends on prevailing market conditions and the acceptability of the financing terms offered. The Group cannot ensure that future financings will be available, or available on acceptable terms, or in an amount sufficient to fund its needs. Any failure to obtain the required funding could result in the Group being unable to carry out planned upgrades or expansions in a timely manner or at all. This could have a material adverse effect on the Group's business, financial conditions and results of operations.

The Group is subject to risks associated with new business opportunities and the Group may not be able to effectively manage its rapid expansion

As the Group continues to look for opportunities to expand its business through organic growth and/or acquisitions, it regularly considers and evaluates new business opportunities and synergies in existing and new markets. The Group considers and evaluates such new business opportunities from time to time and in a prudent and measured manner, taking into consideration a range of internal and external factors.

The Group has significantly expanded its operations in recent years and, in conjunction with the execution of its strategy, expects to continue to expand its operations in terms of geography, customers and capital investment. To manage its growth, the Group must continue to improve its managerial, technical, operational and other resources and to implement an effective management information system. In order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources including capital markets. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties in different jurisdictions.

There can be no assurance that the Group will not experience issues such as capacity and capital constraints, delay in capital contributions, construction delays, failure in training an increasing number of personnel to manage and operate those facilities and other issues associated including but not limited to business integration as a result of pursuing new business opportunities. In particular, failure of the Group to implement its expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its revenue base and to maintain its profitability. There can be no assurance that such expansion plans will not adversely affect the Group's existing operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects and may cause the price of the Notes to fall. Moreover, there can be no assurance that suitable new business opportunities will arrive in a timely manner or at all.

The level of gearing of the Group may affect the Group's business and operations

The Group's level of gearing may adversely affect the Group's future strategies and operations in a number of ways, including:

- future debt service requirements will reduce the funds available to the Group for other purposes;

- the Group's ability to obtain adequate financing for working capital and capital expenditures for its projects may affect the level of return to be received by the Group from the projects; and

- the Group's leverage level (before taking into account the revaluation surplus of the Group's hotel properties) may hinder its ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that the Group's level of indebtedness and such restrictions will not materially and adversely affect the Group's ability to finance its future operations or capital needs, operate its business successfully, engage in other business activities or pay dividends.

The Group's insurance may be insufficient to cover all losses and liabilities

The Group may suffer material losses in excess of insurance proceeds. The properties of the Group may suffer any loss destruction or damage caused by fire, typhoon or other causes of loss and the Group or the relevant property company may suffer third party claims, loss of rent which may not be fully compensated by insurance. In addition, there are other types of losses resulting from war, terrorism, nuclear radiation or radioactive contamination and business damage and interruptions losses arising from the social unrest in Hong Kong since June 2019, for which the Group cannot get optimal insurance at reasonable cost. Should an uninsured loss or a loss in excess of insured limits occur, the Group would be required to pay compensation and/or lose the capital invested in the affected property as well as anticipated future revenue from that property. Nonetheless, the Group or the relevant property holding company would remain liable for any debt or other financial obligation related to that property. Any uninsured loss could have a material adverse impact on the Group's business, financial condition, results of operations and/or cash flow.

In addition, the Group will have to renew its insurance policies on a regular basis and negotiate acceptable terms of coverage, pricing of insurance and market volatility. The Group will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy. Any material increase in insurance rates or reduce in coverage in future could adversely affect the Group's business, financial condition, results of operations and/or cash flow.

The Group is subject to foreign exchange risks

The Group's revenue, costs, debts and capital expenditure are mainly denominated in U.S. dollars, Hong Kong dollars, Renminbi, Pound Sterling, Euros, Australian dollars, Singapore dollars, New Zealand dollars, Canadian dollars and Japanese yen. Consequently, portions of the Group's costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies. Some of these currencies are subject to managed exchange rates controlled by their respective governments or may not be freely convertible or exchangeable – for example, Renminbi is pegged against a basket of currencies determined by the People's Bank of China and the exchange rate can only rise and fall by 2.0 per cent. each day against the central parity rate of U.S. dollars as published by the People's Bank of China, taking into consideration the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. To the extent that the PRC responds to international pressure to revalue the Renminbi further and/or permit the Renminbi to enter into a free floating system, the Renminbi may fluctuate more than it did in the past.

The PRC government also imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside the PRC. Some of the Group's revenue is received in Renminbi and shortages in the availability of foreign currency may restrict the ability of any members of the Group to remit sufficient foreign currency to pay dividends or other payments or otherwise satisfy their foreign currency denominated or settled obligations, such as the Notes. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the State Administration of Foreign Exchange, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside the PRC in making payments of a capital nature, such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future.

The reporting currency for the Group is Hong Kong dollars. Exchange rate gains or losses will arise when the assets and liabilities in foreign currencies are translated or exchanged into Hong Kong dollars for financial reporting or repatriation purposes. If foreign currencies depreciate against the Hong Kong dollars, this may adversely affect the consolidated financial statements of the Group. While the Group engages in some hedging activities to mitigate currency exposure, these were achieved mainly by way of entering into local currency loans. Hence, the aggregate impact of such exchange rate fluctuations and any future such fluctuations on the Group's profits cannot be accurately predicted. A combination of some or all of these developments may materially and adversely affect the Group's operations and the overall financial condition and prospects of the Group.

The Group's business may be affected by global economic factors

The success and profitability of the Group's activities depend, in part, on global economic and financial conditions. The global economic and financial conditions are still unstable, following the global financial and economic crisis, including the intensifying trade tension among major economies such as that between the United States and the PRC, the European debt crisis, the potential withdrawal of countries from the Euro-zone and the UK's exit from the European Union on 31 January 2020, a slump in commodity prices, interest rate hikes, fears of a slowdown in the PRC and global economies and volatility in the PRC and other stock markets, which have led to less favourable financial and economic conditions and could as a result have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

In particular, there have been recent escalations in the trade tensions between the United States and the PRC. The imposition of tariffs by the United States on products from the PRC from July 2019 and the retaliation by the PRC have caused even greater volatility in the global markets. Although the United States and the PRC entered into a "phase one" economic and trade agreement in January 2020 as an initial step towards resolving the trade disputes between them, the effect of such an agreement and the amicable resolution of such a trade war remain elusive and the lasting impact any trade war may have on the global economy and the industries that the Group operates in remain uncertain. There remains considerable uncertainty as to the timeline and outcome of the trade negotiations between the United States and the PRC. Failure of trade negotiations between the United States and the PRC may lead to material adverse consequences on the economies of Hong Kong and other Asia Pacific countries, which could, in turn, harm the Group's business and growth prospects.

In response to the adverse conditions in the financial markets and the global economy, many countries, including the PRC, have implemented fiscal measures and other stimulus packages targeted at reducing the adverse impact of the global economic crisis and reviving their economies. The uncertain global economic outlook, together with the withdrawal or potential withdrawal of existing monetary and fiscal stimulus put in place by various governments, may have an adverse impact on the global economy which may in turn affect the overall level of business and leisure travel to, and the economies in, countries where the Group has operations.

The Hong Kong stock market has also experienced significant volatility which may continue to affect the value of the Group's investments. Any recurrence of a global financial crisis may cause a further slowdown in the global economy. Further, such changes in the global economy and financial markets may affect the availability of credit and lead to an increase in the cost of financing. The Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. There can be no assurance that the Group will be able to raise finance at a reasonable cost or at all.

The Group is dependent upon services of key management personnel

The Group is dependent upon the collective services of all of the members of its senior management team. The loss of the services of any such person or several of such persons or a failure to implement succession plans and to find replacement for any such person or several of such persons, will result in inadequate management resources to lead and manage the Group's business development and will have an adverse effect on the Group's business. See "*Directors and Senior Management of the Guarantor*" for further details on the key management personnel of the Group.

The Group may from time to time be involved in legal or other proceedings arising out of its operations and/or products and may face significant liabilities as a result

The Group may be involved in disputes with various parties, including partners, contractors, suppliers, employees, customers, competitors or other third parties in connection with its operations, such as property development and investment. Such disputes may lead to legal or other proceedings and may result in damage to the Group's reputation and substantial costs and diversion of resources and management attention. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees, resulting in pecuniary liabilities, causing delays, diverting resources and management attention or otherwise materially and adversely affecting the Group's business, financial condition or results of operations.

Since the Group implemented certain new and amendments to HKFRSs for the first time in the year ended 31 December 2020, investors should be aware when reviewing certain comparative information

For the year ended 31 December 2020, the Group has applied certain new and amendments to HKFRSs. See note 2 to the audited consolidated financial statements for a list of new and amendments to HKFRSs applied. Except as described below, the application of the foregoing had no material impact on the Group's performance and financial positions for the year ended 31 December 2020 and previous years and/or on the disclosures set out in these consolidated financial statements.

The Group has applied HKFRS 16 *Leases* for the first time in the year ended 31 December 2019. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

The adoption of HKFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, expected credit losses for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and general hedge accounting, effective from 1 January 2018. Please refer to notes 2 and 3 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 for the impact of the implementation of HKFRS 9.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations. Please refer to notes 2 and 3 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 for the impact of the implementation of HKFRS 15.

Investors should exercise caution when making comparisons of any financial information of the Group and when evaluating the Group's business, financial condition and results of operations.

The Group processes significant amount of data including personal information, customer data and other sensitive commercial data which are susceptible to cyber threats

Loss of data and leakage of confidential information are the largest costs from cyber-crime that the Group is facing. The cost of recovering from cyber attacks, including reputational damage, where the trust in a company decreases and its brand loses value, is considerable.

Strong competition for talented staff and the tight labour markets in these industries, together with the added demands from new projects, posted a challenge to the Group's prospects

The Group's success in business operations depends on our ability to attract, hire, retain and motivate suitable skilled employees, particularly in hotel management, property management and property development industries. Strong competition for talented staff and the tight labour markets in these industries, together with the added demands from new projects, posted a challenge to the Group's prospects in providing adequate resources to support the existing and growing business. Furthermore, the sudden loss of key qualified professionals could affect the Group's ability to deliver on our projects and might have a material adverse effect on the Group's business if the Group is unable to find suitable replacements in a timely manner.

Any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulations

Whilst the Group has a diversified portfolio of business operations across Hong Kong, the United States, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan, Italy and others, any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group.

Risks Relating to the Notes Issued under the Programme

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference of this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting the Noteholders' interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the Notes

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary or nominee of such common depositary for Euroclear and Clearstream, Luxembourg, or lodged with CMU (each of Euroclear, Clearstream, Luxembourg, and CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, Noteholders will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and the Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, Noteholders will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or in the case of the CMU, to the CMU Lodging and Paying Agent, which will in turn pay to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other notification by the CMU. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes and the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in principal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or with the consent of the Issuer. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer and the Guarantor (including rights to receive principal or interest or to vote) in respect of such Notes.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes to be redeemed. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption maybe less than the principal amount of such Notes or even zero.

The regulatory reform and changes to "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Discontinuation of the Original Reference Rate/Transition to Alternative Rate on Occurrence of Benchmark Events

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the floating rate Notes.

Benchmark Events include a public statement by the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of the relevant underlying market. If a Benchmark Event occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate, despite the continued availability of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest is likely to result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to be referenced. In addition, the market (if any) for Notes linked to any such Successor Rate or Alternative Rate may be less liquid than the market for Notes linked to the Original Reference Rate.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if the Independent Adviser determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be.

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser. Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. If the supervisor or the administrator of the Original Reference Rate makes a statement that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market and a Successor Rate or Alternative Rate is determined, ISDA Determination will not apply.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

If the Issuer does not satisfy the Issuer's obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "*Terms and Conditions of the Notes – Events of Default*".

Modifications and waivers may be made in respect of the Conditions, the Agency Agreement and the Trust Deed by the Trustee or less than all of the holders of the Notes

The Conditions provide that the Trustee may, without the consent of Noteholders, agree to any modification (except as mentioned in the Trust Deed) of the Trust Deed, the Agency Agreement and/or the Conditions which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Agency Agreement and/or the Conditions which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or actual breach of, or any failure to comply with, any of the provisions of the Notes, the Trust Deed, the Agency Agreement and/or the Conditions (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including without limitation giving of notice to the Issuer pursuant to Condition 10 and taking steps and/or actions and/or instituting proceedings pursuant to Condition 12), the Trustee may (at its sole discretion) request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of holders of the Notes. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or to institute proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations, and it will be for the holders of the Notes to take such steps and/or actions and/or to institute such proceedings directly if so provided by the agreements and permitted by the applicable law.

Risks Relating to Renminbi-denominated Notes

Notes denominated in RMB (the "**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC

Renminbi is not a freely convertible currency. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. However, remittance of Renminbi into and out of Mainland China for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in Mainland China on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China ("**PBOC**") in 2018 and despite a movement towards liberalisation of cross-border RMB remittances, notably in the current account activity, and the permission for certain participating banks in Hong Kong to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that Renminbi funds cannot be repatriated out of Mainland China, this may affect the overall availability of Renminbi outside Mainland China and the Issuer's and Guarantor's ability to source Renminbi to finance its obligations under the RMB Notes.

Holders of beneficial interests in the Notes denominated in Renminbi may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to personal and business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong and has appointed Bank of China (Hong Kong) Limited ("**BOCHK**") as the clearing bank for Renminbi business in Hong Kong (the "**RMB Clearing Bank**"). In November 2011, a new Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") was signed between the PBOC and BOCHK re-appointing BOCHK as the RMB Clearing Bank.

The permitted scope of Renminbi business for participating banks in Hong Kong has expanded gradually in the past few years. Among other things, in August 2011 participating banks were allowed to offer Renminbi services to non-Hong Kong resident personal customers and, in November 2014, the previous conversion limits applicable to Renminbi conversion services offered by participating banks to Hong Kong resident personal customers (which limited conversions to RMB20,000 per person per day) were uplifted.

Pursuant to the current arrangements, all corporations as well as resident and non-resident personal customers are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations and personal customers to convert Renminbi (other than as provided in the following paragraph); and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions and is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

Until April 2013, authorised institutions in Hong Kong were subject to special Renminbi liquidity ratio requirements imposed by the Hong Kong Monetary Authority ("**HKMA**") which further limited the availability of Renminbi that they could utilise for conversion services for their customers. Those special requirements were uplifted in April 2013. However, the HKMA expects that participating banks manage their foreign exchange liquidity positions (whether or not Renminbi-related) prudently.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or that the Settlement Agreement will not be terminated or amended or that the HKMA will not impose regulatory restrictions on participating banks in Hong Kong in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

Payments in respect of RMB Notes will only be made to investors in the manner specified in such RMB Notes

All payments to investors in respect of RMB Notes will be made solely by (i) in the case of RMB Notes represented by global certificates lodged with a sub-custodian for or registered with the CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, (ii) in the case of RMB Notes represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearstream, Luxembourg and Euroclear or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong, or (iii) in the case of RMB Notes in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Gains on the transfer of the RMB Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax ("**EIT**") Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject EIT or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The EIT Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of RMB Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of RMB Notes.

However, uncertainty remains as to whether the gain realised from the transfer of RMB Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC EIT Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, non-PRC enterprise or individual resident Holders may be required to pay PRC income tax on gains derived from the transfer of RMB Notes, unless there is an applicable tax treaty between the PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of RMB Notes reside that reduces or exempts the relevant EIT or IIT.

Risks Relating to the Market in General

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the specified currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the specified currency would decrease (1) the Investor's Currency – equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme shall be used for general corporate funding purposes of the Group or as otherwise disclosed in the relevant pricing supplement.

CAPITALISATION

The following table sets out the audited consolidated capitalisation of the Guarantor as at 31 December 2020:

	As at 31 December 2020
	HK$'000
Short-term borrowings	
Borrowings due within one year	4,659,429
Medium term notes	–
Total short-term borrowings	**4,659,429**
Long-term borrowings	
Borrowings due after one year	17,147,860
Medium term notes	7,608,548
Total long-term borrowings	**24,756,408**
Total borrowings	**29,415,837**
Equity attributable to owners of the Guarantor	
Share capital	359,960
Share premium and reserves	58,451,432
	58,811,392
Total capitalisation[1]	**88,227,229**

Note:

(1) Total capitalisation represents the sum of total borrowings and equity attributable to owners of the Guarantor.

In February 2021, the Group assumed a long-term borrowing of approximately HK$5,877.5 million upon novation of Ho Man Tin Station Package One Property Development. See "*The Group – Recent Development - Ho Man Tin Station Package One Property Development*" for more information.

Save as disclosed above, there has been no material change in the capitalisation of the Guarantor since 31 December 2020.

THE ISSUER

Formation

The Issuer, a limited liability company incorporated in the British Virgin Islands on 23 June 2021 with company number 2067193, is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

Business Activity

The Issuer was incorporated pursuant to the objects and powers set out in its memorandum of association. The Issuer has no material assets, and since its incorporation has not conducted and will not conduct any business other than entering into arrangements for the establishment and maintenance of the Programme, the issuance of Notes under the Programme and the on-lending of any issue proceeds thereof to the Guarantor and/or its subsidiaries. The Issuer will be managed in accordance with its memorandum and articles of association and the laws of the British Virgin Islands. As at the date of this Offering Circular, the Issuer has no subsidiaries and does not have any debt outstanding.

Directors

As at the date of this Offering Circular, the directors of the Issuer are Dr. Lo Ka Shui, Mr. Lo Chun Him, Alexander and Mr. Kan Tak Kwong.

As at the date of this Offering Circular, the directors of the Issuer do not hold any shares or options to acquire shares of the Issuer, and there are no potential conflicts of interest between any duties of the directors of the Issuer and their private interests and/or other duties.

Share Capital

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of a single class each with a par value of U.S.$1.00, one share of which has been issued. The register of members of the Issuer is maintained at its registered office. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Statements

The Issuer is not required by the laws of the British Virgin Islands to carry out annual audits, appoint auditors or publish financial statements. The Issuer, since its incorporation, has not published and does not propose to publish, any financial statements. The Issuer is, however, required to keep records and underlying documentation which are sufficient to show and explain its transactions and will, at any time, enable its financial position to be determined with reasonable accuracy.

Legal and Regulatory Proceedings

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings which may have a material adverse effect on its business, financial condition and results of operations nor is the Issuer aware that any such proceedings were pending or threatened.

THE GROUP

Overview

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

The Group was founded in Hong Kong 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 (HKSE Stock Code: 41). The Group underwent a reorganisation in 1990 and the Guarantor became the listed company of the Group in place of The Great Eagle Company, Limited. The Group's principal holdings include Champion Real Estate Investment Trust ("**Champion REIT**", HKSE Stock Code: 2778) and Langham Hospitality Investments and Langham Hospitality Investments Limited ("**LHI**", HKSE Stock Code: 1270), which were listed on the Hong Kong Stock Exchange in 2006 and 2013, respectively. As at the date of this Offering Circular, the Group held 67.32 per cent. equity interest in Champion REIT and 69.31 per cent. equity interest in LHI. In 2014, the Group established a U.S. Real Estate Fund (the "**U.S. Fund**"), which targets at office and residential property investments in the United States. As at the date of this Offering Circular, the Group held 49.97 per cent. equity interest in the U.S. Fund and acts as its asset manager with an 80 per cent. stake in the asset management company.

The Group's core business segments are (a) property investment; (b) hotels and hospitality; (c) property development; and (d) other operations.

The following table sets forth the contribution to revenue and operating income of the Group, from its core business activities for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December					
	2018		2019		2020	
	(HK$ million)	*(per cent.)*	*(HK$ million)*	*(per cent.)*	*(HK$ million)*	*(per cent.)*
Revenue from core business[1]						
Property investment						
– Rental income from investment properties	230.8	3.5	218.6	3.4	183.3	2.2
– Management fee income from Champion REIT	396.8	6.0	424.4	6.5	378.0	4.6
– Distribution income from Champion REIT[2]	1,008.9	15.1	1,036.4	16.0	988.0	12.0
Hotels and hospitality						
– Hotel operations and management	4,393.0	65.9	4,249.9	65.4	1,300.1	15.7
– Distribution income from LHI[2]	258.4	3.9	163.9	2.5	–	–
Property development	–	–	–	–	5,107.9	61.8
Other operations	373.7	5.6	405.2	6.2	304.6	3.7
Total	6,661.6	100.0	6,498.4	100.0	8,261.9	100.0
Operating income from core business[1]						
Property investment						
– Rental income from investment properties	182.3	6.4	168.2	6.2	134.5	4.6
– Management fee income from Champion REIT	396.8	13.9	424.4	15.7	378.0	13.0
– Distribution income from Champion REIT[2]	1,008.9	35.5	1,036.4	38.2	988.0	34.0
Hotels and hospitality						
– Hotel operations and management	854.3	30.0	779.8	28.8	(625.8)	(21.5)
– Distribution income from LHI[2]	258.4	9.1	163.9	6.0	–	–
Property development	–	–	–	–	2,055.4	70.8
Other operations	144.3	5.1	137.9	5.1	(26.3)	(0.9)
Total	2,845.0	100.0	2,710.6	100.0	2,903.8	100.0

Notes:

(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, LHI and the U.S. Fund, as well as realised gains and losses on financial assets. The management's discussion and analysis focuses on the core profit of the Group.

(2) The Group's profit generated from core business is based on attributable distribution income from Champion REIT, LHI and the U.S. Fund.

History

The following illustrates a timeline of key events in the Group's history:

1963	The Group was founded in Hong Kong in 1963 with The Great Eagle Company, Limited as its holding company.
1972	Shares of the Group were listed on the Hong Kong Stock Exchange.
1982	Construction of the Great Eagle Centre was completed.
1992	Construction of the Citibank Plaza was completed.
2002	Langham Hospitality Group was established.
2004	Construction of the Langham Place was completed.
2006	Champion REIT were listed on the Hong Kong Stock Exchange.
2013	LHI were listed on the Hong Kong Stock Exchange.
2014	Three U.S. office properties, 353 Sacramento, San Francisco, 500 Ygnacio Valley, Walnut Creek and 123 Mission, San Francisco, were divested
2018	Renovation of Eaton Washington D.C. and Eaton HK were completed.
2020	ONTOLO, a luxury residential development project in Pak Shek Kok, Tai Po, Hong Kong was completed.
2021	Right to develop Ho Man Tin Station Package One Property Development was acquired.

Key Competitive Strengths

Diversified and balanced portfolio underpinning recurring revenue base

The Group has a diversified and balanced portfolio of businesses geographically and across different asset classes.

As at 30 June 2021, the Group wholly-owns a portfolio of 12 trophy hotels outside of Hong Kong operating in prime gateway cities across three regions with a total of 5,032 hotel rooms, comprising 3,045 rooms in North America, 380 in Europe and 1,607 in Asia Pacific. The Group is committed to continue expanding its footprint in these regions with pipeline projects in place. See "*The Group – Business of the Group – Hotels and Hospitality*" for details. In addition, the Group wholly or majority owns a portfolio of offices (with total GFA of 2,555,000 sq. ft.), retails (with total GFA of 646,000 sq. ft.), hotels (with total GFA of 1,294,000 sq. ft. and total rooms of 1,630), residences (service apartments) (with total GFA of 92,000 sq. ft.), as well as one completed residential property and one residential development project in Hong Kong.

The balanced portfolio of businesses and assets of the Group allows it to successfully diversify its revenue stream and capture the growth opportunities in each business without heavily depending on any particular project or any particular country and region. The strategic investments in different asset classes also minimise the risks associated with sector specific cycles. A prime example is ONTOLO residential project, which contributed a significant amount of revenue in 2020, countering the weakness in the hotel business. As at 31 December 2020, approximately 50 per cent. of the project (by saleable area) remained unsold and futures sales of the remaining units will continue to support the Group's revenue.

The Group has established presence in a number of regions, including Asia Pacific, North America and Europe. The Group continues to develop projects in the regions where it has presence and also explore quality development and investment opportunities with stable recurring revenue and growth potential in other countries. The diversified locations allow the Group to take advantage of the property cycle in different markets and reduce the overall effects of cyclical and geographical risks. As such, the Group has the flexibility to continue searching for attractive opportunities arising in different markets and select quality projects for investment, hotel and other development purposes from different regions going forward.

Long track record of stable growth in business generating recurring income

The Group has historically benefited from strong and stable recurring income from its core business portfolio, including rental income from office and retail investment properties, income from hotel operations and hotel management, as well as management fee and distribution incomes from its interest in Champion REIT and LHI. From 2013 to 2019, the Group's revenue from rental business had grown at a compound annual growth rate ("**CAGR**") of 3.5 per cent. from approximately HK$1,368 million to HK$1,549 million whereas its operating income from rental business had grown at a CAGR of 4.6 per cent. from HK$1,243 million to HK$1,501 million. Similarly, for the same period, the CAGR of the Group's revenue from hotel operations and management was 3.1 per cent. whereas its operating income from such business segment was 1.5 per cent. Stable recurring income base reduces the potential volatility in the Group's financial results whilst providing a liquidity buffer to mitigate the effect of market downturns and other adverse events on the Group's operations. The distribution from the Group's key subsidiaries, particularly Champion REIT and LHI, mandated and/or used to be at least 90 per cent. of net income after tax and distributable income respectively, also supports stability of income to the Group.

Disciplined investment approach and prudent leverage and funding profile

The Group has a prudent and disciplined investment approach in regard to its property investments, hotel and property development businesses. The Group has had a track record in project acquisition at competitive prices and at low points in business cycle, including the investment in Three Garden Road, Langham Place, ONTOLO, Pak Shek Kok and the most recent Ho Man Tin Station Package One Property Development, as well as most overseas hotels, of which 54 per cent. of the rooms are from projects acquired prior to year 2000 at very low cost. For instance, Three Garden Road was acquired at HK$2.7 billion (HK$6,818 per sq. ft.), Langham Place was acquired at HK$3.9 billion (HK$2,167 per sq. ft.) and The Ontolo, Pak Shek Kok was acquired at HK$2.4 billion (HK$3,284 per sq. ft.).

Attributable to its solid financial position, the Group enjoys financial flexibility to cater to its operating activities as well as its existing and potential investment activities. The Group enjoys strong cash and liquid investment level, resulting in either zero or minimal net debt positions from 2013 to 2020. In respect of project ONTOLO, the Group has repaid all mortgage loans relating to its construction and therefore 100 per cent. of the future sales proceeds from the remaining units will be added to the Group's net cash.

The Group has a balanced debt profile which is supported by strong financing capabilities. The Group's loans are primarily denominated in currencies (including Australian dollars, Renminbi, Hong Kong dollars, U.S. dollars, Pound Sterling, New Zealand dollars and Euros) which match the currencies of potential revenues expected from the projects and investments for which such loans were taken out and hence enabling the Group to minimise the currency risks. The Group adopts a prudent approach to its property development business. The current pipeline maintained by the Group at relatively low land costs provides it with the flexibility to wait for optimal market window to commence development or sale, allowing it to maximise the return obtained on sales and to stagger its developments over property cycles.

The Group has strong funding support from the banks. As at 31 December 2020 and on the basis of core business, the Guarantor had a total bank borrowings of approximately HK$6.4 billion equivalent with unutilised committed facilities totalling approximately HK$1.5 billion equivalent. This provides significant capacity for the Group for potential business development.

The funding channels of Champion REIT and LHI, the two listed companies held by the Group, are independent and have no recourse to the Guarantor. As at 31 December 2020, Champion REIT had a total bank borrowings of approximately HK$8.8 billion and medium term notes issued of HK$7.7 billion equivalents, with undrawn committed facilities of HK$3.0 billion and unused medium term note programme capacity of U.S.$1.02 billion (equivalent to approximately HK$8.0 billion). As at the same date, LHI had a total bank borrowings of HK$6.4 billion. Moreover, even at the subsidiary level, the Group's gearing ratios are relatively low. The Group has been able to borrow from banks and to tap into the equity and debt capital markets for financing at a reasonable cost. The establishment of a medium term note programme is expected to further enhance the Group's funding structure with longer-term, and more diverse liquidity base. The Group has also developed longstanding relationships with international banks, thereby enhancing its ability to secure financing in numerous markets. The Group will continue to selectively and prudently look to secure additional debt financing sources as and when appropriate, including loan facilities, corporate bonds and other debt financing arrangements, to support its ongoing business and funding needs.

Premium brand well recognised by the industry

Incorporated in Hong Kong in 1963 and listed on the Stock Exchange in 1972, the Guarantor has a long history of close to 60 years of operation. The Group has gone through various economic cycles and consistently demonstrated its ability to create significant value for industry and its ability in weathering downturns in the property and economic cycles. Most recently, the Group was awarded Listed Enterprise of the Year 2020 by Bloomberg Businessweek.

The Group's flagship brand name Champion REIT, Langham, Cordis and Eaton have also earned strong recognition from their market positions. The Group's commercial properties have earned strong brand recognition and enabled the Group to optimise its tenant mix and establish a broad, diverse and loyal tenant and customer base. In respect of the Group's retail property, Langham Place has developed long-term relationships with a significant number of tenants, including internationally renowned retail brands which in turn attract local shoppers and tourists to its premises. In respect of the Group's office premises, their prime locations and the cluster effect created by their significant scales also enable the Group to attract and retain tenants. The Group believes that its well-established relationships with tenants enhance the occupancy rate of its other commercial properties.

In addition, the Group owns and manages an extensive international hotel portfolio under The Langham, Cordis and Eaton brands which have facilitated the Group's expansion into the hotel operations and management businesses. The Langham Hotels and Resorts was awarded Luxury Hotel Brand Star Performer by Hurun Best of the Best Award 2020, Top 25 Hotels Brands in the World by Travel+Leisure and No.5 in 2019 Top 10 Best Luxury Hotel Brands by USA Today. The Langham, Chicago and The Langham, London were awarded 5 Star-ratings by Forbes Travel Guide 2020. The Group was also awarded the 2020 Reader's Choice Award by Condé Nast Traveller. A number of the restaurants in the hotels owned or managed by the Group received Michelin Stars ratings. The Group aims to continue to utilise its internationally recognised hotel brands to further develop and expand its hotel management business globally.

Seasoned senior management team with longstanding industry experience

The global vision and leadership of the Lo family has been a core strength of the Group. Such vision is supported by a dedicated and experienced senior management team which has a proven track record of success in property and hotel development and investment and a deep understanding of the property and hotel markets in the regions where the Group has a business presence. Dr. Lo Ka Shui, Chairman and Managing Director of the Guarantor, has over four decades of experience in property and hotel development and investment both in Hong Kong and overseas. The in-depth market knowledge of the senior management team of the Group means that it is able to identify market trends and formulate strategies which are in the best interests of the Group. Its strong and stable finance team ensures the Group's prudent financial management, enabling the Group to rapidly respond to market changes and opportunities. See "*Directors and Senior Management of the Guarantor*" for further details on the Group's management team.

Strategies

The Group consistently executes business strategies focusing on its core businesses to enhance profitability and optimise returns to its shareholders, as described below.

Focusing on recurring income streams to further solidify revenue base

The Group aims to maintain recurring income streams which comprise: (i) rentals from investment properties; (ii) income from wholly-owned and overseas hotel operations; (iii) management fee and distribution incomes from Champion REIT and; (iv) distribution income from LHI to (a) grow a solid base of revenue for the Group; (b) maintain stability in the Group's long term cash flow; and (c) reduce potential volatility in the Group's financial results whilst providing a liquidity buffer to counteract risk and timing in industry cyclicality and other adverse events on the Group's operations. The Group will also continue to pursue property development when attractive opportunities arise to supplement its recurring core business.

Growing its asset-light management businesses

Management fee and distribution income from Champion REIT and LHI have in general provided steady earnings to the Group. The Group's hotel management fee income will expand when contracted management hotels open in the coming years and when new hotel management business enters the pipeline. The Group's asset management fee income from Champion REIT will also increase when it expands its asset base. Its recent acquisition of a stake in a prime London office property serves as a good example.

The Group will continue to optimise its asset value and monetise assets if attractive opportunities arise.

Maintaining Prudent financing structure

It is the Group's intention that its capital structure should optimise its cost of capital while maintaining financing flexibility. In addition to cash generated from operating activities, the Group may use a combination of bank loans, bonds and other types of debt and equity instruments to fund its business in the future.

The Group will continue to adopt a prudent liquidity risk management policy, aiming to maintain low gearing with ample liquidity and seek to have unused capacity from its medium term note programme and undrawn committed lines of funding with staggered maturities to reduce refinancing risk and maintain flexibility in meeting its liquidity requirements in the short and long term. The Group may also explore green or sustainability bond as a financing instrument to broaden investor base and enhance visibility by the market on its sustainability efforts.

Disciplined investment approach

The Group will continue to adopt a prudent and disciplined investment approach by focusing on acquiring projects and sites and on acquiring existing properties which are under-valued so that the Group can add value via improvement and refurbishment of existing tenement buildings in order to maintain competitive costs. The Group has proven its ability to acquire projects at low points of various business cycles.

The Group will continue to be selective in undertaking projects, and will participate in public auctions only with disciplined pricing. The Group will continue to explore quality projects structured under business models that the Group considers to fit in its business development and financial strategies. In this regard, the Group may continue to streamline its hotel investments, invest in strategic gateway cities and undertake projects that will anchor the Group's hotel brand and achieve economies of scale.

Recent Developments

COVID-19

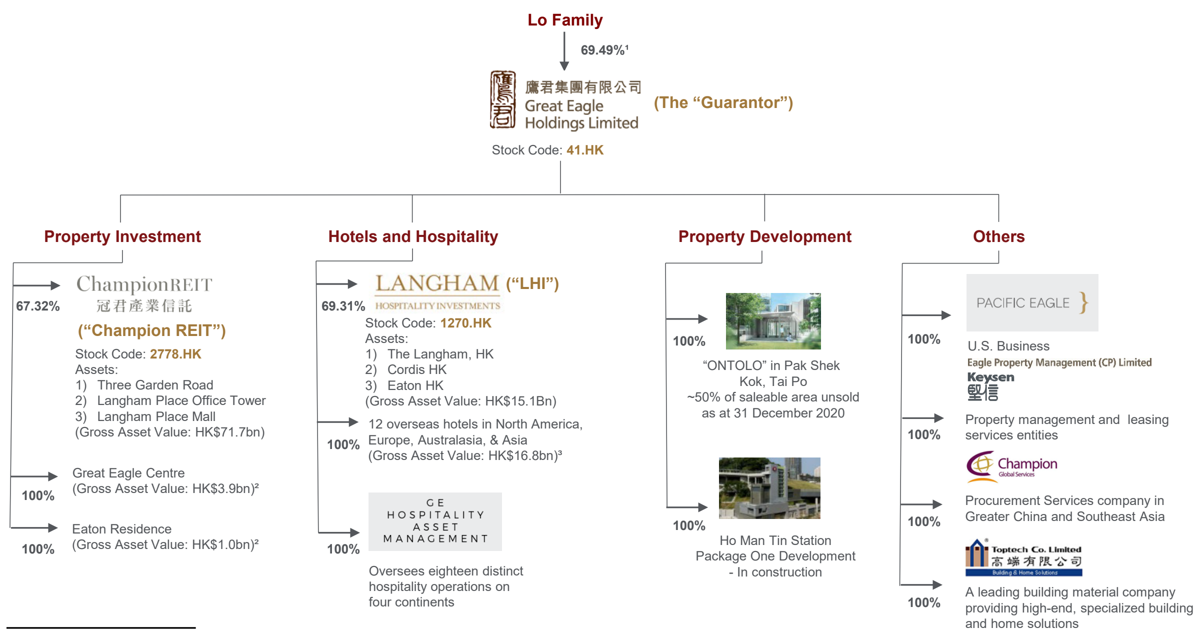
The outbreak of the COVID-19 pandemic has triggered a global economic downturn and global economic contraction. Governments around the world, including the places of businesses at which the Group operates, have introduced measures designed to slow the spread of COVID-19 pandemic, including lockdowns, social distancing requirements, quarantines, boarder controls and travel restrictions, with only limited exceptions. As a result, operations and performance of the Group was severely affected. The Group's hotel business has particularly suffered owing to a collapse in hotel room demand amid global travel restrictions and social distancing measures imposed. The Group's other businesses also witnessed a marked deterioration in business conditions. Given the uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which the Group may continue to be affected. For more information, see the risk factor "*Risk Factors – The global outbreak of COVID-19 may have an adverse effect on the Group's business operations, financial condition and results of operations*".

Ho Man Tin Station Package One Property Development

In February 2021, the Group, Goldin Properties Holdings Limited, Gold Brilliant Investment Limited and MTR Corporation Limited reached a novation agreement on the Ho Man Tin Station Package One Property Development whereby the Group became the developer with MTR Corporation Limited to develop such residential project. Upon novation of Ho Man Tin Station Package One Property Development, the Group assumed a long-term borrowing of approximately HK$5,877.5 million.

Organisational Structure

The following diagram sets out a simplified business chart of the Group as at the date of this Offering Circular:



Notes:

(1) Representing beneficial interest in the Guarantor held by Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Anthony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander in aggregate (including interest held as discretionary beneficiary under discretionary trust) as at the date of this Offering Circular. See "*Interests of Directors, Management and Substantial Shareholders*" for details.

(2) All Gross Asset Values are as at 31 December 2020.

(3) Representing book value after depreciation.

Business of the Group

The Group's core business segments are (a) property investment; (b) hotels and hospitality; (c) property development; and (d) other operations.

Property Investment

Revenue from the Group's property investment segment mainly derives from (a) rental income from investment properties; and (b) management fee income and distribution income from Champion REIT.

The usual lease terms for the Group's investment properties are typically of a one to six-year fixed period that may or may not carry an option to renew the lease. The rental income from the investment property portfolio is expected to continue to provide a stable and recurrent income base for the Group.

Based on statutory accounts reporting principles, 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. Any gains or losses arising from the change in the fair value are included in profit or loss for the period in which they arise.

The Group's rents for office space are generally quoted in sq. ft. based on lettable area whereas the Group's rents for serviced apartments are generally quoted in sq. ft. based on GFA. In most cases, the rents quoted by the Group do not include property management charges and rates payable by its tenants.

Rental income from investment properties

For the years ended 31 December 2018, 2019 and 2020, the Group's rental income from investment properties amounted to HK$230.8 million, HK$218.6 million and HK$183.3 million, respectively, representing approximately 3.5 per cent., 3.4 per cent. and 2.2 per cent. of the Group's total revenue from core business for the respective periods.

The following table sets forth the breakdown of the Group's gross rental income and net rental income by property for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	**2019**	**2020**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Gross rental income			
Great Eagle Centre	142.4	135.3	119.9
Eaton Residence Apartments	57.0	51.3	33.0
Others	31.4	32.0	30.4
	230.8	218.6	183.3
Net rental income			
Great Eagle Centre	139.8	131.2	112.1
Eaton Residence Apartments	37.6	31.0	19.1
Others	4.9	6.0	3.3
	182.3	168.2	134.5

Great Eagle Centre – Completed in 1983, Great Eagle Centre is located in the populous Wanchai North commercial district and is adjacent to the Hong Kong Convention and Exhibition Centre. Many Grade-A office buildings, government offices and major hotels are present in the vicinity. It comprises office space with a total GFA of 214,000 sq. ft. and retail space with a total GFA of 56,000 sq. ft.

Transportation is convenient with the area's proximity to the Cross-Harbour Tunnel, Mass Transit Railway ("**MTR**") and ferry. Standing right at the waterfront, Great Eagle Centre commands a full harbor view and is well sought after by tenants.

The MTR's Shatin to Central Link which is currently under construction, which when completed will connect Tai Wai to Hung Hom, and Hung Hom to Admiralty. The Tai Wai to Hung Hom section and the Hung Hom to Admiralty section are scheduled to be in full commission in 2021 and 2022, respectively. The Shatin to Central Link is expected to significantly shorten the travel time among the areas along the link, bringing greater convenience to visitors of Great Eagle Centre.

The following table sets forth the occupancy and average passing rent of the office and retail spaces of Great Eagle Centre for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
Office (on lettable area)			
Occupancy	98.8%	100.0%	88.4%
Average passing rent	HK$68.6	HK$70.1	HK$69.5
Retail (on lettable area)			
Occupancy	99.4%	99.4%	95.0%
Average passing rent	HK$100.6	HK$104.6	HK$101.5

Eaton Residences – The Group's three blocks of serviced apartments in Village Road (with a total GFA of 23,000 sq. ft.), Wan Chai Gap Road (with a total GFA of 35,000 sq. ft.) and Blue Pool Road (with a total GFA of 34,000 sq. ft.), are conveniently located in Happy Valley and Wanchai. Managed by and branded under "Eaton", these serviced apartments provide short- to long-term accommodations for corporate and leisure guests.

The following table sets forth the occupancy and average passing rent of the Eaton Residences Apartments for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	2019	2020
(On GFA)			
Occupancy	86.6%	79.1%	67.4%
Average net passing rent	HK$33.2	HK$30.6	HK$26.1

Income from Champion REIT

Champion REIT is a real estate investment trust established by the REIT Trust Deed on 26 April 2006, the units of which have been listed on the Hong Kong Stock Exchange since 24 May 2006.

As at the date of this Offering Circular, Champion REIT offers investors direct exposure to approximately 2.93 million sq. ft. of prime office and retail floor area by way of two landmark properties in Hong Kong, Three Garden Road (on Hong Kong Island) and Langham Place (in Kowloon). As at 30 June 2021, the market capitalisation of Champion REIT was approximately HK$25.9 billion.

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. For the years ended 31 December 2018, 2019 and 2020, income from Champion REIT amounted to HK$1,405.7 million, HK$1,460.8 million and HK$1,366.0 million, respectively, representing approximately 21.1 per cent., 22.5 per cent. and 16.6 per cent. of the Group's total revenue from core business for the respective year. Income from Champion REIT dropped by 6.5 per cent. to HK$1,366.0 million in 2020. Of which, distribution income dropped by 4.7 per cent. to HK$988.0 million, as Champion REIT declared a 6.1 per cent. decline in distribution per unit while the Group's holdings in Champion REIT has been increased from 66.22 per cent. as at the end of December 2019 to 67.22 per cent. as at the end of December 2020. Given the lower net property income and reduced agency leasing commission income recorded by Champion REIT in 2020, the Group's management fee income from Champion REIT dropped by 10.9 per cent. to HK$378.0 million in 2020.

The following table sets forth the attributable distribution income and management fee income from Champion REIT for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	**2019**	**2020**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Management fee income from Champion REIT	396.8	424.4	378.0
Distribution income from Champion REIT	1,008.9	1,036.4	988.0
Total	1,405.7	1,460.8	1,366.0

Property Portfolio of Champion REIT

Champion REIT's property portfolio comprises the Three Garden Road Property and the Langham Place Property.

Three Garden Road

Three Garden Road (formerly known as Citibank Plaza) is a Grade A office building located at 3 Garden Road, Central, Hong Kong with a GFA of 1,638,000 sq.ft. It is a modern glass and steel office complex that comprises Champion Tower (formerly known as Citibank Tower) (a 47-storey building) and ICBC Tower (a 37-storey building), as well as a retail podium and carpark.

Champion REIT's stake in Three Garden Road ("**Three Garden Road Property**") comprises 100 per cent. of the lettable area of Three Garden Road Property, representing: (a) the whole of ICBC Tower; (b) the whole of the retail podium; (c) the whole of Champion Tower; and (d) a carpark including 558 carpark spaces and 50 motorcycle parking spaces.

Champion REIT acquired the Three Garden Road Property on 24 May 2006, in connection with the initial public offering of units by Champion REIT, with the exception of the 34th, 36th and 37th Floors of Champion Tower and three carpark spaces which were acquired on 5 January 2007 and the 3rd Floor (other than the circulation area) and the whole of the 4th, 5th and 6th Floors of Champion Tower which were acquired on 11 July 2013 by Champion REIT. The Three Garden Road Property is held under a lease from the Hong Kong government expiring on 30 June 2047.

Langham Place

Langham Place is an integrated commercial development located at 8 Argyle Street and 555 Shanghai Street, Mongkok. It comprises a 59-storey Grade A office building, a 15-storey shopping mall, a 42-storey 5-star hotel, a 250-space private carpark and other governmental, institutional and/or community facilities. The entire Langham Place development has a total floor area of approximately 1,940,000 sq. ft.

Champion REIT's stake in Langham Place ("**Langham Place Property**") comprises (a) the Langham Place Office Tower, other than certain excluded area with a GFA of 703,000 sq.ft.; (b) the whole of the Langham Place Mall with a GFA of 590,000 sq.ft.; (c) the Langham Place carpark; and (d) the reserved areas.

Champion REIT acquired the Langham Place Property on 3 June 2008. The Langham Place Property is held under a lease from the Hong Kong government which will expire on 30 June 2047.

The following table sets forth the gross rental income, market value, GFA, occupancy rate and the Group's share in relation to the Group's investment properties:

FY2020	**Great Eagle Centre**	**Three Garden Road**	**Langham Place**	**Langham Place Mall**	**Eaton Residences**
Gross Rental Income	HK$120 mm	HK$1.67 bn	HK$0.43 bn	HK$0.82 bn	HK$33 mm
Market Value(1)	HK$3.93 bn	HK$41.13 bn	HK$9.06 bn	HK$17.13 bn	HK$0.96 bn
GFA / Rentable Area	270,000 sq. ft.	1,638,000 sq. ft	703,000 sq. ft	590,000 sq. ft.	92,000 sq. ft.
Occupancy Rate	Office: 88.4%(2) (FY19: 100%)(2) Retail: 95.0%(2) (FY19: 99.4%)(2)	86.8% (FY19: 93.0%)	88.7% (FY19: 97.7%)	100.0% (FY19: 100.0%)	67.4%(3) (FY19: 79.1%)(3)
Group's Share	100%	67.22%	67.22%	67.22%	100%

Notes:

(1) As at 31 December 2020.

(2) On lettable area.

(3) On GFA.

Hotels and Hospitality

Hotel operations and management

The hotels and hospitality division serves a long-term strategy to expand the Group's asset base and permeate its global footprint and international brand recognition. The Group owns and manages an extensive international hotel portfolio branded under The Langham, Cordis, Eaton and its affiliate brands. The Group's hotel portfolio currently comprises 26 properties with more than 9,000 rooms in Hong Kong, London, Boston, Chicago, Los Angeles, New York, Washington D.C., Toronto, Auckland, Melbourne, Sydney, Beijing, Changsha, Guangzhou, Haikou, Haining, Hangzhou, Hefei, Ningbo, Shanghai, Shenzhen and Xiamen. LHI owns three high quality hotels in the heart of Kowloon, including the 498-room The Langham hotel in Tsimshatsui, the 667-room Cordis hotel in Mongkok, and the 465-room Eaton hotel located on Nathan Road. The Group's core profit from these three hotels in Hong Kong is derived from (i) any surplus or shortfall incurred by the Group as the lessee of LHI's hotels which is included in the results of hotel operations and management and (ii) the attributable distribution income from LHI.

In addition to revenue generated from hotels owned by the Group, results of the hotel operations and management also included hotel management fee income from pure managed hotels. As at 31 December 2020, there were nine hotels with approximately 2,800 rooms in the Group's management portfolio. The most recent hotel added to the portfolio was Cordis, Dongqian Lake, Ningbo, which soft opened in May 2019 with 238 rooms.

For the years ended 31 December 2018, 2019 and 2020, revenues from the hotel operations and management business amounted to HK$4,393.0 million, HK$4,249.9 million and HK$1,300.1 million, respectively, representing approximately 65.9 per cent., 65.4 per cent. and 15.7 per cent. of the Group's total revenue from core business for the respective periods. Revenue from the Group's hotel operations and management decreased by 69.4 per cent. for the year ended 31 December 2020 as compared to 2019. The performance of the Group's overseas hotels for 2020 has been severely impacted by the unprecedented revenue loss, as business came to a standstill and several of the Group's overseas hotels suspended operation due to the COVID-19 pandemic. All of the Group's hotels have seen continued weak demand from all markets due to strict controls on travel and social distancing implemented in every jurisdiction.

The following table sets forth the Group's hotel revenue by geographic location for the years ended 31 December 2018, 2019 and 2020:

	Year ended 31 December		
	2018	**2019**	**2020**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Hotel Revenue			
Europe	632.8	647.5	138.0
North America	2,252.3	2,190.3	517.8
Australia/New Zealand	810.5	758.3	296.1
China	519.1	512.4	274.8
Others (including hotel management fee income)	178.3	141.4	73.4
Total Hotel Revenue	4,393.0	4,249.9	1,300.1
Hotel Segment Result			
Europe	156.7	178.9	(47.9)
North America	290.0	304.1	(364.6)
Australia/New Zealand	134.2	113.3	(40.1)
China	151.0	157.4	17.8
Others (including hotel management fee income)	122.4	26.1	(191.0)
Total Hotel Segment Result	854.3	779.8	(625.8)

The following table sets forth the hotel performance of the Group by occupancy rate, average room rate (total room revenue divided by number of paid and occupied rooms for the year) and revenue per available room ("**RevPAR**") for the years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December											
	Average daily rooms available			Occupancy Rate			Average Room Rate			RevPAR		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
				(per cent.)			(local currency)			(local currency)		
Owned by subsidiary LHI												
Hong Kong												
The Langham, Hong Kong	498	497	498	91.2	75.3	16.3	$2,336	$1,955	$1,342	$2,130	$1,472	$219
Cordis, Hong Kong	666	667	667	95.0	73.1	22.5	$1,806	$1,656	$1,165	$1,715	$1,210	$262
Eaton HK	405	465	465	87.0	71.6	37.4	$1,114	$950	$543	$969	$679	$203
Wholly-owned hotels												
Europe												
The Langham, London	380	380	380	79.6	80.3	19.0	£366	£390	£333	£292	£313	£63
North America												
The Langham, Boston(1)	317	317	–	73.7	59.2	—	$310	$233	—	$229	$138	—
The Langham, Huntington Pasadena	379	379	379	71.7	71.8	22.3	$283	$281	$295	$203	$202	$66
The Langham, Chicago	316	316	316	75.4	78.0	21.3	$402	$407	$369	$303	$317	$79
The Langham, New York, Fifth Avenue	234	234	234	80.4	83.6	18.5	$578	$578	$498	$465	$483	$92
Eaton, Washington D.C.(2)	209	209	209	37.7	55.3	17.9	$239	$253	$182	$90	$140	$32
Chelsea Hotel, Toronto	1,590	1,590	1,590	82.7	77.6	20.3	$170	$173	$137	$140	$134	$28
Australia/New Zealand												
The Langham, Melbourne	388	388	388	87.7	87.1	21.5	$313	$308	$346	$274	$268	$75
The Langham, Sydney	97	96	96	82.0	82.1	36.6	$461	$464	$470	$378	$381	$172
Cordis, Auckland	407	396	373	79.8	81.6	40.4	$235	$225	$230	$187	$184	$93
China												
The Langham, Shanghai, Xintiandi	356	356	355	81.8	81.7	52.3	¥1,670	¥1,590	¥1,172	¥1,367	¥1,299	¥613
Cordis, Hongqiao	394	395	395	54.3	64.3	40.4	¥926	¥934	¥723	¥503	¥601	¥292

Notes:

(1) The Langham, Boston has been closed for renovations from April 2019.

(2) Soft-opened in August 2018.

The following is a brief summary of the impact of COVID-19 on the wholly-owned hotels of the Group as at the date of this Offering Circular:

Europe

The Langham, London

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

North America

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

The Langham, Boston was closed since April 2019 for major renovation. All 317 guests rooms, the club lounge and public areas are undergoing renovations. Whereas The Langham, Chicago, The Langham, New York, Fifth Avenue, The Langham Huntington, Pasadena and Eaton, Washington D.C. were all forced to close during the first wave of the pandemic. Although they have reopened in the third quarter of 2020, business recovered slowly as restrictions on public gatherings and indoor dining continued to be in place. With the worsening pandemic situation, some states have imposed stay at home orders in the fourth quarter of 2020 and restricted interstate travel. The Group's qualified hotels in the U.S. have applied for a total of U.S.$9.93 million loan funding under the government's paycheck protection program, and the fund was received by the end of 2020. The Group estimates that a significant portion of the fund received can be forgiven upon government's approval, which can then be booked as government relief subsidy in the Group's results.

Chelsea Hotel, Toronto

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

During 2020, the Group continued to work on the right to redevelop the Chelsea hotel site into a mixed-use project with a 400-key hotel, two residential condominium towers and a small amount of commercial space which would more than double the existing aggregate GFA. After securing the entitlement rights per the Group's formal development application in 2019, the Group submitted a site permit application to the City Council in December 2019 and expected to receive construction permit approval in about 18-24 months' time. The Group's development team continues to assess the market in order to determine the optimal timing to launch the redevelopment of the Chelsea site.

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

Australia/New Zealand

The Langham, Melbourne and The Langham, Sydney

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

Cordis, Auckland

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

Construction of an additional 244 rooms on the site with a total GFA of 170,000 sq. ft. has commenced in March 2019 and was targeted for completion by the end of 2021.

China

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

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

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

The following is a brief introduction of the Group's key hotel development projects as at the date of this Offering Circular:

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 GFA of the expanded site is approximately 377,000 sq. ft.

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

United States

San Francisco Hotel Development Project, 1125 Market Street – The Group acquired a site located at 1125 Market Street in San Francisco for U.S.$19.8 million in May 2015. The land was the last remaining vacant lot in San Francisco's mid-market district and is situated opposite to San Francisco's City Hall.

The site has been earmarked for the development of an "Eaton" hotel. After optimising the design, the property can achieve a GFA of approximately 139,000 sq. ft. with 177-key. The updated design was submitted in August 2018 to the City of San Francisco for planning review. The design has been well received and was approved by the City of San Francisco. The Group is currently seeking hearing for entitlement approval. Due to uncertain market conditions in San Francisco, the project has been put on hold.

San Francisco Hotel Redevelopment Project, 555 Howard Street – 555 Howard Street is a redevelopment project located right across the new Transbay Transit Center, the recently launched U.S.$4.5 billion transportation hub, in the heart of The East Cut San Francisco's new central business district in the South of Market (SOMA) area. The Group completed the acquisition of this untitled site with an estimated GFA of 406,000 sq. ft. for U.S.$45.6 million in April 2015.

After a change in plan, the revised plan is to build a hotel with over 400 keys. Entitlement for the hotel scheme was approved in September 2020, and the project has to obtain an approved building permit within three years. Due to uncertain market conditions in San Francisco, the project has been put on hold.

Seattle Development Project, 1931 Second Avenue – The Group acquired a site in downtown Seattle for U.S.$18.0 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 a total GFA of approximately 189,200 sq. ft. Although the Seattle site has already been approved for the development of a hotel, the Group is evaluating an opportunity to expand the development's floor area, and incorporate residential component to the project, so as to further enhance the financial attractiveness of the project. The Group has brought in world renowned architect, Kengo Kuma & Associates, to design this landmark mixed use development project. The Group currently anticipates to obtain the entitlement by the first quarter of 2022 and is closely monitoring the trend of construction cost and the condominium market in Seattle.

Europe

Venice Hotel Development Project, Island of Murano – The Group acquired a site on the island of Murano in Venice for EUR32.5 million in December 2019. The project is a combination of restoration to historic structures and new construction that will consist of 136 keys with a total GFA of approximately 172,000 sq. ft. The project relies on an existing renewed building permit with the design to be modified and re-permitted as required to deliver the requirements of the Langham brand.

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

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

The following table sets forth the hotels that will be added to the Group's hotel management portfolio in respect of which agreements have been entered into:

	Rooms
2021	
Langham Place, Changsha	295
The Langham, Jakarta	224
The Langham, Turtle Bay, Queensland, Australia	71
2022	
The Langham Gold Coast	169
Cordis International Cruise Terminal, Baoshan, Shanghai	274
The Langham, Chengdu	246
2023 and after	
Cordis, Yuhu Lake, Chongqing	200
Cordis, Xuzhou Center	271
Cordis, Xiamen Seaworld	410
Cordis, Hangzhou, Xianghu Lake	170
The Langham, Adelaide	146
The Langham, Nanjing	230

Income from LHI

Under statutory accounting basis, the Group's investment in LHI is classified as a subsidiary, and its results are consolidated into the Group's statutory income statement. However, as LHI is principally focused on distributions, the Group's core profit is derived from the attributable distribution income received from LHI.

In 2020, LHI did not declare a distribution amid the devastated performance of its three hotels in Hong Kong. For the years ended 31 December 2018 and 2019, revenues from LHI amounted to HK$258.4 million and HK$163.9 million, respectively, representing approximately 3.9 per cent. and 2.5 per cent. of the Group's total revenue from core business for the respective periods.

LHI owns three high quality hotels in the heart of Kowloon, including the 498-room The Langham hotel in the prime shopping district of Tsimshatsui, the 667-room Cordis hotel in the prime shopping area of Mongkok which is connected to the Langham Place Office and Mall, and the 465-room Eaton hotel located on the busy arterial Nathan Road. The Langham, Hong Kong and Cordis, Hong Kong are both High Tariff A hotels and Eaton, Hong Kong is a High Tariff B hotel under the classification set out by Hong Kong Tourism Board, with High Tariff A being the highest category and High Tariff B being the second highest category. Each of the hotels is located on the Kowloon peninsula in Hong Kong, a vibrant commercial and leisure hub which offers a variety of activities ranging from shopping, food and beverage, and entertainment to cultural attractions. These hotels are also located near well-connected transportation hubs in Hong Kong allowing guests to enjoy access to other leisure and business districts in Hong Kong.

Property Development

Over the past 50 years, the Group has developed approximately 100 residential, commercial, hotel and industrial properties. The Group was one of the earliest real estate companies to develop luxury town houses in the scenic Clear Water Bay area, and in Repulse Bay of Hong Kong. Other notable residential developments by the Group include luxury properties in the Mid-Levels, such as the 60-storey Tregunter Tower C project with the spectacular harbor view in Hong Kong.

Development of the Group's properties usually entails four phases: land acquisition, land development, project construction and marketing.

The Group oversees and largely performs the acquisition and marketing aspects of its development operations, including the selection and purchase of sites, the obtaining of government approvals for zoning and modifications and the marketing, sales, leasing and management of completed projects. The Group endeavours to achieve favourable acquisition costs in land price and projects. The Group engages independent third party contractors to provide various land development and construction services, including piling and foundation, construction, property fitting-out work and interior decoration who works directly with internal professional management teams on all projects. The Group's projects are usually undertaken by independent contractors selected by way of open tender.

The Group's property development business is focused on mass market mid- to high-rise residential developments.

Currently, the Group's key property development projects include ONTOLO, a luxury residential development project in Pak Shek Kok, Tai Po, Hong Kong and Ho Man Tin Station Package One Property Development (details of which as set out in "– *Recent Developments*"). The Group is also active in property management and maintenance services as well as building materials trading. There was no revenue recognised from the property development segment during the years ended 31 December 2018 and 2019 as the properties were under development. For the year ended 31 December 2020, revenue from property development amounted to HK$5,107.9 million, representing approximately 61.8 per cent. of the Group's total revenue from core business for the year.

The following is a brief introduction of ONTOLO:

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 GFA of 730,870 sq. ft. or saleable area of 635,612 sq. ft., comprising 723 luxury residential units and 456 parking spaces, was completed in the fourth quarter of 2020.

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

Other Operations

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

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

The Group has established the U.S. Fund in 2014. 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 from the U.S. Fund is based on the distribution received from the U.S. Fund, as well as the Group's share of asset management fee income from the U.S. Fund. The Group's core balance sheet in relation to the U.S. Fund is based on the Group's share of net asset in the U.S. Fund. Since the establishment of the U.S. Fund, it has already disposed of three office buildings by the end of 2016 and its remaining office building during 2019. The U.S. Fund may further dispose of its assets should appropriate opportunity arise. The projects currently held by the U.S. Fund include:

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

Competition

The Group competes with other local and international property developers in Hong Kong, the PRC, Europe, Japan and the United States for the acquisition of suitable development sites and available investment properties. With respect to its investment properties, the Group competes with other major property developers holding investment properties, primarily based upon the quality and location of its buildings, its reputation as a building owner and the quality of its support services. Competition in the hotel industry in the markets where the Group's hotels operate has been at times intense. Competition is based primarily on average room rates, quality of accommodation, brand recognition, service level, convenience of location and the quality and scope of other amenities. The Group's hotels generally compete with other hotels in the cities where the Group's hotels are located. The Group also competes with other property developers to acquire existing hotels as well as to look for suitable sites to construct its hotels. In order to differentiate from the competition, the Group continues to closely monitor hotels performance and booking pace while improving its hotel services and facilities. The Group continuously reviews the status of competition, market trends and the COVID-19 pandemic development to set its business strategies including marketing, pricing and business operations to maintain and drive profitability.

Insurance

The Group is covered by insurance policies arranged with reputable insurance agents which cover loss of rental, fire, flood, riot, strike, malicious damage, cyber attacks, other material damage to property and development sites, business interruption and public liability.

The Group believes that its properties are covered with insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage. The Group believes that such practice is consistent with what its management believes to be the industry practice in the markets where the Group operates. See "*Risk Factors – The Group's insurance may be insufficient to cover all losses and liabilities*" for risks relating to the Group's insurance coverage.

Government Regulations

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates.

The success of the Group's strategy to expand its existing properties, acquire new properties or develop or manage properties and hotels depends upon, among others, receipt of all required licences, permits and authorisations, including local land use permits, building and zoning permits, environmental, health and safety permits and (in the case of hotels) food and liquor licences. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening of a project or could result in the loss of an existing licence.

The Group believes that it in all material respects complies with government regulations currently in effect in the jurisdictions in which it operates. The Group has not experienced significant problems with government regulations with regard to these issues and is not aware of any pending government legislation that might have a material adverse effect on its business operations.

Legal Proceedings

As at the date of this Offering Circular, the Group is not aware of the Guarantor or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material adverse effect on the business or financial position of the Group or the Guarantor, and no litigation or claim is known by the Group to be pending or threatened against the Guarantor or any of its subsidiaries or the Group which may have a material adverse effect on its operation. The Group is not aware of any governmental proceedings or investigations to which it or any member of the Group is a party and which may have a material adverse effect on its operations.

Environmental and Safety Matters

The Group believes that it in all material respects complies with applicable environmental and safety laws and regulations in countries where it operates. As at the date of this Offering Circular, the Group was not aware of any material environmental or safety proceedings or investigations to which it was or might become a party.

Employees

As at 31 December 2020, the Group employed 4,799 employees. To the best knowledge of the Group, none of the Group's employees are members of a trade union. The Group has not experienced any strikes or disruptions due to labour disputes of its employees. The Group's management believes that the Group maintains good relationships with its employees.

Corporate Governance and Corporate Social Responsibility

The Group is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of the shareholders. The Group will from time to time monitor and review the Group's corporate governance practices in light of the regulatory requirements and the needs of the Group to underpin its engrained value of integrity and accountability. The Group believes that a high standard of corporate governance is key to facilitating sustainable development. The Group adopts an active approach to investors' communication and provides a high degree of transparency to its investors and is committed to continuing its efforts to enhance various areas of corporate social responsibility. In recognition of the Group's efforts in its investor relations functions, corporate governance and corporate social responsibility, the Group received a number of awards and accolades during the year of 2020, including:

- "10 Years Plus Caring Company" by the Hong Kong Council of Social Service;
- Super Manpower Developer Award 2020 by the Employees Retraining Board;
- LGBT+ Newcomer Award in the 2020 Hong Kong LGBT+ Inclusion Awards by the Community Business; and
- Social Capital Builder Logo Awards by Labour and Welfare Bureau.

In order to manage sustainability impacts from operations and integrate sustainability throughout the Group, the Group has put in place a well-established framework of Environmental, Social and Governance ("**ESG**") related policies and procedures:

- The Group Sustainability Policy: the Group Sustainability Policy provides a robust framework and direction for the Group to implement sustainability and embed sustainability into its organisational culture.
- ESG Framework: a set of policies and procedures are in place to guide the Group to achieve planned ESG outcomes. The framework includes policies and procedures such as environmental policy, employee handbook, health, safety & wellbeing policy as well as equal opportunity policy.

DIRECTORS AND SENIOR MANAGEMENT OF THE GUARANTOR

The board of directors of the Guarantor (the "**Board**") assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group. The Board is responsible for overseeing the management and operation of the Group, and is ultimately accountable for the Group's activities, strategies and financial performance. The Board consists of six Executive Directors, three Non-executive Directors and five Independent Non-executive Directors.

Directors

The directors of the Guarantor ("**Directors**", each a "**Director**") are:

Name	Age	Position
Dr. LO Ka Shui	74	Chairman, Executive Director and Managing Director
Madam LO TO Lee Kwan	101	Non-executive Director
Mr. CHENG Hoi Chuen, Vincent	73	Independent Non-executive Director
Professor WONG Yue Chim, Richard	69	Independent Non-executive Director
Mrs. LEE Pui Ling, Angelina	72	Independent Non-executive Director
Mr. LEE Siu Kwong, Ambrose	72	Independent Non-executive Director
Professor POON Ka Yeung, Larry	53	Independent Non-executive Director
Mr. LO Hong Sui, Antony	79	Executive Director
Madam LAW Wai Duen	84	Executive Director
Mr. LO Hong Sui, Vincent	73	Non-executive Director
Dr. LO Ying Sui	69	Non-executive Director
Mr. LO Chun Him, Alexander	36	Executive Director
Mr. KAN Tak Kwong	69	Executive Director and General Manager
Mr. CHU Shik Pui	59	Executive Director

Information on the business and work experience of the Directors is set out below:

Dr. LO Ka Shui
Chairman, Executive Director and Managing Director

Dr. LO Ka Shui, aged 74, has been a member of the Board since 1980. He is a substantial shareholder, Chairman and Managing Director of the Guarantor, Chairman of the Guarantor's Finance Committee, and is also a director of its various subsidiaries. He is Chairman and Non-executive Director of the Manager of the publicly-listed trusts, Champion Real Estate Investment Trust and Langham Hospitality Investments. He is also a Vice President of The Real Estate Developers Association of Hong Kong and a member of The Hong Kong Centre for Economic Research's Board of Trustees.

Dr. Lo was formerly a Director of Hong Kong Exchanges and Clearing Limited; Chairman of the Listing Committee for Main Board and Growth Enterprise Market; a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority; Chairman of The Chamber of Hong Kong Listed Companies; Chairman of the Hospital Authority of Hong Kong; a Board Member of the Airport Authority Hong Kong; and a Member of the University Grants Committee.

Dr. Lo graduated from McGill University with a Bachelor of Science Degree and obtained a Doctor of Medicine (M.D.) Degree from Cornell University, specialising in Internal Medicine and Cardiology. He has over four decades of experience in property and hotel development, and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and the father of Mr. Lo Chun Him, Alexander, all Directors of the Guarantor. Also, he is the father of Ms. Lo Bo Lun, Katherine, senior management of the Guarantor.

Madam LO TO Lee Kwan
Non-executive Director

Madam LO TO Lee Kwan, aged 101, has been a Director of the Group since 1963. She was an Executive Director of the Guarantor prior to her re-designation as a Non-executive Director of the Guarantor in December 2008. She is the wife of Mr. Lo Ying Shek, the late former chairman of the Guarantor, 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 Guarantor. Also, she is the grandma of Ms. Lo Bo Lun, Katherine, being senior management of the Guarantor.

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

Mr. CHENG Hoi Chuen, Vincent, aged 73, is an Independent Non-executive Director of the Guarantor. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Guarantor. Mr. Cheng is an Independent Non-executive Director of Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc.

Mr. Cheng is also a former Independent Non-executive Director of China Minsheng Banking Corp., Ltd., MTR Corporation Limited and CLP Holdings Limited. Mr. Cheng is an Independent Non-executive Director of Airstar Bank Limited. He is also a Vice Patron of The Community Chest of Hong Kong and was a member of the Advisory Committee on Post-service Employment of Civil Servants. In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("**CPPCC**") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science Degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard
Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 69, is an Independent Non-executive Director of the Guarantor. 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 Guarantor. Professor Wong is Provost and Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the government of the Hong Kong Special Administrative Region. He is a member of Research Council of Our Hong Kong Foundation. Professor Wong is an Independent Non-executive Director of Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited, both of which are companies whose shares are listed on the Stock Exchange. During the past three years, he was an Independent Non-executive Director of Orient Overseas (International) Limited.

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

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

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

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

Professor POON Ka Yeung, Larry
Independent Non-executive Director

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

Mr. LO Hong Sui, Antony
Executive Director

Mr. LO Hong Sui, Antony, aged 79, is an Executive Director and a director of various subsidiaries of the Guarantor. 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 Guarantor. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Guarantor.

Madam LAW Wai Duen
Executive Director

Madam LAW Wai Duen, aged 84, is an Executive Director and a director of various subsidiaries of the Guarantor. 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 Guarantor. Also, she is an aunt of Ms. Lo Bo Lun, Katherine, being senior management of the Guarantor.

Mr. LO Hong Sui, Vincent
Non-executive Director

Mr. LO Hong Sui, Vincent, aged 73, has been a Director of the Group since 1970. He was an Executive Director of the Guarantor prior to his re-designation as a Non-executive Director of the Guarantor in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is principally engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited and Shui On Land Limited, both are listed on the Stock Exchange. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a member of the Board of Directors of Boao Forum for Asia, the President of the Council for the Promotion & Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, a Vice Chairman of the Chamber of International Commerce Shanghai, the Honorary Life President of the Business and Professionals Federation of Hong Kong and an Honorary Court Chairman of The Hong Kong University of Science and Technology. He was awarded the Grand Bauhinia Medal (GBM) in 2017, the Gold Bauhinia Star in 1998 and was appointed a Justice of the Peace in 1999 by the government of the Hong Kong Special Administrative Region. Mr. Lo is a son of Madam Lo To Lee Kwan, an elder brother of Dr. Lo Ying Sui, a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen, and an uncle of Mr. Lo Chun Him, Alexander, all being Directors of the Guarantor. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Guarantor.

Dr. LO Ying Sui
Non-executive Director

Dr. LO Ying Sui, aged 69, has been a Director of the Group since 1993. He was an Executive Director of the Guarantor prior to his re-designation as a Non-executive Director of the Guarantor 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 Guarantor. Also, he is an uncle of Ms. Lo Bo Lun, Katherine, being senior management of the Guarantor.

Mr. LO Chun Him, Alexander
Executive Director

Mr. LO Chun Him, Alexander, aged 36, joined the Group in 2010 and was appointed as an Executive Director of the Guarantor in December 2015. He is also a member of the Finance Committee. Mr. Lo holds directorships in various principal subsidiaries of the Guarantor, 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 a member of the Executive Committee of The Real Estate Developers Association of Hong Kong and a member of the Management Committee of The Federation of Hong Kong Hotel Owners Limited. He graduated from Washington University in St. Louis with a Bachelor of Arts in Psychology. Mr. Lo is a son of Dr. Lo Ka Shui, being a substantial shareholder, the Chairman and Managing Director of the Guarantor. 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 Guarantor, and a younger brother of Ms. Lo Bo Lun, Katherine, being senior management of the Guarantor.

Mr. KAN Tak Kwong
Executive Director and General Manager

Mr. KAN Tak Kwong, aged 69, has been a Director of the Group since 1988. He is an Executive Director, the General Manager and a member of the Finance Committee of the Guarantor. Mr. Kan also holds directorships in various principal subsidiaries of the Guarantor, 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 59, joined the Group in 1989 and was appointed as an Executive Director of the Guarantor 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.

Senior Management

Details of the senior management of the Guarantor are set out below:

Hotel

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

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

Asset Management and Business Development

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

Mr. Adam AASEN, aged 42, is the President of Pacific Eagle Holdings Corporation, overseeing Great Eagle's U.S. property investment and development, as well as real estate funds. Mr. Aasen joined Pacific Eagle in 2015 as Vice President, Head of Acquisitions and was in charge of the firms' investment strategies throughout the U.S. Prior to Pacific Eagle, Mr. Aasen held senior positions in both privately-held and publicly-listed real estate and hospitality private equity and investment banking organizations.

China

Mr. LU Ning, Michael, aged 48, Managing Director of the Group's China and Trading Divisions, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Mr. AU Ngai Ho, aged 63, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has about 40 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

Project Development

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

Mr. KWAN Chun Bon, James, aged 61, is the General Manager – Development of The Great Eagle Development and Project Management Limited. He has over 30 years extensive working experience in real estate fields which includes development projects and investment properties. Mr. Kwan has been serving the Group since September 1994. He holds a Professional Diploma in Estate Management (Hong Kong Polytechnic) and is a member of the Hong Kong Institute of Real Estate Administrators. He is now overseeing the Group's Development Department and handling prospective development projects and real estate investments and acquisition.

Property Management

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

Compliance and Administration

Ms. WONG Mei Ling, Marina, aged 54, is the Group Company Secretary and the Head of Administration. Ms. Wong is the Company Secretary of LHIL Manager Limited (Trustee-Manager of the publicly listed Langham Hospitality Investments) and Langham Hospitality Investments Limited. She is also a Non-executive Director and the officer in charge of the corporate secretary of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) principally responsible for the governance, compliance and corporate secretarial matters. Prior to joining the Guarantor, 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.

Finance

Mr. MOK Siu Bun, Terry, aged 68, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 39 years' experience in accounting and finance in the real estate industry.

Internal Audit

Mr. HO Hon Ching, Barry, aged 59, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom, a Master's Degree in Business Administration from The University of Hong Kong and a Postgraduate Diploma in IT Forensics. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor, a Certified Fraud Examiner and a Certified Information Systems Auditor. In addition, Mr. Ho has also earned the Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA), and the qualification of Certified in Risk and Information Systems Control (CRISC) from the Information Systems Audit and Control Association (ISACA). He has extensive experience in accounting, statutory auditing, IT auditing, internal auditing, risk management and corporate governance.

Legal

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

INTERESTS OF DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this Offering Circular, the interests and short positions of the Directors or chief executives of the Guarantor in the shares, underlying shares and debentures of the Guarantor or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Guarantor 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 Guarantor under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Guarantor and the Stock Exchange, are as follows:

Long positions in shares and underlying shares of the Guarantor

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital(11)	Total
Lo Ka Shui	Beneficial Owner	Personal Interests	61,069,517(1)	8.35	
	Interests of Controlled Corporations	Corporate Interests	90,597,826(2)	12.39	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926(3)	33.78	
	Founder of a Discretionary Trust	Trust Interests	64,472,192	8.82	**63.34**
Lo To Lee Kwan	Beneficial Owner	Personal Interests	1,300,860	0.18	
	Interests of Controlled Corporations	Corporate Interests	5,277,677(4)	0.72	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926(3)	33.78	**34.68**
Cheng Hoi Chuen, Vincent	Interests of Spouse	Family Interests	10,000	0.00	**0.00**
Wong Yue Chim, Richard	Beneficial Owner	Personal Interests	10,198	0.00	**0.00**
Lo Hong Sui, Antony	Beneficial Owner	Personal Interests	1,376,245(5)	0.19	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926(3)	33.78	**33.97**
Law Wai Duen	Beneficial Owner	Personal Interests	2,439,850(6)	0.33	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926(3)	33.78	**34.11**
Lo Hong Sui, Vincent	Beneficial Owner	Personal Interests	293	0.00	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926(3)	33.78	**33.78**

Name of Directors	Capacity	Nature of Interests	Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital(11)	Total
Lo Ying Sui	Beneficial Owner	Personal Interests	1,500,000	0.21	
	Interests of Controlled Corporations	Corporate Interests	36,520,903(7)	4.99	
	Discretionary Beneficiary of a Discretionary Trust	Discretionary Trust Interests	246,937,926(3)	33.78	**38.98**
Lo Chun Him, Alexander	Beneficial Owner	Personal Interests	1,223,488(8)	0.17	**0.17**
Kan Tak Kwong	Beneficial Owner	Personal Interests	4,637,996(9)	0.63	**0.63**
Chu Shik Pui.	Beneficial Owner	Personal Interests	1,949,554(10)	0.27	**0.27**

Notes:

(1) Among these interests, 2,678,000 were share options.

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

(3) These 246,937,926 shares were owned by a discretionary trust of which Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui are among the discretionary beneficiaries.

(4) These 5,277,677 shares were held by two companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies. Dr. Lo Ka Shui is a director of one of these companies.

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

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

(7) These 36,520,903 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, 1,095,000 were share options.

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

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

(11) This percentage has been compiled based on 731,040,412 shares of the Guarantor in issue as at the date of this Offering Circular.

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

Champion Real Estate Investment Trust

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 Guarantor. As at the date of this Offering Circular, the Group owned 67.32 per cent. 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 Guarantor in Champion REIT as at the date of this Offering Circular are disclosed as follows:

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

Notes:

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

(i) 3,592,007 units were held by Dr. Lo Ka Shui personally;

(ii) 3,258,610 units were held by certain companies wholly-owned by Dr. Lo Ka Shui. Dr. Lo Ka Shui and Mr. Lo Chun Him, Alexander are directors of these companies; and

(iii) 19,115,000 units were held by a charitable trust of which Dr. Lo Ka Shui is the settlor and a member of the Advisory Committee and Management Committee.

(2) This percentage has been compiled based on 5,921,451,723 units of Champion REIT in issue as at the date of this Offering Circular.

Langham Hospitality Investments and Langham Hospitality Investments Limited

LHI (Stock Code: 1270), the share stapled units (the "**SSUs**") of which are listed on the Stock Exchange. As at the date of this Offering Circular, the Group owned 69.31 per cent. interests in LHI and is therefore a subsidiary of the Guarantor. The holdings of the Directors or chief executives of the Guarantor in LHI as at the date of this Offering Circular 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]	3.86
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 3,232,490,232 SSUs of LHI in issue as at the date of this Offering Circular.

Save as disclosed above, as at the date of this Offering Circular, none of the Directors or chief executives of the Guarantor were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Guarantor or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Guarantor 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 Guarantor under Section 352 of the SFO, or which were required to be notified to the Guarantor and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Shares

As at the date of this Offering Circular, the interests and short positions of persons (other than the Directors or chief executives of the Guarantor) in the shares or underlying shares of the Guarantor which would fall to be disclosed to the Guarantor 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 Guarantor under Section 336 of Part XV of the SFO as having an interest in 5 per cent. or more of the issued share capital of the Guarantor are as follows:

Long positions in shares of the Guarantor

Name of Shareholders	Total Number of Ordinary Shares/ Underlying Shares Held	Percentage of Issued Share Capital[(6)]
HSBC International Trustee Limited	315,009,622[(1)]	43.09
Powermax Agents Limited	246,937,926[(2)]	33.78
Mind Reader Limited	45,618,774[(3)]	6.24
Surewit Finance Limited	43,966,341[(4)]	6.01
Eagle Guardian Limited	40,496,269[(5)]	5.54

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 Guarantor, as at the date of this Offering Circular:

(i) 246,937,926 shares representing 33.78 per cent. of the issued share capital of the Guarantor 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 Guarantor, are among the discretionary beneficiaries.

(ii) 64,472,192 shares representing 8.82 per cent. of the issued share capital of the Guarantor were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.

(2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 246,937,926 shares held by it related to the same parcel of shares referred to in Note (1)(i) above.

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

(4) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 43,966,341 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is a director of this company.

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

(6) This percentage has been compiled based on 731,040,412 shares of the Guarantor in issue as at the date of this Offering Circular.

Save as disclosed in this Offering Circular, as at the date of this Offering Circular, no person was interested (or deemed to be interested) or held any short position in the shares or underlying shares of the Guarantor which would fall to be disclosed to the Guarantor 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 Guarantor under Section 336 of the SFO.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong ("**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes may be subject to Hong Kong profits tax.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes may be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempt. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

If the Notes are short or medium term debt instruments (as defined in the IRO), profits tax will be assessable at one-half of the standard profits tax rate.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong or

(ii) such Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap.117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

British Virgin Islands

No stamp duties or similar documentary taxes imposed by or in the British Virgin Islands are payable by the Issuer and the Issuer will not be required by any laws of the British Virgin Islands to make any deduction or withholding from any payment it may make under the Notes.

Notwithstanding any provision of the Income Tax Ordinance of the British Virgin Islands, (a) the Issuer; (b) all dividends, interest, rents, royalties, compensations and other amounts paid by the Issuer; and (c) capital gains realised with respect to any shares, debt obligations or other securities of the Issuer, are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. The British Virgin Islands currently levies no estate, inheritance, succession or gift tax with respect to any shares, debt obligations or other securities of the Issuer.

Bermuda

In Bermuda, there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer and/or the Guarantor may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands, Bermuda and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, subject to some exceptions, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders may be required to provide to the Issuer and/or the Guarantor information for identifying any direct or indirect U.S. ownership. Such information may potentially be disclosed to the U.S. Internal Revenue Service.

Common Reporting Standard ("CRS")

CRS is an internationally agreed standard for the automatic exchange of financial account information ("**AEOI**") between jurisdictions for tax purposes. Many jurisdictions (including the British Virgin Islands and Hong Kong) implement AEOI under CRS through their domestic laws. The regime for AEOI requires specific information to be reported in respect of account holders and controlling persons of certain account holders who are identified by financial institutions as reportable persons. Financial institutions must report the required information of reportable persons to the tax authority of the jurisdiction where the financial institutions are resident, and the relevant tax authority would generally send this information to the tax authorities of the jurisdictions of residence of the reportable persons. The information that may be reported by the Issuer and/or the Guarantor and/or their authorized person(s) in respect of a reportable person includes (but is not limited to) the following: (a) name; (b) address; (c) TIN(s); (d) date of birth (for individuals); (e) place of birth (for individuals); (f) jurisdiction(s) to which the information is reportable; (g) the account number (or a functional equivalent in the absence of an account number); (h) the name and identifying number of the reporting financial institution; (i) the account balance or value as at the end of the calendar year or other appropriate period. Holders may be required to provide to the Issuer and/or the Guarantor and/or their authorized person(s) information, certifications, and documentary evidence that the Issuer and/or the Guarantor need in order to satisfy the applicable AEOI due diligence and reporting obligations. Such information could be disclosed to tax authorities, including the Inland Revenue Department of the Hong Kong Special Administration Region, which may send this information to tax authorities of other jurisdictions. Holders should consult with their own tax advisors regarding how these rules may affect them.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, the Trustee, the Agents, the Arranger or any Dealer or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Bearer Notes

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a subcustodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Euroclear and Clearstream, Luxembourg or the CMU will be permitted only in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form – Exchange*". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates.

Clearance and Settlement

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor or the Sole Arranger or the Trustee or any Agent or any Dealer or any of their respective representatives, advisers, directors, officers, employees, agents or affiliates takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The Clearing Systems

The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant Clearing System's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "**HKMA**") for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU notes**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons.

Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike Euroclear or Clearstream, Luxembourg), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU notes. Instead, the HKMA advises the lodging CMU Member (or a designated Paying Agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU notes are credited, whereupon the lodging CMU Member (or the designated Paying Agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement dated 27 July 2021 (the "**Dealer Agreement**"), agreed with the Issuer and the Guarantor, a basis upon which they or any of them may from time to time agree to subscribe for the Notes. Any such agreement will extend to those matters stated under "*Clearance and Settlement*" and "*Terms and Conditions of the Notes*". The Issuer (failing which, the Guarantor) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantor) has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Dealer Agreement. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the applicable Pricing Supplement. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer's agents. The Dealers may also offer and sell Notes through certain of their affiliates.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Where the Issuer and the Guarantor agree to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold by the relevant Dealer(s) at a price different from their Issue Price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as may be determined by the relevant Dealer(s).

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may subscribe for the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may act as investors and place orders, receive allocations and trade the Notes for its or their own account and such orders, allocations or trade of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Dealers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the Guarantor or the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor including the Notes and could adversely affect the trading price and liquidity of the Notes. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes). The Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Guarantor.

If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Selling Restrictions

United States of America

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented that it has not offered or sold the Notes, and agrees that it will not offer or sell, any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S.

Each Dealer has represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the relevant Issuer and the Guarantor.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold, and shall offer and sell, any Series (1) as part of their distribution at any time and (2) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the relevant Issuer and the Guarantor and each Relevant Dealer, by the Issuing and Paying Agent or, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer has agreed to notify the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other Relevant Dealers of the end of the distribution compliance period. Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Each Dealer has represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the relevant Issuer and the Guarantor.

Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations.

In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, under rules in substantially the same form as U.S. Treas. Reg. section 1.163-5(c)(2)(i)(c) for purposes of Section 4701 of the U.S. Internal Revenue Code ("**TEFRA C**"), such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder, including the C Rules.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the relevant Issuer and the Guarantor as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

This Offering Circular has been prepared by the relevant Issuer and the Guarantor for use in connection with the offer and sale of the Notes outside the United States. The relevant Issuer and the Guarantor and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the relevant Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Member State:

(A) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(B) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (B) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom.

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"); and

(b) the expression "**an offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(A) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(B) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (B) and (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other Regulatory Restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

People's Republic of China

Each Dealer has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

British Virgin Islands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the laws of the British Virgin Islands, it has not made and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in the British Virgin Islands.

Bermuda

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the laws of Bermuda, it has not made and will not make any invitation to the public or any member of the public in Bermuda to purchase the Notes and the Notes may not be offered or sold, directly or indirectly, in Bermuda.

General

None of the Issuer, the Guarantor or the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or the Group or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.][(1)]

This Pricing Supplement, together with the Offering Circular, include particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[**MIFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

(1) Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

[**UK MIFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 the ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][(2)]

(2) For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Pricing Supplement dated [•••]

GE (MTN) Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] [due [•••]]
Guaranteed by
Great Eagle Holdings Limited

(鷹君集團有限公司)
under the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated 27 July 2021 [and the supplemental Offering Circular dated [date]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated 27 July 2021 as so supplemented. Full information on the Issuer, the Guarantor and the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular dated 27 July 2021 as so supplemented.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer, the Guarantor and the Notes is only available on the basis of the combination of this Pricing Supplement, the Offering Circular dated [current date] as so supplemented and the Conditions extracted from the Offering Circular dated [original date] and attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	(i)	Issuer:	GE (MTN) Limited
	(ii)	Guarantor:	Great Eagle Holdings Limited (鷹君集團有限公司)
2	(i)	Series Number:	[•••]
	(ii)	Tranche Number:	[•••] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*

	(iii)	[(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the *[insert description of the Series]* on *[insert date/ the Issue Date/exchange of the temporary Global Note for interests in the permanent Global Note, as referred to in paragraph [25] below* [which is expected to occur on or about *[insert date]*]].]
3	Specified Currency or Currencies:		[•••]
4	Aggregate Nominal Amount:		
	[(i)	Series Number:	[•••]
	[(ii)	Tranche Number]:	[•••]
5	[(i)]	Issue Price:	[•••]% of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)]*
	[(ii)	Net proceeds:	[•••] *(Required only for listed issues)]*
6	(i)	Specified Denominations:(3, 4)	[•••]
	(ii)	Calculation Amount:	[•••]
7	[(i)]	Issue Date and Interest Commencement Date:	[•••]
	[(ii)	Interest Commencement Date:	*[Specify date/Issue Date/Not Applicable]*
8	Maturity Date:		*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*(5)

Notes:

(3) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies)

(4) If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

(5) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

9	Interest Basis:	[[•••]% Fixed Rate] [[•••] month [LIBOR/EURIBOR/HIBOR/CNH HIBOR]] +/– [•••]% Floating Rate] [Zero Coupon] [*Specify* Other] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par/Early Redemption Amount] [Dual Currency] [Partly Paid] [Instalment] *[Specify other]*
11	Change of Interest Basis or Redemption/Payment Basis	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12	Put/Call Options:	[Investor Put] or [Issuer Call Option] [Change of Control Put Option] [(further particulars specified below)]
13	Listing:	[Hong Kong Stock Exchange (the expected effective listing date of the Notes is [•••]/*Specify Other*/None]
14	(i) Status of the Notes:	Senior
	(ii) Status of the Guarantee:	Senior
	[(iii) Date of [Board] approval for the issuance of Notes and Guarantee obtained:	[The issuance of the Notes by the Issuer under the Programme was authorised by the resolution of the Board of Directors of the Issuer dated [•••]. The giving of the Guarantee of the Notes by the Guarantor was authorised by minutes of the Finance Committee of the Board of Directors of the Guarantor dated [•••].]
15	Method of Distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (If Any) Payable

16	Fixed Rate Note Provisions		*[Applicable/Not Applicable]* *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Rate[(s)] of Interest:	[•••]% per annum payable [annually/semi-annually/ quarterly/monthly/specify other] in arrear
	(ii)	Interest Payment Date(s):	[•••] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]*
	(iii)	Fixed Coupon Amount(s):	[•••] per Calculation Amount[(6)]
	(iv)	Broken Amount(s):	[•••] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•••]
	(v)	Day Count Fraction:	[Actual/Actual] [Actual/Actual - ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA
	(vi)	[Determination Date(s):	[•••] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual – ICMA)]*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17	Floating Rate Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[•••][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]

Notes:

(6) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

(ii)	Specified Interest Payment Dates:	[•••] in each year [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]
(iii)	Interest Period Date(s):	[•••] *(Not applicable unless different from Interest Payment Date)*
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*/Not Applicable]
(v)	Business Centre(s):	[Not Applicable/*give details*]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other *(give details)*]
(vii)	Party, if any, responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	*[Name]* shall be the Calculation Agent
(viii)	Screen Rate Determination:	
	– Reference Rate:	*[For example, LIBOR or EURIBOR]*
	– Interest Determination Date(s):	[•••]
	– Relevant Screen Page:	*[For example, Reuters LIBOR 01/EURIBOR 01]*
(ix)	ISDA Determination:	
	– Floating Rate Option:	[•••]
	– Designed Maturity:	[•••]
	– Reset Date:	[•••]
(x)	Margin(s):	[+/-][•••]% per annum
(xi)	Minimum Rate of Interest:	[•••]% per annum
(xii)	Maximum Rate of Interest:	[•••]% per annum

	(xiii)	Day Count Fraction:	[•••]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Not Applicable/give details]
18	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield:	[•••]% per annum
	(ii)	Day Count Fraction:	[•••]
	(iii)	Any other formula/basis of determining amount payable:	[•••]
19	Dual Currency Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[•••]
	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) due:	[•••]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•••]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•••]

Provisions relating to Redemption

20	Call Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•••]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•••] per Calculation Amount/specify other/see Appendix
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•••] per Calculation Amount
	(b) Maximum Redemption Amount:	[•••] per Calculation Amount
	(iv) Notice period, if different from that set out in the Conditions:	[•••] days
21	Put Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•••]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•••] per Calculation Amount/specify other/see Appendix
	(iii) Notice period, if different from that set out in the Conditions:	[•••] days
22	Final Redemption Amount of each Note	[•••] per Calculation Amount/*specify other/see Appendix*]

23	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions)	[[•••] per Calculation Amount/*specify other/see Appendix*]
24	Change of Control Put Option	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Change of Control Redemption Amount:	[•••] per Calculation Amount
	(ii) Notice period, if different from that set out in the Conditions:	[•••] days

General Provisions Applicable to the Notes

25	Form of Notes	[**Bearer Notes:** [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [•••] days' notice[7]] [permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]] **[Registered Notes:** Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

Notes:

(7) If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000", the temporary Global Note shall not be exchangeable on [•••] days notice.

26	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraph 17(v) relates)*
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
31	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

33	(i)	If syndicated, names of Managers:	[Not applicable/*give names*]
	(ii)	Stabilisation Manager (if any):	[Not applicable/*give names*]
	(iii)	Date of Subscription Agreement	[•••]
34	If non-syndicated, name and address of Dealer:		[Not Applicable/*give name and address*]
35	U.S. Selling Restrictions:		[Reg. S Category 1/Category 2; TEFRA D/TEFRA C/ TEFRA Not Applicable]

36	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified)*
37	Additional selling restrictions:	[Not applicable/*give details*]

Operational Information

38	ISIN Code:	[•••]
39	Common Code:	[•••]
40	CMU Instrument Number:	[•••]
41	Legal Entity Identifier:	[•••]
42	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
43	Delivery:	Delivery [against/free of] payment
44	Additional Paying Agent(s) (if any):	[•••]

General

45	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•••], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/US$[•••]]
46	Ratings:	[The Notes to be issued have not been rated/*give details*]
47	Alternative use of proceeds:	[Not Applicable/*give details*]
48	Private bank rebate:	[Not Applicable/*give details*]

[STABILISATION

In connection with this issue, [insert name of Stabilisation Manager] (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme.]

MATERIAL ADVERSE CHANGE STATEMENT

Each of the Issuer and the Guarantor represents and warrants that except as disclosed in this document, there has been no significant change in the financial or trading position of the Issuer or of Guarantor since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer or of the Guarantor since *[insert date of last published annual accounts.]*

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of GE (MTN) Limited:

By: ____________________________ ____________________________

Director *Director*

Signed on behalf of Great Eagle Holdings Limited:

By: ____________________________ ____________________________

Director *Director*

GENERAL INFORMATION

(1) Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange under which the Notes may be issued by way of debt issues to Professional Investors only. Separate application may be made for the listing of the Notes on the Hong Kong Stock Exchange. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

(2) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in the British Virgin Islands and Bermuda in connection with the establishment and update of the Programme, the issue and performance of any Notes under the Programme and the giving of the Guarantee. The establishment of the Programme was authorised by resolutions of the board of directors of the Issuer passed on 23 July 2021 and by minutes of the Finance Committee of the Board of Directors of the Guarantor dated 23 July 2021. The giving of the Guarantee was authorised by minutes of the Finance Committee of the Board of Directors of the Guarantor dated 23 July 2021.

(3) Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the Group since 31 December 2020 and no significant change in the financial or trading position of the Issuer, the Guarantor or of the Group since 31 December 2020.

(4) Except as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation, arbitration or administrative proceedings relating to claims which are material in the context of the issue of the Notes and, so far as any of them is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

(5) The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and the CMU. The appropriate ISIN and common code or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the applicable Pricing Supplement. The applicable Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

(6) The Issuer may apply to have Notes accepted for clearance through the Euroclear and Clearstream, Luxembourg systems and the CMU. The relevant CMU instrument number will be set out in the applicable Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the applicable Pricing Supplement.

(7) For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by holders of the Notes at the head office of the Group at 33rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of the Issuer;

(iv) the published annual reports and audited accounts of the Group for the two preceding financial years ended 31 December 2019 and 2020;

(v) the most recently published audited annual accounts of the Group and the most recently published unaudited interim accounts of the Group from time to time (at the date of this Offering Circular, other than the financial statements of the Group, the Issuer and the Guarantor have not published any audited or unaudited financial statements and do not propose to publish any financial statements);

(vi) a copy of this Offering Circular together with any supplement (including any Pricing Supplement save that a Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity) to this Offering Circular or further Offering Circular; and

(vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular.

Copies of the documents referred to in sub-paragraphs (i) to (ii) above will also be available for inspection by the Noteholders at all reasonable times of charge during the usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) from the principal office of the Trustee (at 20/F Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong as at the date of this Offering Circular) and the specified office of each of the Paying Agents and the Transfer Agents, upon prior written request and proof of holdings and identity to the satisfaction of the Trustee or, as the case may be, the Paying Agents and the Transfer Agents, so long as any of the Notes is outstanding.

(8) The Audited Financial Statements included in this Offering Circular have been audited by its independent auditor, Deloitte Touche Tohmatsu, as stated in their reports appearing therein. Deloitte Touche Tohmatsu has given and not withdrawn their written consent to the inclusion in this Offering Circular of their reports in relation to the Group in the form and context in which they are included.

(9) The Legal Entity Identifier number of the Issuer is 2138009BBQ9Q9LZJY308.

INDEX TO FINANCIAL STATEMENTS

Note:

(1) References to page numbers in the financial statements of the Group are to pages of such documents.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

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

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

KEY AUDIT MATTERS (continued)

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 February 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

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

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

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

Lo Ka Shui
DIRECTOR

Kan Tak Kwong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

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

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

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

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

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

3.1 Basis of preparation of consolidated financial statements (continued)

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Changes in the Group's interests in existing subsidiaries

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

Business combinations

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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

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

Output method

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

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

Existence of significant financing component

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

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

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

3.2 Significant accounting policies (continued)

Investment properties

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

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

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

Property, plant and equipment

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

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

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

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

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Interests in associates and joint ventures

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

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

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

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

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

3.2 Significant accounting policies (continued)

Interests in associates and joint ventures (continued)

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

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

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

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

Properties under development for sale and properties held for sale

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

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

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

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

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group represents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Classification and measurement of leases (continued)

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange translation reserve) (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal of interest in a joint arrangement or an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

3.2 Significant accounting policies (continued)

Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered the service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised in respect for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "*Business Combinations*" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, but will be transferred to retained profits.

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade debtors, other receivables and deposits, retention money receivables, notes and loan receivables, amount due from a joint venture, restricted cash, time deposits with original maturity over three months and bank balances and cash), and other item (representing lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of debtors where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including creditors, distribution payable, borrowings and medium term notes) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The Group uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated under the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

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

Discontinuation of hedge accounting

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

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

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date.

The fair value determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting condition. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have been in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale. As a result, the Group has not recognised any deferred taxation on changes in fair value of investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the investment properties situated in the United States of America ("USA") and the People's Republic of China ("PRC"), the Group has recognised the deferred taxation on changes in fair value of investment properties as the Group is subject to income taxes, capital gain taxes and land appreciation tax on disposal of its investment properties as appropriate.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional property valuers.

In determining the fair value of investment properties situated in Hong Kong, the PRC and USA, the valuers have used income capitalisation approach which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period or direct comparison method which involves estimates of the fair value to similar properties adjusted to reflect current market conditions as of the end of the reporting period.

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of the COVID-19 pandemic. Note 14 provides detailed information about carrying amounts of the investment properties, the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

Estimated impairment of hotel properties and hotel properties under development

As explained in note 3, included in property, plant and equipment are the Group's hotel buildings which are stated at cost less subsequent accumulated depreciation and accumulated impairment losses; and hotel buildings under development which are stated at cost less accumulated impairment losses.

At the end of the reporting period, the Group reviews the carrying amounts of its hotel buildings and hotel buildings under development to determine whether there is any indication that those properties have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant property is estimated in order to determine the extent of the impairment loss (if any). The impact of the COVID-19 pandemic on the Group's hotel operation segment result has been considered as an indicator for impairment testing of hotel buildings and hotel buildings under development. In determining whether hotel buildings and hotel buildings under development would be impaired, the Group has to exercise judgement and make estimation, in assessing whether the carrying value of these assets can be supported by the recoverable amount.

For the purpose of impairment assessment of hotel properties, the Group has considered the relevant freehold land, right-of-use leasehold land, hotel buildings, hotel buildings under development and furniture, fixtures and equipment of each hotel property as one cash-generating unit ("CGU"). In the case of value in use, the recoverable amounts are calculated based on the net present value of future cash flows which are estimated based on the continued use of the assets and the appropriate key assumptions.

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

Key sources of estimation uncertainty (continued)

Estimated impairment of hotel properties and hotel properties under development (continued)

For the purpose of impairment assessment of hotel properties under development, the Group has considered the relevant hotel buildings under development and freehold land as one CGU. In the case of value in use, the recoverable amounts are calculated based on the forecasted future operating cash flows of the properties and the anticipated costs to completion of the hotel properties under development by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend.

In the impairment assessment, changes in the assumptions and estimates, including the occupancy rates, discount rates or the terminal capitalisation rates in the cash flow projections, could materially affect the recoverable amount. Furthermore, these key assumptions are subject to greater uncertainties in the current year due to the COVID-19 pandemic may progress and evolve and cause disruptions in the Group's hotel operations. Details are set out in note 15.

5. REVENUE

Revenue represents the aggregate of income from hotel operation, gross rental income, building management service income, income from sale of properties, proceeds from sale of building materials, dividend income from investments and income from other operations (including property management and maintenance income and property agency commission).

	2020 HK$'000	2019 HK$'000
Hotel income	1,799,294	5,545,524
Rental income from investment properties	2,717,328	2,918,917
Building management service income	305,578	321,697
Sales of properties	5,178,149	45,947
Sales of goods	104,660	213,728
Dividend income	8,228	21,370
Others	192,050	169,647
	10,305,287	9,236,830

5. REVENUE (continued)

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

2020

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations/ reclassifications HK$'000	Consolidated HK$'000
Hotel income	1,815,187	–	–	–	1,815,187	–	206,341	–	(222,234)	1,799,294
Building management service income	–	26,346	–	–	26,346	287,063	–	–	(7,831)	305,578
Sales of properties	–	–	5,107,869	–	5,107,869	–	–	70,280	–	5,178,149
Sales of goods	–	–	–	104,880	104,880	–	–	–	(220)	104,660
Others	–	–	–	570,070	570,070	–	–	–	(378,020)	192,050
Revenue from contracts with customers	1,815,187	26,346	5,107,869	674,950	7,624,352	287,063	206,341	70,280	(608,305)	7,579,731
Rental income from investment properties	–	156,963	–	–	156,963	2,633,257	1,915	14,026	(88,833)	2,717,328
Dividend income	–	–	–	7,582	7,582	–	–	–	646	8,228
	1,815,187	183,309	5,107,869	682,532	7,788,897	2,920,320	208,256	84,306	(696,492)	10,305,287

2019

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
Hotel income	5,600,175	–	–	–	5,600,175	–	482,224	–	(536,875)	5,545,524
Building management service income	–	25,560	–	–	25,560	302,528	–	–	(6,391)	321,697
Sales of properties	–	–	–	–	–	–	–	45,947	–	45,947
Sales of goods	–	–	–	213,863	213,863	–	–	–	(135)	213,728
Others	–	–	–	594,393	594,393	–	–	–	(424,746)	169,647
Revenue from contracts with customers	5,600,175	25,560	–	808,256	6,433,991	302,528	482,224	45,947	(968,147)	6,296,543
Rental income from investment properties	–	193,073	–	–	193,073	2,778,142	1,659	1,099	(55,056)	2,918,917
Dividend income	–	–	–	21,370	21,370	–	–	–	–	21,370
	5,600,175	218,633	–	829,626	6,648,434	3,080,670	483,883	47,046	(1,023,203)	9,236,830

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers:

– by source of revenue:

2020

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	834,003	834,003
– food & beverage revenue	788,716	–	788,716
– others	89,613	86,962	176,575
Building management service income	–	305,578	305,578
Sales of properties	5,178,149	–	5,178,149
Sales of goods	98,819	5,841	104,660
Others	–	192,050	192,050
Revenue from contracts with customers	6,155,297	1,424,434	7,579,731
Rental income from investment properties			2,717,328
Dividend income			8,228
			10,305,287

2019

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	3,221,844	3,221,844
– food & beverage revenue	1,930,870	–	1,930,870
– others	239,343	153,467	392,810
Building management service income	–	321,697	321,697
Sales of properties	45,947	–	45,947
Sales of goods	206,503	7,225	213,728
Others	–	169,647	169,647
Revenue from contracts with customers	2,422,663	3,873,880	6,296,543
Rental income from investment properties			2,918,917
Dividend income			21,370
			9,236,830

5. REVENUE (continued)

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

– by geographical locations:

2020

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	**5,607,699**	**650,425**	**6,258,124**
The USA	**224,165**	**253,164**	**477,329**
The PRC	**117,679**	**179,987**	**297,666**
Canada	**15,774**	**94,978**	**110,752**
The United Kingdom	**49,207**	**88,766**	**137,973**
Australia	**65,885**	**90,310**	**156,195**
New Zealand	**74,177**	**65,724**	**139,901**
Others	**711**	**1,080**	**1,791**
Revenue from contracts with customers	**6,155,297**	**1,424,434**	**7,579,731**
Rental income from investment properties			**2,717,328**
Dividend income			**8,228**
			10,305,287

2019

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	866,659	1,202,367	2,069,026
The USA	677,133	1,005,026	1,682,159
The PRC	226,801	338,828	565,629
Canada	99,223	466,013	565,236
The United Kingdom	209,966	437,506	647,472
Australia	188,667	282,782	471,449
New Zealand	146,652	140,266	286,918
Others	7,562	1,092	8,654
Revenue from contracts with customers	2,422,663	3,873,880	6,296,543
Rental income from investment properties			2,918,917
Dividend income			21,370
			9,236,830

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers:

Hotel room revenue is recognised over the stay of guests. The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals. The Group allows an average credit period of 30 – 60 days to its trade customers.

Food & beverage revenue is recognised at a point in time when control of the goods and services is transferred to customers.

Other hotel income mainly comprises ancillary service income which is recognised at a point in time when control of the services is transferred to customers or over the service period, depending on the terms of the contracts.

Building management service income is recognised over the service period. The Group receives monthly building management service payments from customers one month in advance under the contracts.

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals.

Sale of goods is mainly recognised at a point in time when control of the goods is transferred to customers. The Group allows an average credit period of 30 – 60 days to its trade customers.

Others represent flexible workspace income, property maintenance and property management service income which are recognised over the service period. The Group receives a portion of service payments from customers in advance under the contracts.

5. REVENUE (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers:

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

2020

	Within one year HK$'000	More than one year but not more than two years HK$'000	More than two years HK$'000	Total HK$'000
Hotel income	**246,958**	**26,198**	**948**	**274,104**
Sales of properties	**792,474**	**–**	**–**	**792,474**
Sales of goods	**132,793**	**86,794**	**41,800**	**261,387**
Others	**14,863**	**–**	**–**	**14,863**
	1,187,088	**112,992**	**42,748**	**1,342,828**

2019

	Within one year HK$'000	More than one year but not more than two years HK$'000	More than two years HK$'000	Total HK$'000
Hotel income	417,029	24,564	2,452	444,045
Sales of properties	4,437,626	–	–	4,437,626
Sales of goods	110,246	46,883	–	157,129
Others	34,670	–	–	34,670
	4,999,571	71,447	2,452	5,073,470

6. SEGMENT INFORMATION

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of the US Real Estate Fund and each listed group, including Great Eagle Holdings Limited, Champion Real Estate Investment Trust ("Champion REIT") and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham").

The Group's operating and reportable segments under HKFRS 8 "*Operating Segments*" are as follows:

Hotel operation	–	hotel accommodation, food and banquet operations as well as hotel management.
Property investment	–	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Property development	–	income from selling of properties held for sale.
Other operations	–	sale of building materials, flexible workspace operation, investment in securities, provision of property management, maintenance and property agency services.
Results from Champion REIT	–	based on published financial information of Champion REIT.
Results from Langham	–	based on financial information of Langham.
US Real Estate Fund	–	based on income from sale of properties, rental income and related expenses of the properties owned by the US Real Estate Fund.

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments (hereinafter referred to as the "Great Eagle Operations") represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors' salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at FVTPL, other income, finance costs and income taxes. The hotel operation segment result has been arrived at after reversing intra-group HKFRS 16 impact for its role as a lessee to the three hotel properties owned by Langham. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (continued)

The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

Segment revenue and results

2020

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations/ reclassification HK$'000	Consolidated HK$'000
REVENUE										
External revenue	1,799,294	181,936	5,107,869	304,292	7,393,391	2,825,029	1,915	84,306	646	10,305,287
Inter-segment revenue	15,893	1,373	–	378,240	395,506	95,291	206,341	–	(697,138)	–
Total	1,815,187	183,309	5,107,869	682,532	7,788,897	2,920,320	208,256	84,306	(696,492)	10,305,287

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations/ reclassification HK$'000	Consolidated HK$'000
RESULTS										
Segment results	(625,774)	134,533	2,055,379	351,600	1,915,738	2,065,451	179,887	(15)	40,467	4,201,528
Depreciation					(664,818)	–	(229,259)	(358)	62,567	(831,868)
Operating profit (loss) after depreciation					1,250,920	2,065,451	(49,372)	(373)	103,034	3,369,660
Fair value changes on investment properties					(406,544)	(13,847,194)	–	(4,665)	5,700	(14,252,703)
Fair value changes on derivative financial instruments					(103,619)	(70)	(90,361)	–	–	(194,050)
Fair value changes on financial assets at FVTPL					40,908	–	–	–	–	40,908
Other income					43,672	2,158	1,441	58	(2,800)	44,529
Administrative and other expenses					(443,816)	(24,939)	(19,527)	(4,192)	3,285	(489,189)
Impairment loss on property, plant and equipment					(347,898)	–	–	–	–	(347,898)
Net finance costs					32,809	(421,605)	(174,063)	(3,906)	9,059	(557,706)
Share of results of joint ventures					(16,972)	–	–	–	–	(16,972)
Share of results of associates					5,147	–	–	–	–	5,147
Loss before tax					54,607	(12,226,199)	(331,882)	(13,078)	118,278	(12,398,274)
Income taxes					(157,805)	(270,890)	23,157	–	1,727	(403,811)
Loss for the year					(103,198)	(12,497,089)	(308,725)	(13,078)	120,005	(12,802,085)
Less: Loss attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(1,047)	4,148,346	107,991	6,543	–	4,261,833
Loss attributable to owners of the Company					(104,245)	(8,348,743)	(200,734)	(6,535)	120,005	(8,540,252)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2019

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,545,524	217,951	–	404,745	6,168,220	3,019,905	1,659	47,046	–	9,236,830
Inter-segment revenue	54,651	682	–	424,881	480,214	60,765	482,224	–	(1,023,203)	–
Total	5,600,175	218,633	–	829,626	6,648,434	3,080,670	483,883	47,046	(1,023,203)	9,236,830

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	779,817	168,204	–	562,284	1,510,305	2,182,965	448,300	(43,074)	(56,620)	4,041,876
Depreciation					(599,135)	–	(226,071)	–	56,677	(768,529)
Operating profit (loss) after depreciation					911,170	2,182,965	222,229	(43,074)	57	3,273,347
Fair value changes on investment properties					(152,851)	(1,994,379)	–	(357)	800	(2,146,787)
Fair value changes on derivative financial instruments					(36,412)	–	(14,891)	–	–	(51,303)
Fair value changes on financial assets at FVTPL					24,837	–	–	–	–	24,837
Other income					9,178	–	69	–	(1,029)	8,218
Administrative and other expenses					(596,610)	(23,896)	(13,328)	(8,881)	3,677	(639,038)
Net finance costs					9,882	(444,153)	(220,147)	(11,951)	5,761	(660,608)
Share of results of joint ventures					43,860	–	–	–	–	43,860
Share of results of associates					1,191	–	–	–	–	1,191
Loss before tax					214,245	(279,463)	(26,068)	(64,263)	9,266	(146,283)
Income taxes					(119,453)	(290,859)	(19,612)	–	135	(429,789)
Loss for the year					94,792	(570,322)	(45,680)	(64,263)	9,401	(576,072)
Less: Loss attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					(3,328)	188,831	16,546	36,233	–	238,282
Loss attributable to owners of the Company					91,464	(381,491)	(29,134)	(28,030)	9,401	(337,790)

Notes:

1. There were no revenue and segment result recognised during the year ended 31 December 2019 as the properties directly held were under development.
2. The inter-segment revenue of Langham mainly includes the rental income of three hotel properties receivable from Great Eagle.
3. During the year, income from sale of properties and rental income of HK$70,280,000 (2019: HK$45,947,000) and HK$14,026,000 (2019: HK$1,099,000) respectively, were recognised by the US Real Estate Fund.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

31 December 2020

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	18,987,264	5,750,353	13,236,911
Property investment (note a)	6,103,423	63,150	6,040,273
Property development (note a)	3,951,305	1,218,326	2,732,979
Other operations (note a)	565,799	219,885	345,914
Unallocated	5,817,490	2,429,874	3,387,616
Great Eagle Operations (note b)	35,425,281	9,681,588	25,743,693
Champion REIT (note c)	48,192,191	13,499,694	34,692,497
Langham (note d)	10,441,100	4,812,167	5,628,933
US Real Estate Fund (note e)	450,714	180,996	269,718

31 December 2019

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	18,395,259	7,519,156	10,876,103
Property investment (note a)	6,556,581	77,658	6,478,923
Property development (note a)	5,990,775	3,781,058	2,209,717
Other operations (note a)	679,175	301,298	377,877
Unallocated	7,769,617	480,358	7,289,259
Great Eagle Operations (note b)	39,391,407	12,159,528	27,231,879
Champion REIT (note c)	55,412,331	11,960,205	43,452,126
Langham (note d)	11,174,843	4,836,323	6,338,520
US Real Estate Fund (note e)	541,146	166,393	374,753

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, right-of-use assets, equity instruments at FVTOCI, stock of properties, inventories, notes and loan receivables, financial assets at FVTPL, time deposits with original maturity over three months, bank balances and cash and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, borrowings, lease liabilities, provision for taxation and deferred taxation attributable to respective operating segments.

(b) Included in the assets and liabilities are bank deposits and restricted cash of HK$5,555,339,000 (2019: HK$8,574,823,000) and borrowings of HK$6,374,503,000 (2019: HK$8,866,610,000), representing net debt of HK$819,164,000 as at 31 December 2020 (2019: HK$291,787,000).

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Notes: (continued)

(c) Assets and liabilities of Champion REIT are based on published financial information of Champion REIT, at the effective interest held by Great Eagle Holdings Limited, being 67.22% (2019: 66.22%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK$506,019,000 (2019: HK$518,838,000).

(d) Assets and liabilities of Langham are based on published financial information of Langham, at the effective interest held by Great Eagle Holdings Limited, being 69.24% (2019: 63.45%). It includes three hotel properties with appraised value of HK$14,802,000,000 as at 31 December 2020 (2019: HK$17,500,000,000). The three hotel properties are self-operated by Great Eagle and accordingly recognised as property, plant and equipment with corresponding carrying amount (at cost less accumulated depreciation) of HK$3,743,680,000 (2019: HK$3,953,649,000) in the Group's consolidated statement of financial position.

(e) Assets and liabilities of the US Real Estate Fund are based on results of the fund at the 49.97% (2019: 49.97%) interest held by Great Eagle Holdings Limited.

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan, Italy and others.

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers, except for property investment and hotel operations which are based on the geographical location of the properties, and information about the carrying amount of non-current assets excluding financial instruments, interests in associates and joint ventures by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**8,967,662**	5,004,052	**77,094,626**	91,608,749
The USA	**493,345**	1,687,421	**8,100,936**	7,167,205
The PRC	**297,667**	565,630	**3,043,054**	2,972,001
Canada	**110,752**	565,236	**603,338**	605,361
The United Kingdom	**137,974**	647,471	**1,654,864**	1,678,579
Australia	**156,195**	471,450	**838,465**	806,249
New Zealand	**139,902**	286,918	**1,035,523**	582,154
Japan	**–**	–	**1,962,804**	1,812,858
Italy	**–**	–	**343,793**	291,045
Others	**1,790**	8,652	**–**	–
	10,305,287	9,236,830	**94,677,403**	107,524,201

6. SEGMENT INFORMATION (continued)

Information about major customers

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

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income on:		
Bank deposits	**149,358**	164,903
Financial assets at FVTPL	**11,124**	975
Notes receivable	**61,091**	33,052
Others	**23,648**	24,888
	245,221	223,818
Government subsidy (Note)	**261,468**	–
Recovery of bad debts	–	148
Sundry income	**11,801**	8,070
Net exchange gain	**15,897**	–
	534,387	232,036

Note:

During the current year, the Group recognised government grants of HK$261,468,000 in respect of COVID-19-related subsidies.

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings	**562,623**	689,433
Interest on medium term notes	**225,188**	196,555
Interest on lease liabilities	**1,043**	1,372
Other borrowing costs	**56,775**	79,912
	845,629	967,272
Less: amount capitalised (note)	**(42,702)**	(82,846)
	802,927	884,426

Note:

Interest were capitalised at an average annual rate of 0.97% (2019: 1.79%) to property development projects.

9. INCOME TAXES

	2020 HK$'000	2019 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**592,455**	356,196
Other jurisdictions	**2,203**	92,574
	594,658	448,770
Overprovision in prior years:		
Hong Kong Profits Tax	**(2,897)**	(628)
Other jurisdictions	**(6,785)**	(4,695)
	(9,682)	(5,323)
	584,976	443,447
Deferred tax (note 31):		
Current year	**(165,436)**	(10,600)
Overprovision in prior years	**(15,729)**	(3,058)
	(181,165)	(13,658)
	403,811	429,789

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Corporate tax rate in the USA is calculated at the effective rate of 28% of the estimated assessable profit for both years.

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

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

	2020 HK$'000	2019 HK$'000
Loss before tax	**(12,398,274)**	(146,283)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**(2,045,715)**	(24,136)
Tax effect of expenses that are not deductible for tax purpose	**2,424,664**	426,404
Tax effect of income that is not taxable for tax purpose	**(50,679)**	(35,490)
Overprovision in prior years	**(25,411)**	(8,381)
Tax effect of share of results of associates	**(849)**	(196)
Tax effect of share of results of joint ventures	**2,800**	(7,237)
Tax effect of tax losses not recognised	**149,844**	54,459
Utilisation of tax losses previously not recognised	**(4,356)**	(10,126)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(71,173)**	16,933
Others	**24,686**	17,559
Tax charge for the year	**403,811**	429,789

10. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,746,906	2,570,669
Share-based payments (including Directors' emoluments)	13,308	31,506
	1,760,214	2,602,175
Depreciation	831,868	768,529
Auditor's remuneration	15,331	15,735
Trustee's remuneration	12,852	14,685
Cost of inventories recognised as an expense	3,267,544	689,790
Write-down of properties held for sale (included in cost of goods and services)	–	32,525
Net exchange loss (included in administrative and other expenses)	–	15,205
Fitting-out works of hotel buildings written off	700	47,558
Allowance for doubtful debts	607	507
Share of tax of a joint venture (included in the share of results of joint ventures)	–	146
Share of tax of associates (included in the share of results of associates)	11	–
and after crediting:		
Net exchange gain (included in other income)	15,897	–
Share of tax credit of associates (included in the share of results of associates)	–	6
Recovery of bad debts	–	148
Dividend income from		
– equity instruments at FVTOCI	4,657	14,659
– financial assets at FVTPL	3,571	6,711
Rental income from investment properties less related outgoings of HK$243,731,000 (2019: HK$204,556,000)	2,473,597	2,714,361

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2019: fourteen) Directors were as follows:

	2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	220	14,122	1,021	3,302	612	19,277
Mr. LO Hong Sui, Antony	220	1,618	141	477	85	2,541
Madam LAW Wai Duen	220	659	57	477	35	1,448
Mr. KAN Tak Kwong	220	6,738	587	2,080	352	9,977
Mr. CHU Shik Pui	220	4,788	417	1,741	250	7,416
Mr. LO Alexander Chun Him	220	2,696	220	1,115	132	4,383
Sub-total	1,320	30,621	2,443	9,192	1,466	45,042

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

	2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) NON-EXECUTIVE DIRECTORS						
Madam LO TO Lee Kwan	220	–	–	–	–	220
Mr. LO Hong Sui, Vincent	220	–	–	–	–	220
Dr. LO Ying Sui	220	–	–	–	–	220
Sub-total	660	–	–	–	–	660

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2020					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent	550	–	–	–	–	550
Professor WONG Yue Chim, Richard	510	–	–	–	–	510
Mrs. LEE Pui Ling, Angelina	510	–	–	–	–	510
Mr. LEE Siu Kwong, Ambrose	500	–	–	–	–	500
Mr. POON Ka Yeung, Larry	500	–	–	–	–	500
Sub-total	2,570	–	–	–	–	2,570

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

Total	48,272

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	220	14,391	2,049	4,636	603	21,899
Mr. LO Hong Sui, Antony	220	1,674	190	672	84	2,840
Madam LAW Wai Duen	220	682	77	672	34	1,685
Mr. KAN Tak Kwong	220	6,930	1,178	2,908	346	11,582
Mr. CHU Shik Pui	220	4,925	837	2,397	246	8,625
Mr. LO Alexander Chun Him	220	2,481	393	1,512	115	4,721
Sub-total	1,320	31,083	4,724	12,797	1,428	51,352

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

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) NON-EXECUTIVE DIRECTORS						
Madam LO TO Lee Kwan	220	–	–	–	–	220
Mr. LO Hong Sui, Vincent	220	–	–	–	–	220
Dr. LO Ying Sui	220	–	–	–	–	220
Sub-total	660	–	–	–	–	660

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent	550	–	–	–	–	550
Professor WONG Yue Chim, Richard	510	–	–	–	–	510
Mrs. LEE Pui Ling, Angelina	510	–	–	–	–	510
Mr. LEE Siu Kwong, Ambrose	500	–	–	–	–	500
Mr. POON Ka Yeung, Larry	500	–	–	–	–	500
Sub-total	2,570	–	–	–	–	2,570

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

Total	54,582

Dr. LO Ka Shui performs the function of the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Discretionary bonuses are determined by the remuneration committee of the Company from time to time by reference to the prevailing market conditions, the performance of the Company as well as the individual performance.

None of the Directors waived any emoluments in the years ended 31 December 2020 and 31 December 2019.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2019: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2019: two) individuals were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**13,156**	14,760
Discretionary bonuses	**274**	4,698
Share options	**1,414**	1,925
Retirement benefits scheme contributions	**1,208**	1,228
	16,052	22,611

	2020 Number of employees	2019 Number of employees
Bands:		
HK$6,500,001 – HK$7,000,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–
HK$14,500,001 – HK$15,000,000	**–**	1
	2	2

No emoluments were paid by the Group to any of the five individuals with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

12. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends paid:		
– Final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2019: HK50 cents in respect of the financial year ended 31 December 2018) per ordinary share	354,190	350,289
– Special final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2019: nil) per ordinary share	354,191	–
	708,381	350,289
– Interim dividend of HK33 cents in respect of the financial year ended 31 December 2020 (2019: HK33 cents in respect of the financial year ended 31 December 2019) per ordinary share	237,574	233,764
– Special interim dividend of HK$1.5 in respect of the financial year ended 31 December 2020 (2019: nil) per ordinary share	1,079,880	–
	1,317,454	233,764
	2,025,835	584,053

On 17 June 2020, a final dividend of HK50 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, and a special final dividend of HK50 cents per ordinary share were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2019.

On 8 July 2019, a final dividend of HK50 cents per ordinary share, which included scrip dividend alternatives offered to shareholders was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2018.

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

	2020 HK$'000	2019 HK$'000
Dividends:		
Cash	119,737	93,431
Share alternative (note 34)	234,453	256,858
	354,190	350,289

12. DIVIDENDS (continued)

	2020 HK$'000	2019 HK$'000
Dividends proposed:		
– Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2020 (2019: HK50 cents in respect of the financial year ended 31 December 2019) per ordinary share	359,960	354,191
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2020 (2019: HK50 cents in respect of the financial year ended 31 December 2019) per ordinary share	359,960	354,191
	719,920	708,382

The proposed final dividends in respect of the financial year ended 31 December 2020 is subject to approval by the shareholders in the forthcoming annual general meeting.

13. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	(8,540,252)	(337,790)

	2020	2019
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	714,970,724	707,927,393
Effect of dilutive potential shares:		
Share options	–	499,038
Weighted average number of shares for the purpose of diluted loss per share	714,970,724	708,426,431

For the year ended 31 December 2020, the diluted loss per share was the same as the basic loss per share as the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options because it will otherwise result in a decrease in loss per share.

14. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At 1 January	**87,322,962**	89,408,450
Exchange adjustments	**16,043**	(5,302)
Additions	**25,727**	66,601
Transfer from stock of properties (note 22)	**550,449**	–
Transfer to property, plant and equipment (note 15)	**(550,852)**	–
Decrease in fair value recognised in the consolidated income statement	**(14,252,703)**	(2,146,787)
At 31 December	**73,111,626**	87,322,962

(a) The Group's property interests situated in Hong Kong of HK$72,304,224,000 (2019: HK$87,079,800,000), in the US of HK$550,449,000 (2019: nil) and in the PRC of HK$256,953,000 (2019: HK$243,162,000) which are held under leasehold interests to earn rentals or for capital appreciation purposes are measured using the fair value model, and are classified and accounted for as investment properties.

(b) In determining the fair value of the relevant investment properties, the Group engages in independent professional property valuers to perform the valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. The assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of the ongoing COVID-19 pandemic. The management reports the valuation report and findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

(c) Included in the fair value of investment properties as at 31 December 2020 is HK$73,014,926,000 (2019: HK$87,223,762,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At 1 January	87,223,762	89,308,050
Exchange adjustments	16,043	(5,302)
Additions	25,727	66,601
Transfer from stock of properties	550,449	–
Transfer to property, plant and equipment	(550,852)	–
Decrease in fair value recognised in the consolidated income statement	(14,250,203)	(2,145,587)
At 31 December	73,014,926	87,223,762

Unrealised loss on property revaluation included in profit or loss amounted to HK$14,250,203,000 (2019: HK$2,145,230,000). There were no transfers into or out of Level 3 during the year.

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

	2020 HK$'000	2019 HK$'000
Leases in Hong Kong	72,304,224	87,079,800
Leases outside Hong Kong	807,402	243,162
	73,111,626	87,322,962

(e) The fair value of the Group's investment properties at 31 December 2020 and 2019 has been arrived at on a basis of valuation performed by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Colliers International (Hong Kong) Limited and Savills Valuation and Professional Services Limited

Investment properties in the PRC – Knight Frank Petty Limited

Investment properties in the USA – Cushman & Wakefield Western, Inc.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The Group leases out properties under operating leases. Details are set out in note 38.

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2020						
Commercial property in Wan Chai, Hong Kong	3,932,524	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	41,132,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.70% for office and 4.35% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	26,186,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.10% for office and 4.00% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished apartments in Hong Kong	957,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.00% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2020 (continued)						
Commercial properties in Shanghai, the PRC	256,953	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Condominiums in the USA	550,449	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 4.00%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparable within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	96,700	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2019						
Commercial property in Wan Chai, Hong Kong	4,804,600	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparable within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	48,530,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	32,648,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for office and 3.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished apartments in Hong Kong	998,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.20% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2019 (continued)						
Commercial properties in Shanghai, the PRC	243,162	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	99,200	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

Notes:

(i) A significant percentage change in the unobservable inputs would result in a significant percentage change in fair value measurement.

(ii) A significant percentage change in the unobservable inputs would result in a less significant percentage change in fair value measurement.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Right-of-use leasehold land HK$'000	Right-of-use properties HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST										
At 31 December 2018	3,847,531	2,349,418	–	15,527,784	724,874	533,681	3,810,720	4,355	97	26,798,460
Adjustment upon application of HKFRS 16	–	–	42,285	–	–	–	–	–	–	42,285
At 1 January 2019 (restated)	3,847,531	2,349,418	42,285	15,527,784	724,874	533,681	3,810,720	4,355	97	26,840,745
Exchange adjustments	20,250	–	(370)	(41,068)	(3,129)	–	20,960	(9)	–	(3,366)
Acquisitions	286,705	–	–	–	–	–	–	–	–	286,705
Additions	–	–	–	91,939	688,920	–	299,517	1,023	57	1,081,456
Transfer in (out)	(7,639)	–	–	5,347	101,960	–	(99,668)	–	–	–
Disposals/written off	–	–	–	(57,805)	–	(18)	(157,095)	(248)	–	(215,166)
At 31 December 2019	4,146,847	2,349,418	41,915	15,526,197	1,512,625	533,663	3,874,434	5,121	154	27,990,374
Exchange adjustments	138,759	–	622	347,660	8,000	–	95,812	28	3	590,884
Additions	–	–	2,763	1,167	1,109,252	–	218,356	–	9	1,331,547
Transfer in (out)	–	–	–	48,687	235,671	512,100	(7,963)	–	–	788,495
Disposals/written off	–	–	–	–	–	–	(10,122)	(437)	–	(10,559)
At 31 December 2020	4,285,606	2,349,418	45,300	15,923,711	2,865,548	1,045,763	4,170,517	4,712	166	30,690,741
DEPRECIATION AND IMPAIRMENT										
At 1 January 2019	114,953	1,046,679	–	4,054,474	–	129,794	1,818,450	3,305	97	7,167,752
Exchange adjustments	(530)	–	(143)	8,389	–	–	9,846	(8)	–	17,554
Charge for the year	–	44,764	13,187	369,475	–	26,809	313,888	405	1	768,529
Eliminated on disposals/ written off	–	–	–	(12,455)	–	(6)	(151,992)	(247)	–	(164,700)
At 31 December 2019	114,423	1,091,443	13,044	4,419,883	–	156,597	1,990,192	3,455	98	7,789,135
Exchange adjustments	1,000	–	518	103,183	–	–	60,728	25	3	165,457
Charge for the year	–	44,764	12,540	366,919	–	64,052	343,125	456	12	831,868
Eliminated on disposals/ written off	–	–	–	–	–	–	(9,299)	(95)	–	(9,394)
Impairment loss	–	–	13,407	271,467	–	–	63,024	–	–	347,898
At 31 December 2020	115,423	1,136,207	39,509	5,161,452	–	220,649	2,447,770	3,841	113	9,124,964
CARRYING AMOUNTS										
At 31 December 2020	4,170,183	1,213,211	5,791	10,762,259	2,865,548	825,114	1,722,747	871	53	21,565,777
At 31 December 2019	4,032,424	1,257,975	28,871	11,106,314	1,512,625	377,066	1,884,242	1,666	56	20,201,239

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$218,356,000 (2019: HK$299,517,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$37,005,000 (2019: HK$47,627,000), HK$266,000 (2019: HK$27,985,000) and HK$2,237,000 (2019: HK$3,591,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2020, the leasehold land with carrying amounts of HK$1,213,211,000 (2019: HK$1,257,975,000) are situated in Hong Kong. Freehold land is situated outside Hong Kong. Owner occupied properties situated in Hong Kong are land and buildings.

During the year ended 31 December 2020, investment properties with fair value of HK$550,852,000 (2019: nil) at the date of transfer were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation and use.

During the year ended 31 December 2020, stock of properties with carrying value of US$30,653,000 (equivalent to approximately HK$237,643,000) (2019: nil) were transferred to property, plant and equipment mainly due to change in use from development of property for sale to construction of hotel for operation.

During the year, the COVID-19 pandemic led to disruptions in the Group's hotel operation and flexible workspace operation. Segment losses were recorded for hotel operation segment and flexible workspace operation (as included in other operations segment). The management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment with aggregate carrying amount of HK$20,863,032,000.

For the purpose of impairment assessment of hotel properties, the relevant freehold land, right-of-use leasehold land, hotel buildings, hotel buildings under development and furniture, fixtures and equipment of each hotel property have been allocated into individual CGU. For the purpose of impairment assessment of hotel properties under development, the relevant hotel buildings under development and freehold land have been allocated into individual CGU. For the purpose of impairment assessment of flexible workspace operation, all furniture, fixtures and equipment of flexible workspace operation have been allocated to individual CGU. The recoverable amount of each CGU is defined as the higher of the fair value less costs of disposal and its value in use. If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount and an impairment loss is recognised.

For a number of CGUs of hotel properties with carrying amounts of HK$7,135,692,000, in determining the fair value less costs of disposal, the Group engages independent professional property valuers to perform valuation. The management works closely with the independent professional property valuers to establish the appropriate valuation techniques and inputs to the model. The discounted cash flow analysis for these CGUs are individually established based on analysis of historical data and assumptions about future market conditions, taking into consideration of the impact of the COVID-19 pandemic.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

For other CGUs of hotel properties with carrying amounts of HK$10,171,637,000, given that there is no independent professional property valuers to perform valuation, the management believes that it is more appropriate to adopt value in use approach for calculating the recoverable amounts of these CGUs individually for the impairment test. The calculation is based on cash flow projections covering the following 5 years with the assumptions of (i) the occupancy rates, which are subject to a higher degree of estimation uncertainties in the current year, would be resumed to pre-COVID-19 pandemic level in 2022-2023; (ii) the use of pre-tax discount rates from 6.25% to 12% as at 31 December 2020; and (iii) the use of terminal capitalisation rates from 5% to 8.37% to estimate return of the hotel properties beyond 5 years. In estimating the recovery period of the hotel operations, the impact of the COVID-19 pandemic has also been considered. Based on the result of the assessment, the recoverable amount of a hotel property in Boston, USA ("The Langham, Boston") with carrying amount of HK$1,462,063,000 is determined at HK$1,190,596,000 and an impairment loss of HK$271,467,000 is recognised. The Langham, Boston was closed for major renovation since 2019 and with the impact of COVID-19 pandemic, the cash flow projections has been adjusted downwards when determining its recoverable amount. The impairment amount has been allocated to hotel buildings such that the carrying amount of each category of assets in The Langham, Boston is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. There is no impairment recognised for the Group of other CGUs that include allocation of corporate assets. Management assesses that any reasonably possible change in any of these assumptions would not result in recognition of impairment or future impairment.

For hotel properties under development with carrying amounts of HK$3,473,669,000, the management adopts value in use approach for calculating the recoverable amount by reference to the forecasted future operating cash flows of the properties and the anticipated costs to completion of the hotel buildings under development by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend. Alternatively, the management adopts fair value less costs of disposal by relying on the valuation report.

For flexible workspace operation in Hong Kong with carrying amounts of HK$82,034,000, the recoverable amount as at 31 December 2020 is determined at HK$19,010,000 based on a value in use calculation using cash flows projections covering the following 5 years with a pre-tax discount rate of 10%. As a result, the carrying amounts of these assets are written down to their recoverable amounts and, accordingly, an impairment loss of HK$63,024,000 is recognised. There is no impairment recognised for the Group of other CGUs that include allocation of corporate assets.

16. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Cost of investments in joint ventures	241,201	241,201
Share of post-acquisition results and other comprehensive income	(146,726)	(129,377)
	94,475	111,824
Amount due from a joint venture	292	292
	94,767	112,116

Details of the material interests in joint ventures are as follows:

The Group's interests in joint ventures amounting to HK$94,475,000 as at 31 December 2020 (2019: HK$111,824,000) are accounted for using the equity method in these consolidated financial statements.

Pursuant to the agreements signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "8701 Investor") in 2016, the relevant activities of 8701 Associates 2, LLC ("8701") that significantly affect the return of 8701 require unanimous consent from the Group and the 8701 Investor, accordingly 8701 is accounted for as a joint venture.

8701 has interest in 8701 Collins Avenue, LLC ("8701 Collins"), a joint venture with an independent third party investor (the "8701 Collins Investor") which is principally engaged in residential development projects in Miami, Florida, the USA.

16. INTERESTS IN JOINT VENTURES (continued)

During the year, the 8701 Investor has fully redeemed its partnership interest in 8701 so that 8701 became an indirect wholly-owned subsidiary of the Company. Despite the Group's interest in 8701 Collins was increased to 53.8% at 31 December 2020 following exit of the 8701 Investor, the relevant activities 8701 Collins that significantly affect the return of 8701, require unanimous consent from the Group and the 8701 Collins Investor, accordingly 8701 Collins is accounted for as a joint venture.

Particulars regarding the joint ventures are set out in note 44.

At 31 December 2020, the Group's investment in joint ventures are not material to the Group.

Aggregate information of joint ventures that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of results for the year	(16,972)	43,860
The Group's share of other comprehensive income	–	11,366
The Group's share of total comprehensive (expense) income	(16,972)	55,226
Aggregate carrying amount of the Group's interests in the joint ventures	94,767	112,116

17. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Cost of investment in associates	108	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	53,160	55,592
	53,268	55,700

In determining whether there exists any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

Particulars regarding the associates are set out in note 45.

At 31 December 2020 and 2019, the Group's investment in associates are not individually material to the Group.

17. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of profit for the year	**5,147**	1,191
The Group's share of other comprehensive expense	**(5,206)**	(8,312)
The Group's share of total comprehensive expense	**(59)**	(7,121)
Dividends received from associates during the year	**2,373**	5,933
Aggregate carrying amount of the Group's interests in these associates	**53,268**	55,700

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI comprised:

	2020 HK$'000	2019 HK$'000
Listed equity securities in Hong Kong	**214,596**	190,375
Listed equity securities outside Hong Kong	**1,278**	5,887
Unlisted equity securities in Hong Kong	**114,615**	106,071
Unlisted equity securities outside Hong Kong	**735,100**	732,403
	1,065,589	1,034,736

At 31 December 2020 and 2019, all the listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets. Details of fair value measurement of the unlisted equity securities are set out in note 41(f).

19. NOTES AND LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Notes receivables	2,881,577	679,767
Loan receivables	253,730	88,154
Mortgage loan receivables	178,698	3,113
	3,314,005	771,034
Less: Amounts due within one year shown under current assets	(2,318,802)	(15,613)
Amounts due after one year	995,203	755,421

Notes receivables

At 31 December 2020, the Group held secured bonds with principal amount of HK$476,542,000 (2019: HK$237,046,000) and unsecured bonds with principal amounts of HK$2,405,035,000 (2019: HK$442,721,000) denominated in US$ with nominal values ranging from US$200,000 to US$100,000,000 (2019: US$500,000 to US$7,640,000), bears interest at fixed interest rates ranging from 3.75% to 11.50% (2019: fixed interest rates ranging from 3.75% to 9.125% per annum or variable interest rate of 3-month LIBOR plus 4.85%) per annum and has maturity dates ranging from January 2021 to October 2025 (2019: May 2020 to May 2025).

Loan receivables

Pacific Miami Corporation, a wholly-owned subsidiary of the Company, entered into unsecured promissory notes from 2015 to 2017 with an investee classified as a joint venture for a loan receivable of US$4,728,000 (equivalent to approximately HK$36,652,000) (2019: US$11,318,000 (equivalent to approximately HK$88,154,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

During the year ended 31 December 2020, the US Real Estate Fund entered into unsecured promissory note for a loan receivable of US$28,000,000 (equivalent to approximately HK$217,078,000), which bears interest at 1.69% per annum and has a maturity date on 31 January 2025.

Mortgage loan receivables

Mortgage loan receivables are secured by second mortgages on properties and repayable by monthly instalments with tenors not more than 25 years at the year end date and carry interest at rates with reference to banks' lending rates.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	–	161,771	12,788	63,267
Cross currency swaps	–	138,313	–	51,740
Foreign currency derivative contracts	20,954	21,266	–	4,198
	20,954	321,350	12,788	119,205
Less: Would be matured within one year shown under current assets/liabilities	(20,954)	(26,276)	(8,143)	(4,198)
Would be matured after one year	–	295,074	4,645	115,007

The Group entered into interest rate swaps with aggregate notional amount of HK$5,700,000,000 (2019: HK$4,000,000,000) to manage the exposure to the interest rate risk on the Group's floating-rate borrowings by swapping a proportion of those borrowings from floating rate of HIBOR to fixed rate ranging from 0.83% to 2.545% (2019: 1.035% to 2.545%). The Group also entered into interest rate swaps and cross currency swaps to manage the exposure to the interest rates and floating rate loans denominated in other currencies. In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements.

The fair values of foreign currency derivative contracts, interest rate swaps and cross currency swaps at the end of the reporting periods are provided by counterparty banks. The foreign currency derivative contracts, interest rate swaps and cross currency swaps will be due in January 2021 to April 2021, January 2021 to December 2023 and June 2022, respectively.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2020 HK$'000	2019 HK$'000
Non-current assets		
Cash flow hedges – interest rate swaps (note i)	–	34,344
Cash flow hedge – cross currency swap (note ii)	–	26,663
	–	61,007
Current asset		
Fair value hedge – interest rate swap (note i)	–	3,419
Non-current liabilities		
Cash flow hedge – cross currency swaps (note ii)	**1,172**	–
Cash flow hedge – interest rate swaps (note i)	**98,411**	–
	99,583	–
Current liability		
Cash flow hedge – interest rate swaps (note i)	**23,704**	–

Notes:

(i) Interest rate swap

Cash flow hedge
As at 31 December 2020, the Group entered into interest rate swap contracts to minimise its exposure to fluctuations in interest rates of its bank borrowings which bear interest at a floating rate of HIBOR plus 0.95% (2019: HIBOR plus 0.95%) per annum. The critical terms of the interest rate swaps and the corresponding bank borrowings are identical and the Directors considered that the interest rate swap contracts were highly effective hedging instruments and qualified as cash flow hedges.

	2020	2019
Carrying amount – (liabilities)/assets (HK$'000)	**(122,115)**	37,763
Notional amount (HK$'000)	**6,350,000**	4,950,000
Maturity date	**28 June 2021 to 28 June 2024**	28 June 2021 to 28 June 2024
Change in fair value of hedging instruments during the year (HK$'000)	**(184,977)**	12,243
Change in value of hedged item used to determine hedge effectiveness during the year (HK$'000)	**184,977**	(12,243)
Weighted average swap rate (before interest margin)	**1.42%**	1.54%

Fair value hedge
As at 31 December 2019, the Group had an interest rate swap contract of a notional amount of HK$200,000,000 to convert the fixed rate under its medium term notes to a floating rate of 1-month HIBOR plus 0.67% per annum. The interest rate swap qualifying as fair value hedge had a maturity date in May 2020, the same maturity date as the corresponding medium term notes.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

Notes: (continued)

(ii) Cross currency swap

As at 31 December 2020, the Group entered into cross currency swap contracts to minimise its exposure to fluctuations in foreign currency exchange rates and interest rate of certain of its medium term notes denominated in US$. The critical terms of the cross currency swaps and the corresponding medium term notes are identical and the Directors considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

	2020	2019
Carrying amount – (liabilities)/assets (HK$'000)	**(1,172)**	26,663
Notional amount (US$'000)	**386,400**	386,400
Maturity date	**17 January 2023**	17 January 2023
Change in fair value of hedging instruments during the year (HK$'000)	**(27,678)**	44,870
Change in value of hedged item used to determine hedge effectiveness during the year (HK$'000)	**27,678**	(44,870)
Weighted average exchange rate (US$: HK$)	**7.7595**	7.7595

(iii) Hedging reserve

	Cross currency swap HK$'000	**Interest rate swaps** HK$'000	**Total hedge reserves** HK$'000
As at 1 January 2019	(33,284)	23,230	(10,054)
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	44,870	12,243	57,113
Reclassification of fair value adjustment to profit or loss	16,422	(13,754)	2,668
Reclassification of amount attributable to non-controlling unitholders of Champion REIT	(20,821)	592	(20,229)
As at 31 December 2019	7,187	22,311	29,498
Fair value adjustments on cross currency swaps and interest rate swaps designated as cash flow hedge	**(27,678)**	**(184,977)**	**(212,655)**
Reclassification of fair value adjustment to profit or loss	**13,988**	**29,736**	**43,724**
Reclassification of amount attributable to non-controlling unitholders of Champion REIT	**4,596**	**51,225**	**55,821**
As at 31 December 2020	**(1,907)**	**(81,705)**	**(83,612)**

The fair values of the above derivatives are based on the valuations provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

22. STOCK OF PROPERTIES

	2020 HK$'000	2019 HK$'000
Properties under development for sale	–	5,466,838
Properties held for sale	**3,430,283**	629,719
	3,430,283	6,096,557

Stock of properties mainly comprised of the following:

(i) A site in Pine Street, San Francisco, the USA with a consideration of US$21,000,000 (equivalent to approximately HK$162,771,000) acquired in 2015. The development of residential properties is completed and available for sale to customers.

(ii) A residential site in Pak Shek Kok, Tai Po at the land premium of HK$2,412,000,000 acquired in 2014. Occupation permit of the development was obtained in June 2020.

(iii) An apartment building in Malibu, Los Angeles, the USA with a consideration of US$62,000,000 (equivalent to approximately HK$480,522,000) acquired in 2015. The property was held for sale while renovation works were carried out to convert the apartments into condominiums until 2019. During the year ended 31 December 2020, the property with carrying value of US$71,000,000 (equivalent to approximately HK$550,449,000) were transferred to investments properties due to change in use to earning rental from outsiders. The remaining amount of US$255,000 (equivalent to approximately HK$1,972,000) were transferred to property, plant and equipment.

(iv) A site in Howard Street, San Francisco, the USA acquired in 2015 with carrying value of US$30,398,000 (equivalent to approximately HK$235,671,000) at the year end date were transferred to property, plant and equipment due to change in use from development of property for sale to construction of hotel for operation.

As at the end of the reporting period, the Directors assessed whether there exists any objective evidence of impairment of the stock of properties held. No recognition of write-down of stock of properties is required as at 31 December 2020. Taking into consideration of the market conditions in the USA at 31 December 2019, the carrying amount exceeded the estimated amount to be recovered through sale of the property and, accordingly, a write-down of US$4,151,000 (equivalent to approximately HK$32,525,000) was recognised in profit or loss.

At 31 December 2019, the properties under development for sale with carrying amount of HK$236,771,000 were expected to be completed more than twelve months from the end of the reporting period.

23. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**7,890**	18,614
Trading goods	**2,252**	1,420
Provisions and beverages	**41,150**	43,314
Work-in-progress	**54,594**	63,473
	105,886	126,821

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade debtors, net of allowance for doubtful debts	**114,923**	182,037
Deferred lease receivables	**169,381**	168,585
Retention money receivables	**11,079**	14,731
Other receivables	**188,875**	233,095
Deposits and prepayments	**249,802**	255,437
	734,060	853,885

Included in the balance of debtors, deposits and prepayments are trade debtors (net of allowance of doubtful debts) of HK$114,923,000 (2019: HK$182,037,000). For hotel income and sales of goods, the Group allows an average credit period of 30 – 60 days to certain trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices.

The trade receivables from contracts with customers and retention money receivables are as follows:

	2020 HK$'000	2019 HK$'000
Trade receivables from contracts with customers	**55,697**	163,359
Retention money receivables	**11,079**	14,731
Amount due within one year	**(4,915)**	(9,500)
Amount due after one year	**6,164**	5,231

As at 1 January 2019, trade receivables from contracts with customers and retention money receivables amounted to HK$217,837,000 and HK$11,368,000, respectively.

Deposits and prepayments mainly consist of rental deposit paid, prepaid agency commissions of property sales and prepaid expenses for hotel operations.

24. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an analysis of trade debtors by age, presented based on the invoice date, net of allowance for doubtful debts:

	2020 HK$'000	2019 HK$'000
Within 3 months	**72,033**	170,481
More than 3 months but within 6 months	**20,955**	5,510
Over 6 months	**21,935**	6,046
	114,923	182,037

As at 31 December 2020, included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK$15,102,000 (2019: HK$13,898,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 are set out in note 41.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Equity linked notes	97,449	–
Currency linked notes	161,221	–
Listed equity securities held for trading	205,176	234,665
	463,846	234,665

At the end of the reporting period, all the listed equity securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets. The Group had entered into equity and currency linked notes with banks and are detailed as follows:

(i) US$ equity linked notes with nominal values ranging from US$200,000 to US$500,000 (2019: nil) have maturity period of three to six months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(ii) HK$ equity linked notes with nominal values ranging from HK$5,000,000 to HK$20,000,000 (2019: nil) have maturity period of four to six months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(iii) HK$ currency linked notes with notional values ranging from HK$20,000,000 to HK$80,000,000 (2019: nil) have maturity of three to six months. Redemption amount and exchange rates vary depending on various conditioning terms and different strike prices.

26. RESTRICTED CASH, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

Restricted cash

Restricted cash represented an amount equivalent to HK$171,745,000 (2019: HK$166,405,000) carried market interest rates ranging from 0% to 1.495% (2019: 0% to 1.495%) per annum was placed in designated bank account pursuant to applicable loan facilities requirements.

Time deposits with original maturity over three months

The amount represented time deposits carried market interest rate of 1.05% (2019: 2.505%) per annum with original maturity over three months but not exceeding one year.

Bank balances and cash

The bank balances include time deposits with original maturity of three months or less. Bank balances carry interest at market rates which range from 0.0005% to 3.255% (2019: 0.05% to 3.29%) per annum.

27. CREDITORS, DEPOSITS AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade creditors	203,987	269,948
Deposits received	789,414	852,764
Customer deposits and other deferred revenue	451,150	898,412
Construction fee payable and retention money payable	850,484	389,426
Accruals, interest payable and other payables	2,740,021	2,124,393
	5,035,056	4,534,943

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (2019: 4.25%) on the stated consideration of HK$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road upon listing.

Apart from the above, accruals, interest payable and other payables mainly consist of accrued operating expenses for the hotels. Included in the accruals, interest payable and other payables is HK$775,350,000 (2019: Nil) consideration payable in relation to notes receivable purchased in December 2020. The consideration payable has been fully settled subsequently to the end of the reporting period.

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

	2020 HK$'000	2019 HK$'000
Within 3 months	188,423	253,058
More than 3 months but within 6 months	2,280	3,099
Over 6 months	13,284	13,791
	203,987	269,948

Customer deposits and other deferred revenue comprised:

	2020 HK$'000	2019 HK$'000
Hotel operations	269,523	240,545
Sales of properties	168,144	615,574
Sales of goods	1,325	3,261
Others	12,158	39,032
	451,150	898,412

As at 1 January 2019, customer deposits and other deferred revenue amounted to HK$245,370,000.

Timing of satisfying the performance obligations of hotel operations and sales of goods and typical timing of payment are set out in note 5(ii). During the year, revenue from sales of properties is recognised.

27. CREDITORS, DEPOSITS AND ACCRUALS (continued)

The following table shows how much of the revenue recognised in the current year that are included in the customer deposits and other deferred revenue balance at the beginning of the year.

	2020 HK$'000	2019 HK$'000
Hotel operations	120,048	194,465
Sales of properties	610,961	–
Sales of goods	3,025	3,707
Others	34,670	812
	768,704	198,984

28. BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank loans and revolving loans	21,905,486	25,789,860
Loan front-end fee	(98,197)	(120,589)
	21,807,289	25,669,271

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

	2020 HK$'000	2019 HK$'000
Within one year	4,659,429	4,146,215
More than one year but not exceeding two years	3,719,780	4,433,556
More than two years but not exceeding five years	13,428,080	17,089,500
	21,807,289	25,669,271
Less: Amounts due within one year shown under current liabilities	(4,659,429)	(4,146,215)
Amounts due after one year shown under non-current liabilities	17,147,860	21,523,056

Borrowings amounting to HK$14,696,243,000 (2019: HK$18,230,995,000) were secured by way of legal charges over certain of the Group's assets and business undertakings.

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

	2020 HK$'000	2019 HK$'000
More than one year but not exceeding two years	39,343	–
More than four years but not exceeding five years	34,569	–
	73,912	–

28. BORROWINGS (continued)

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

	2020 HK$'000	2019 HK$'000
Within one year	4,659,429	4,146,215
More than one year but not exceeding two years	3,680,437	4,433,556
More than two years but not exceeding three years	6,884,465	3,592,124
More than three years but not exceeding four years	6,090,065	7,688,716
More than four years but not exceeding five years	418,981	5,808,660
	21,733,377	25,669,271

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

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	2.55%	N/A
Variable-rate borrowings	0.33% to 4.87%	0.33% to 5.01%

The Group entered into interest rate swaps and currency swaps to manage the exposure to the floating-rate borrowings as disclosed in notes 20 and 21.

29. MEDIUM TERM NOTES

	2020 HK$'000	2019 HK$'000
Medium term notes	7,664,522	5,552,670
Origination fees	(55,974)	(26,464)
	7,608,548	5,526,206

	2020 HK$'000	2019 HK$'000
The maturity of the medium term notes is as follows:		
Within one year	–	199,929
More than one year but not exceeding two years	643,000	–
More than two years but not exceeding five years	4,400,905	3,839,407
Over five years	2,564,643	1,486,870
	7,608,548	5,526,206
Less: Amount due within one year shown under current liabilities	–	(199,929)
Amount due after one year shown under non-current liabilities	7,608,548	5,326,277

With effective from 12 May 2020, the programme limit under the Group's US$1 billion guarantee medium term note programme was increased to US$2 billion.

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

As at 31 December 2020

Principal amount	**Coupon rate (per annum)**
US$686,400,000	2.95% to 3.75%
HK$2,343,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

As at 31 December 2019

Principal amount	**Coupon rate (per annum)**
US$386,400,000	3.75%
HK$2,543,000,000	3-month HIBOR plus 1.275% or fixed rates ranging from 2.75% to 4.00%

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

30. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**9,267**	11,513
More than one year but not exceeding two years	**7,787**	8,182
More than two years but not exceeding five years	**3,327**	10,050
	20,381	29,745
Less: Amount due within one year shown under current liabilities	**(9,267)**	(11,513)
Amount due after one year shown under non-current liabilities	**11,114**	18,232

The weighted average incremental borrowing rates applied to lease liabilities range from 3.29% to 5.00% (2019: from 3.29% to 5.00%) per annum.

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

	2020 HK$'000	2019 HK$'000
US$	**14,310**	19,448
RMB	**4,129**	6,266

31. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Investment properties and property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2019	1,444,806	(46,261)	(3,203)	1,395,342
Exchange differences	(2,475)	270	157	(2,048)
Charge (credit) to profit or loss for the year	33,965	(23,882)	(23,741)	(13,658)
At 31 December 2019	1,476,296	(69,873)	(26,787)	1,379,636
Exchange differences	**10,083**	**(1,700)**	**108**	**8,491**
(Credit) charge to profit or loss for the year	**(36,023)**	**(203,342)**	**58,200**	**(181,165)**
Recoverable of deferred tax asset recognised in prior years	**–**	**75,995**	**–**	**75,995**
At 31 December 2020	**1,450,356**	**(198,920)**	**31,521**	**1,282,957**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the end of the reporting period, the Group has unutilised tax losses of HK$4,587,520,000 (2019: HK$2,967,035,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$997,984,000 (2019: HK$376,895,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$3,589,536,000 (2019: HK$2,590,140,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$608,249,000 (2019: HK$336,782,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$608,249,000 (2019: HK$336,782,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$1,822,501,000 (2019: HK$2,243,474,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

		2020 Number of shares '000	2020 Nominal value HK$'000	2019 Number of shares '000	2019 Nominal value HK$'000
(a)	Authorised:				
	Shares of HK$0.50 each				
	Balance brought forward and carried forward	**1,200,000**	**600,000**	1,200,000	600,000
(b)	Issued and fully paid:				
	Shares of HK$0.50 each				
	Balance brought forward	**708,382**	**354,191**	698,647	349,324
	Issued upon exercise of share options under the share option schemes	**–**	**–**	1,989	994
	Issued as scrip dividends	**11,538**	**5,769**	7,746	3,873
	Balance carried forward	**719,920**	**359,960**	708,382	354,191

During the year ended 31 December 2020, 11,538,064 (2019: 7,746,010) shares of HK$0.50 each in the Company were issued at HK$20.32 (2019: HK$33.16) per share as scrip dividends.

33. RETIREMENT BENEFIT SCHEMES

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administrative Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the scheme, subject to minimum and maximum relevant income levels.

33. RETIREMENT BENEFIT SCHEMES (continued)

Forfeited contributions to retirement schemes for the year ended 31 December 2020 amounting to HK$2,733,000 (2019: HK$608,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2020 charged to the consolidated income statement amounted to HK$65,963,000 (2019: HK$91,051,000). As at 31 December 2020, contributions of HK$3,657,000 (2019: HK$3,694,000) due in respect of the year had not been paid over to the schemes.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, 11,538,064 (2019: 7,746,010) shares of HK$0.50 each in the Company were issued at HK$20.32 (2019: HK$33.16) per share as scrip dividends.

During the year ended 31 December 2020, a tenant issued 8,078,927 and 4,805,410 of its shares at prevailing market prices of HK$4.20 each and HK$4.79 each respectively as settlement of trade receivables in an aggregate amount of HK$54,354,000. The shares are classified as equity instruments at FVTOCI.

35. PLEDGE OF ASSETS

At 31 December 2020, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$21,786,903,000 (2019: HK$25,104,522,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property; and

(b) the Group's freehold land, leasehold land and hotel buildings and furniture and fixtures with a total carrying value of HK$11,791,242,000 (2019: HK$10,941,820,000).

During the year ended 31 December 2020, the Group's stock of properties with a total carrying value of HK$5,785,423,000 as at 31 December 2019 was released from the pledge for credit facility granted to its subsidiary.

36. SHARE OPTIONS

In accordance with a share option scheme of the Company (formerly Executive Share Option Scheme), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001 (the "1999 Share Option Scheme"), the Board of Directors of the Company may grant options to eligible officers, employees, associates, agents and contractors, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At the 2009 Annual General Meeting of the Company held on 27 May 2009, ordinary resolutions were proposed to approve the adoption of a new share option scheme (the "2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2009 Share Option Scheme became effective for a period of 10 years, commencing on 27 May 2009.

36. SHARE OPTIONS (continued)

Since the 2009 Share Option Scheme was due to expire on 26 May 2019, at the 2019 Annual General Meeting of the Company held on 22 May 2019, ordinary resolutions were proposed to approve the adoption of a new share option scheme (the "2019 Share Option Scheme") and termination of the operation of the 2009 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2019 Share Option Scheme became effective for a period of 10 years, commencing on 22 May 2019.

Further details of the 2009 Share Option Scheme

a. The purpose of the 2009 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any of its subsidiaries (the "Participant(s) of the 2009 Share Option Scheme") and to allow them to participate in the growth of the Company.

b. A Participant of the 2009 Share Option Scheme as determined by the Board of Directors of the Company include any person the Board of Directors of the Company may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any of its subsidiaries, any executive or non-executive directors of the Company or any of its subsidiaries and any associate, agent or contractor of the Company or any of its subsidiaries.

c. The total number of ordinary shares of HK$0.50 each in the share capital of the Company (the "Shares") which may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the 2009 Share Option Scheme.

d. The total number of Shares issued and to be issued upon exercise of the options granted to each Participant under the 2009 Share Option Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36-month period.

f. Any Participant of the 2009 Share Option Scheme who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the Participant ("Date of Grant").

g. The subscription price shall be determined by the Board of Directors of the Company and notified to a Participant of the 2009 Share Option Scheme and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day ("Business Day") (as defined in the Listing Rules); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant, and as subsequently adjusted pursuant to the terms of the 2009 Share Option Scheme, if relevant.

h. The 2009 Share Option Scheme has a life of 10 years commenced on 27 May 2009.

36. SHARE OPTIONS (continued)

Further details of the 2019 Share Option Scheme

a. The purpose of the 2019 Share Option Scheme is to motivate officers, employees, business associates, agents, contractors, business partners, consultants, advisers, suppliers, customers, subcontractors, joint venture partners or business alliances (the "Participant(s) of the 2019 Share Option Scheme") of the Company or any subsidiaries, associated companies and/or joint ventures of the Company ("Member(s) of the Group") and to allow them to participate in the growth of the Company.

b. A Participant of the 2019 Share Option Scheme as determined by the Board of Directors of the Company include any person the Board of Directors of the Company may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any Member of the Group, any executive or non-executive directors of the Company or any Member of the Group and any business associate, agent, contractor, business partner, consultant, adviser, supplier, customer, subcontractor, joint venture partner or business alliance of the Company or any Member of the Group.

c. The total number of Shares available for issue under the 2019 Share Option Scheme is 70,047,303, representing 9.73% of the issued shares of the Company as at the date of this Annual Report.

d. The total number of Shares which may be issued upon exercise of all options to be granted under the 2019 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the 2019 Share Option Scheme.

e. The total number of Shares issued and to be issued upon exercise of the options granted to each Participant under the 2019 Share Option Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares of the Company in issue.

f. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36-month period.

g. Any Participant of the 2019 Share Option Scheme who accepts an offer of the grant of an option in accordance with the terms of the scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the Participant.

h. The subscription price shall be determined by the Board of Directors of the Company and notified to a Participant of the 2019 Share Option Scheme and shall be at least the higher of (i) the closing price of the Shares of the Company as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a Business Day (as defined in the Listing Rules); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant, and as subsequently adjusted pursuant to the terms of the 2019 Share Option Scheme, if relevant.

i. The 2019 Share Option Scheme has a life of 10 years commenced on 22 May 2019.

36. SHARE OPTIONS (continued)

The following tables disclose details of the Company's share options held by employees, including Directors, and movements in such holdings under the 2009 Share Option Scheme and 2019 Share Option Scheme during the year:

2009 Share Option Scheme

In 2020 Year of grant of options	Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
	Number of shares				
2015	952,000	–	–	(952,000)	–
2016	1,439,000	–	–	(37,000)	1,402,000
2017	3,645,000	–	–	(410,000)	3,235,000
2018	4,921,000	–	–	(415,000)	4,506,000
2019	5,358,000	–	–	(500,000)	4,858,000
	16,315,000	–	–	(2,314,000)	14,001,000
Exercisable at end of the year					9,143,000
Weighted average exercise price	HK$37.68	N/A	N/A	HK$34.09	HK$38.28

In 2019 Year of grant of options	Outstanding options at 1 January 2019	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2019
	Number of shares				
2014	729,000	–	(729,000)	–	–
2015	980,000	–	(16,000)	(12,000)	952,000
2016	1,758,000	–	(306,000)	(13,000)	1,439,000
2017	4,781,000	–	(938,000)	(198,000)	3,645,000
2018	5,227,000	–	–	(306,000)	4,921,000
2019	–	5,673,000	–	(315,000)	5,358,000
	13,475,000	5,673,000	(1,989,000)	(844,000)	16,315,000
Exercisable at end of the year					6,036,000
Weighted average exercise price	HK$36.27	HK$39.05	HK$31.24	HK$39.44	HK$37.68

36. SHARE OPTIONS (continued)

2019 Share Option Scheme

In 2020 Year of grant of options	Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
	Number of shares				
2020	–	5,650,000	–	(338,000)	5,312,000
Exercisable at end of the year					–
Weighted average exercise price	N/A	HK$21.65	N/A	HK$21.65	HK$21.65

Details of the share options held by the Directors under the 2009 Share Option Scheme and 2019 Share Option Scheme included in the above table are as follows:

2009 Share Option Scheme

In 2020 Year of grant of options	Outstanding options at 1 January 2020	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2020
	Number of shares				
2015 – 2019	6,224,000	–	–	(580,000)	5,644,000

In 2019 Year of grant of options	Outstanding options at 1 January 2019	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2019
	Number of shares				
2014 – 2019	5,448,000	1,966,000	(1,190,000)	–	6,224,000

2019 Share Option Scheme

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

The weighted average price of the shares on the date the options exercised was HK$37.55 under the 2009 Share Option Scheme for the year ended 31 December 2019.

36. SHARE OPTIONS (continued)

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

Details of options granted under the 2009 Share Option Scheme and the 2019 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
2009 Share Option Scheme			
2014	27.2.2014	28.2.2016 – 27.2.2019	26.05
2014	17.3.2014	18.3.2016 – 17.3.2019	27.55
2015	11.3.2015	12.3.2017 – 11.3.2020	26.88
2015	10.4.2015	11.4.2017 – 10.4.2020	28.25
2016	14.3.2016	15.3.2018 – 14.3.2021	25.70
2017	14.3.2017	15.3.2019 – 14.3.2022	37.15
2018	14.3.2018	15.3.2020 – 14.3.2023	42.40
2018	8.5.2018	9.5.2020 – 8.5.2023	38.83
2019	14.3.2019	15.3.2021 – 14.3.2024	39.05
2019 Share Option Scheme			
2020	18.3.2020	19.3.2022 – 18.3.2025	21.65

36. SHARE OPTIONS (continued)

Notes:

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

(ii) The vesting period for the option grant is 24 months from date of grant.

(iii) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	Closing price per share as at the date of grant HK$	Exercise price HK$	Expected volatility (note a)	Expected dividend yield (note b)	Expected life from grant date	Rick free interest rate (note c)	Fair value per option HK$
27.2.2014	26.05	26.05	27.76%	2.89%	5 years	1.71%	5.06
17.3.2014	27.55	27.55	27.69%	2.70%	5 years	1.74%	5.46
11.3.2015	26.45	26.88	19.33%	3.58%	5 years	1.66%	3.22
10.4.2015	28.25	28.25	18.19%	3.34%	5 years	1.46%	3.36
14.3.2016	24.08	25.70	18.84%	3.83%	5 years	1.50%	3.09
14.3.2017	37.15	37.15	25.21%	2.12%	5 years	2.20%	7.65
14.3.2018	41.87	42.40	18.63%	1.87%	5 years	2.49%	6.96
8.5.2018	37.75	38.83	18.79%	2.07%	5 years	2.76%	6.18
14.3.2019	39.05	39.05	19.23%	2.31%	5 years	2.24%	6.24
18.3.2020	20.80	21.65	22.48%	5.13%	5 years	1.50%	2.56

Notes:

(a) The expected volatility was based on 5-year historical volatility of the Company's shares.

(b) The expected dividend yield was based on 5-year historical dividends of the Company.

(c) Risk free interest rate was approximated the yield of 5-year Exchange Fund Note on the date of grant.

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Change in variables and assumptions may result in changes in fair value of the options.

The Group recognised the total expense of HK$13,308,000 for the year ended 31 December 2020 (2019: HK$31,506,000) in relation to share options granted by the Company.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

37. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2020, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$9,410,227,000 (2019: HK$7,840,771,000) in aggregate of which HK$774,219,000 (2019: HK$1,467,366,000) was contracted for.

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

38. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,717,328,000 (2019: HK$2,918,917,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Included in property rental income is contingent rental income earned during the year ended 31 December 2020 amounted to HK$18,834,000 (2019: HK$144,654,000).

Minimum lease payments receivable on leases are as follows:

	2020 **HK$'000**	2019 HK$'000
Within one year	**2,291,327**	2,462,780
In the second year	**1,661,843**	1,750,400
In the third year	**875,176**	1,130,037
In the fourth year	**356,667**	577,918
In the fifth year	**91,744**	324,029
After five years	**9,318**	121,638
	5,286,075	6,366,802

Where leases are negotiated at a fixed rate for the first few years, but subject to renegotiation for the remaining contracted lease terms, the minimum lease payments are calculated based on the latest negotiated rent, if any.

The Group as lessee

At the end of reporting period, the Group has lease commitments of HK$1,984,000 (2019: HK$476,000) for short-term leases which fall due within one year.

39. CONNECTED AND RELATED PARTY DISCLOSURES

The Group had the following significant related party balances and transactions during the year. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties. Dr. Lo Ka Shui is the chairman and managing director of the Company. Transactions with the Group were disclosed as related party transactions.

	2020 HK$'000	2019 HK$'000
Transaction with a related party for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee income	1,344	1,356
Repair and maintenance income	–	37

	2020 HK$'000	2019 HK$'000
Transactions with related companies for the year ended 31 December		
SFK Construction Holdings Limited and its subsidiaries[1]		
Rental income	–	1,790
Building management fee income	–	295
Carpark income	–	42
Income from reinstatement work	–	229
Shui On Land Limited and its subsidiaries[2]		
Lease payment	1,771	1,774
Hotel income	340	344
Management fee expenses	3,583	3,613
Trading income	–	136
Shui Sing Holdings Limited and its subsidiaries[3]		
Management fee income	264	264
Repair and maintenance income	104	341
Agency fee income	13	27
Haining Haixing Hotel Company Limited[5]		
Hotel income	–	931
Healthy Seed Limited[4]		
Management fee income	143	135
Rental income	401	334
Building management fee income	166	166
Repair and maintenance income	136	–
Oasis Rainbow Limited[5]		
Procurement income	–	145

39. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

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

	2020 HK$'000	2019 HK$'000
Balances with related companies as at 31 December		
Amounts due from related companies (included in debtors, deposits and prepayments)		
SOCAM Development Limited and its subsidiaries[2]	141	147
Shui On Land Limited and its subsidiaries[2]	1,906	1,779
Shui Sing Holdings Limited and its subsidiaries[3]	406	289
Haining Haixing Hotel Company Limited[5]	–	244
	2,453	2,459
Amounts due from related parties (included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	112	118
Mr. Lo Kai Shui	664	664
	776	782
Amounts due to related companies (included in creditors, deposits and accruals and lease liabilities)		
SFK Construction Holdings Limited and its subsidiaries[1]	598	598
Shui On Land Limited and its subsidiaries[2]	2,724	4,560
Healthy Seed Limited[4]	147	147
Shui Sing Holdings Limited and its subsidiaries[3]	339	–
	3,808	5,305

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

Notes:

1 Mr. Lo Kai Shui, being a controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company.

2 Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company, and Mr. Lo Kai Shui.

39. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

Notes: (continued)

[3] Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and Mr. Lo Kai Shui, are among the discretionary beneficiaries under a discretionary trust, being a substantial shareholder of this company, holding 33.64% (2019: 33.36%) interest of the Company.

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

[5] The company is also a connected party of the Company in which a director of a subsidiary has controlling interest.

The remuneration of the Directors and other members of key management during the year were disclosed in note 11. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include borrowings and medium term notes disclosed in notes 28 and 29 respectively, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instruments at FVTOCI, notes and loan receivables, debtors, financial assets at FVTPL, restricted cash, time deposits with original maturity over three months, bank balances and cash, creditors, rental deposits received, derivative financial instruments, distribution payable, medium term notes, and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and lease liabilities and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk

(i) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits, time deposits with original maturity over three months, restricted cash, notes and loan receivables, and certain medium term notes and lease liabilities.

The Group's exposure to cash flow interest rate risk is resulted primarily from adverse change in interest rates of HIBOR and LIBOR arising from variable rate borrowings and certain medium term notes.

The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

The interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments for variable rate borrowings, medium term notes, and bank balances at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2020 would increase/decrease by HK$44,358,000 (2019: HK$80,659,000).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group has certain bank deposits, medium term notes, financial assets at FVTPL, equity instruments at FVTOCI, notes and loan receivables that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign currency derivative contracts.

The Group's medium term note of US$686,400,000 (2019: US$386,400,000) is denominated in a foreign currency (i.e. US$) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on part of its medium term note amounted to US$386,400,000 (2019: US$386,400,000). The cross currency swaps are designated as effective hedging instruments and hedge accounting is used (see note 21 for details). The Group reviewed the continuing effectiveness of hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instruments and the hedged items for assessing the hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**5,246,795**	1,795,933	**2,290,427**	604
RMB	**107,245**	75,993	**–**	–
Pound Sterling	**1,853**	1,981	**–**	–
Euro dollars	**46,125**	93,131	**2,700**	2,415
Australian dollars	**23,349**	10,430	**–**	–
New Zealand dollars	**67**	40	**–**	–
Canadian dollars	**20**	20	**–**	–
Macau pataca	**2,563**	10,209	**–**	–
Singapore dollars	**93,761**	92,039	**–**	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US$, no material currency risk exposure is expected on US$ denominated monetary assets and monetary liabilities and the cross currency swaps. Therefore they are excluded from the sensitivity analysis below. 10% (2019: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2019: 10%) change in foreign currency rate. A positive number below indicates a decrease in loss before tax where Hong Kong dollars weaken 10% (2019: 10%) against the relevant currency. For a 10% (2019: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the loss before tax for the year, and the balances below would be negative.

	2020 **HK$'000**	2019 HK$'000
RMB	**10,725**	7,599
Pound Sterling	**185**	198
Euro dollars	**4,343**	9,072
Australian dollars	**2,335**	1,043
New Zealand dollars	**7**	4
Canadian dollars	**2**	2
Macau pataca	**256**	1,021
Singapore dollars	**9,376**	9,204

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group's listed and certain unlisted equity instruments at FVTOCI, listed equity securities held for trading, and equity linked notes at FVTPL are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed and unlisted equity instruments at FVTOCI measured at fair value had been 10% (2019: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$106,559,000 (2019: HK$103,474,000) for the Group as a result of the changes in fair value of listed and unlisted equity instruments at FVTOCI.

If the prices of the listed equity securities held for trading measured at fair value had been 10% (2019: 10%) higher/lower, fair value changes on financial assets at FVTPL would increase/decrease by HK$20,518,000 (2019: HK$23,466,000) for the Group as a result of the changes in fair value of listed equity securities held for trading.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, maintain sufficient availability of banking facilities and ensure compliance with loan covenants as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK$7,378,111,000 as at 31 December 2020 (2019: HK$10,706,504,000). In addition to the cash resources, the Group has available borrowing facilities of which undrawn committed facility in the form of revolving bank loans amounted to HK$4,812,182,000 as at 31 December 2020 (2019: HK$6,253,684,000).

The Group established a US$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. The Group issued an aggregate principal amounts of HK$2,343,000,000 and US$686,400,000 as at 31 December 2020 (2019: HK$2,543,000,000 and US$386,400,000).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on effective interest rate at the end of the reporting period.

	Interest rate	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	3 to 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
2020								
Rental deposit received	–	183,251	182,856	198,424	72,348	39,141	676,020	676,020
Non-interest bearing	–	2,764,380	–	–	–	–	2,764,380	2,764,380
Fixed interest rate instruments	1.00% to 4.00%	237,533	276,484	3,120,485	124,630	4,513,765	8,272,897	7,039,460
Variable interest rate instruments	0.33% to 4.87%	5,018,427	3,916,462	7,668,275	6,154,190	439,877	23,197,231	22,376,377
Lease liabilities	3.29% to 5.00%	9,921	8,088	3,367	–	–	21,376	20,381
		8,213,512	4,383,890	10,990,551	6,351,168	4,992,783	34,931,904	32,876,618
2019								
Rental deposit received	–	275,406	161,635	171,422	50,354	71,467	730,284	730,284
Non-interest bearing	–	1,355,377	–	–	–	–	1,355,377	1,355,377
Fixed interest rate instruments	2.75% to 4.00%	171,558	368,708	168,708	3,121,945	1,831,833	5,662,752	4,883,206
Variable interest rate instruments	0.33% to 5.01%	4,877,277	4,997,687	4,654,072	7,857,595	5,906,846	28,293,477	26,312,271
Lease liabilities	3.29% to 5.00%	12,497	8,764	7,258	3,101	–	31,620	29,745
		6,692,115	5,536,794	5,001,460	11,032,995	7,810,146	36,073,510	33,310,883

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments based on their contractual maturities. For derivative financial instruments settled on a net basis, undiscounted net cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total amount HK$'000	Total carrying amount HK$'000
2020					
Derivatives net settlement					
Interest rate swaps	**(73,158)**	**(62,128)**	**(36,087)**	**(171,373)**	**(283,886)**
Cross currency swaps	**13,092**	**(144,306)**	**(9,505)**	**(140,719)**	**(139,485)**
Currency forward contracts	**(312)**	**–**	**–**	**(312)**	**(312)**

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total amount HK$'000	Total carrying amount HK$'000
2019					
Derivatives net settlement					
Interest rate swaps	29,002	7,086	12,613	48,701	(12,716)
Cross currency swaps	36,003	32,516	(84,395)	(15,876)	(25,077)
Currency forward contracts	(4,198)	–	–	(4,198)	(4,198)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2020 and 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group measures the loss allowance on liquid funds equal to 12m ECL. The credit risk on liquid funds is limited because most of the cash and deposits are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on derivative financial instrument is limited because most of the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on notes receivable and equity linked notes is limited because most of the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – credit-impaired	12m ECL
Watch list	Debtor repays by frequent instalments and usually makes full settlement after due date.	Lifetime ECL – credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources.	Lifetime ECL – credit-impaired	Lifetime ECL – non-credit-impaired
Loss	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment (continued)

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures which are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9.

Based on the ECL assessment, the credit exposures for trade and other receivables, loan receivables, amount due from a joint venture are considered as low risk of internal credit rating because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2020, loss allowance provision of HK$20,173,000 (2019: HK$19,566,000) for trade debtors was recognised.

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

	Lifetime ECL (non-credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	1,162	17,897	19,059
Increase in allowance recognised in profit or loss	507	–	507
As at 31 December 2019	1,669	17,897	19,566
Increase in allowance recognised in profit or loss	**607**	**–**	**607**
As at 31 December 2020	**2,276**	**17,897**	**20,173**

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade debtors	114,923	182,037
Other receivables	106,101	173,806
Notes receivable	2,881,577	679,767
Loan receivables	253,730	88,154
Mortgage loan receivables	178,698	3,113
Amount due from a joint venture	292	292
Restricted cash	171,745	166,405
Time deposits with original maturity over three months	191,485	200,000
Bank balances and cash	7,378,111	10,706,504
	11,276,662	12,200,078
Financial assets mandatorily measured at FVTPL		
Equity and currency linked notes	258,670	–
Financial assets held for trading	205,176	234,665
	463,846	234,665
Equity instruments at FVTOCI		
Equity instruments at FVTOCI	1,065,589	1,034,736
Derivative financial instruments	20,954	12,788
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	–	64,426
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	203,987	269,948
Other payables	1,463,148	431,335
Rental deposits received	676,020	730,284
Construction fee payable and retention money payable	850,484	389,426
Distribution payable	246,761	264,668
Borrowings	21,807,289	25,669,271
Medium term notes	7,608,548	5,526,206
	32,856,237	33,281,138
Derivative financial instruments	321,350	119,205
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	123,287	–

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value

The fair values of financial assets and financial liabilities, including equity instruments at FVTOCI, derivative financial instruments and financial assets at FVTPL are determined as detailed in note 41(f). The fair value of other financial assets and financial liabilities which are at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages in third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2020				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Equity and currency linked notes	–	–	258,670	258,670
Derivative financial instruments	–	20,954	–	20,954
Listed equity securities held for trading	205,176	–	–	205,176
Equity investments at FVTOCI				
Listed equity securities	215,874	–	–	215,874
Unlisted equity securities	768,586	–	81,129	849,715
Total	1,189,636	20,954	339,799	1,550,389
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	321,350	–	321,350
Derivative financial instruments under hedge accounting	–	123,287	–	123,287
Total	–	444,637	–	444,637

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2019				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Derivative financial instruments	–	12,788	–	12,788
Derivative financial instruments under hedge accounting	–	64,426	–	64,426
Listed equity securities held for trading	234,665	–	–	234,665
Equity investments at FVTOCI				
Listed equity securities	196,262	–	–	196,262
Unlisted equity securities	682,277	–	156,197	838,474
Total	1,113,204	77,214	156,197	1,346,615
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	119,205	–	119,205
Total	–	119,205	–	119,205

There were no transfers between Level 1 and 2 in the current year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)	Fair value as at 31 December 2020 HK$'000	Fair value as at 31 December 2019 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Listed equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**215,874**	196,262	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the consolidated statement of financial position.	**205,176**	234,665	Level 1	Quoted market bid prices in an active market.
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**768,586**	682,277	Level 1	Broker's quote which reflects the Group's share of fair value of the underlying investments which are publicly traded equity investments.
Foreign currency derivative contracts classified as derivative financial instruments in the consolidated statement of financial position.	**(21,266)** **20,954**	(4,198)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position.	**(283,886)**	50,551 (63,267)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Cross currency swaps classified as derivative financial instruments in the consolidated statement of financial position.	**(139,485)**	26,663 (51,740)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Financial assets (liabilities)	Fair value as at 31 December 2020 HK$'000	2019 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**81,129**	156,197	Level 3	Market approach. It is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability.	Multiples of several comparable companies and risk adjustments for lack of marketability. (Note a)
Equity and currency linked notes classified as financial assets at FVTPL in the consolidated statement of financial position.	**258,670**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices/ foreign currency exchange rate. (Note b)

Notes:

(a) The higher the multiples, the higher the fair value of unlisted equity securities. The higher the risk adjustments, the lower the fair value of unlisted equity securities. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

(b) The higher the volatility, the higher the fair value of equity and currency linked notes. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Reconciliation of Level 3 fair value measurements of financial assets

	Equity and currency linked notes HK$'000	Unlisted equity securities HK$'000
As at 1 January 2019	31,392	150,870
Purchases	25,000	16,346
Redemption upon maturity/disposal	(56,747)	–
Change in fair value	355	(11,019)
As at 31 December 2019	–	156,197
Purchases	**258,566**	**3,111**
Transfer to level 1	**–**	**(7,789)**
Change in fair value	**104**	**(70,390)**
As at 31 December 2020	**258,670**	**81,129**

The above change in fair value of equity and currency linked notes and unlisted equity securities are included in "fair value changes on financial assets at FVTPL" in the consolidated income statement and "fair value (loss) gain on equity instruments at FVTOCI" in the consolidated statement of comprehensive income, respectively.

42. RECONCILIATION OF LIABILITIES AND RELATED ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and related assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instrument HK$'000	Interest payable HK$'000	Borrowings HK$'000	Medium term notes HK$'000	Lease liabilities HK$'000	Dividend payables HK$'000	Distribution payable HK$'000	Total HK$'000
At 1 January 2019	33,647	98,349	25,624,861	5,536,292	–	–	271,748	31,564,897
Distribution declared	–	–	–	–	–	584,053	714,952	1,299,005
Interest expenses (note)	–	830,972	59,568	6,269	1,372	–	–	898,181
Fair value adjustment	(5,882)	–	–	–	–	–	–	(5,882)
New leases entered/lease modified	–	–	–	–	42,285	–	–	42,285
Financing cash flows	14,442	(910,144)	(11,007)	–	(13,543)	(327,195)	(722,334)	(1,969,781)
Foreign exchange translations	–	149	(4,151)	(16,355)	–	–	–	(20,357)
Interest capitalisation	–	82,846	–	–	–	–	–	82,846
Other non-cash changes	(216)	–	–	–	(369)	(256,858)	302	(257,141)
At 31 December 2019	41,991	102,172	25,669,271	5,526,206	29,745	–	264,668	31,634,053
Distribution declared	–	–	–	–	–	2,025,835	515,694	2,541,529
Interest expenses (note)	–	725,440	38,582	8,126	1,043	–	–	773,191
Fair value adjustment	406,634	–	–	–	–	–	–	406,634
New leases entered/lease modified	–	–	–	–	2,763	–	–	2,763
Financing cash flows	(25,586)	(779,707)	(4,090,586)	2,087,766	(13,493)	(1,791,382)	(533,148)	(5,146,136)
Foreign exchange translations	–	–	192,678	(13,550)	323	–	–	179,451
Interest capitalisation	–	42,702	–	–	–	–	–	42,702
Other non-cash changes	644	–	(2,656)	–	–	(234,453)	(453)	(236,918)
At 31 December 2020	423,683	90,607	21,807,289	7,608,548	20,381	–	246,761	30,197,269

Note:

The amounts reclassified from hedging reserve are excluded in the reconciliation.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 2019 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in the British Virgin Islands				
Jolly Trend Limited	2 shares of US$1 each	Investment holding	100%	100%

Indirect subsidiaries	Share capital issued Number of share(s)	Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in Hong Kong					
Able Wise (China) Limited	1	1	Investment holding	100%	100%
Best Come Limited	1	1	Flexible workspace operation	100%	100%
Bon Project Limited	2	2	Property investment	100%	100%
Champion Global Services Limited	1	1	Provision of procurement services	94.5%	94%
Chance Mark Limited	2	2	Property investment	100%	100%
Clever Gain Investment Limited	2	2	Restaurant operation	100%	100%
Eagle Asset Management (CP) Limited	16,000,000	16,000,000	Manager of real estate investment trust	100%	100%
Eagle Property Management (CP) Limited	1	1	Property management	100%	100%
Ease Billion Development Limited	2	2	Property investment	100%	100%
Ease Treasure Finance Limited	1	1	Financing	100%	100%
Ease Treasure Finance (PSK) Limited	1	1	Financing	100%	100%
Ease Treasure Investment Limited	1	1	Property development	100%	100%
Eaton Hotels International Limited	1	1	Hotel & restaurant management	100%	100%
Eaton Residences Management Limited	1,000	10,000	Management of furnished apartments	100%	100%
Fortuna Wealth Company Limited	2	2	Property investment	100%	100%
GE Hospitality Asset Management Limited	1	1	Asset management	100%	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	100%	100%
Great Eagle (China) Investment Limited	1	1	Investment holding	100%	100%
Great Eagle Project Advisory Company Limited	1	1	Provision of project management services	100%	100%
Great Eagle Real Estate Agency Limited	1	1	Real estate agency	100%	100%
Great Eagle Trading Holdings Limited	1,000	82,992,841	Investment holding	94.5%	94%
Keysen Engineering Company, Limited	2	2	Maintenance services	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued Number of share(s)	Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in Hong Kong (continued)					
Keysen Properties Management Company Limited	1	1	Property management	100%	100%
Keysen Property Management Services Limited (formerly known as The Great Eagle Properties Management Company, Limited)	1,800,000	1,800,000	Property management	100%	100%
Landton Limited	2	2	Investment holding	100%	100%
Langham Hospitality Group Limited	1	1	Investment holding	100%	100%
Langham Hotels International Limited	5,000	5,000	Hotel management	100%	100%
Langham Hotels Management (HK) Limited	1	1	Provision of hotel management service	100%	100%
Langham Hotels Services Limited	1	1	Hospitality management and marketing service	100%	100%
Langham Hotels (China) Limited	1	1	Hotel management	100%	100%
Langham Hotels (Cordis) Limited	1	1	Provision of staff services	100%	100%
Langham Hotels (EHK) Limited	1	1	Provision of staff services	100%	100%
Langham Hotels (LHK) Limited	1	1	Provision of staff services	100%	100%
LHIL Manager Limited	1	1	Trustee-Manager of Langham Hospitality Investments	100%	100%
Longworth Management Limited	10,000	10,000	Property management	100%	100%
Mega Bloom (China) Limited	1	1	Investment holding	100%	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	100%	100%
Selex Engineering Services Limited (formerly known as The Great Eagle Engineering Company Limited)	2	2	Maintenance services	100%	100%
Sharp Bloom Limited	1	1	Treasury management	100%	100%
The Great Eagle Company, Limited	2,000,000	1,000,000	Investment holding and property investment	100%	100%
The Great Eagle Development and Project Management Limited	2	20	Project management	100%	100%
The Great Eagle Estate Agents Limited	2	20	Real estate agency	100%	100%
The Great Eagle Finance Company, Limited	100,000	10,000,000	Financing	100%	100%
Topstar Investment Holdings Limited	1	1	Investment holding	94.5%	100%
Toptech Co. Limited	2,000,000	2,000,000	Trading of building materials	94.5%	94%
Totipotent Investment Limited	1	1	Treasury management	100%	100%
Venus Glory Company Limited	2	2	Property investment	100%	100%
Wisdom Living Limited*	1	1	Operation of loyalty membership platform	100%	–

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued: Number of share(s)	Share capital issued: Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company: 2020	2019
Incorporated and operating in Hong Kong (continued)					
Worth Bright Company Limited	2	2	Property investment	100%	100%
Zamanta Investments Limited	100	1,000	Property investment	100%	100%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT					
Benington Limited	100	1,000	Property investment	67.22%	66.22%
CP (A1) Limited	1	1	Property investment	67.22%	66.22%
CP (B1) Limited	1	1	Property investment	67.22%	66.22%
CP (MC) Limited	1	1	Property investment	67.22%	66.22%
CP (PH) Limited	1	1	Property investment	67.22%	66.22%
CP (SH) Limited	1	1	Property investment	67.22%	66.22%
CP (WC) Limited	1	1	Property investment	67.22%	66.22%
CP Finance Limited	1	1	Financing	67.22%	66.22%
CP (Portion A) Limited	2	2	Property investment	67.22%	66.22%
CP (Portion B) Limited	2	2	Property investment	67.22%	66.22%
CP Success Limited	1	1	Financing	67.22%	66.22%
CP Wealth Limited	1	1	Financing and treasury	67.22%	66.22%
Elegant Wealth Limited	1	1	Property investment	67.22%	66.22%
Maple Court Limited	2	2	Property investment	67.22%	66.22%
Panhy Limited	2	2	Property investment	67.22%	66.22%
Renaissance City Development Company Limited	2	20	Property investment	67.22%	66.22%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	67.22%	66.22%
Trump Treasure Limited	1	1	Treasury	67.22%	66.22%
Well Charm Development Limited	2	2	Property investment	67.22%	66.22%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham					
Cordis Hong Kong Limited	2	2	Property investment	69.24%	63.45%
Grow On Development Limited	5,000	5,000	Property investment	69.24%	63.45%
Harvest Star International Limited	2	2	Property investment	69.24%	63.45%
LHIL Finance Limited	1	1	Financing	69.24%	63.45%
LHIL Treasury (HK) Limited	1	1	Financing	69.24%	63.45%
LHIL Treasury Company Limited	1	1	Treasury management	69.24%	63.45%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated in the British Virgin Islands				
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Choice Wealth Limited	1 share of US$1	Treasury management	100%	100%
Ecobest Ventures Limited	1 share of US$1	Treasury management	100%	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%	100%
Great Eagle Nichemusic Limited	1 share of US$1	Treasury management	100%	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
LHIL Assets Holdings Limited	1 share of US$1	Investment holding of Langham share stapled units	100%	100%
Lucky Wheel Investments Limited	1 share of US$1	Treasury management	100%	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ultra New Investments Limited	1 share of US$1	Investment holding	100%	100%
Incorporated in the British Virgin Islands and operating in Hong Kong				
Raychen Investments Limited	1 share of US$1	Provision of computer system solutions and investment holding	100%	100%
Incorporated in the British Virgin Islands and directly owned and controlled by Champion REIT				
EAM-Champion REIT Limited	1 share of US$1	Securities investment	67.22%	66.22%
Incorporated in the British Virgin Islands and operating in the United Kingdom				
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%	100%
Incorporated and operating in Canada				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%	100%
Incorporated in the British Virgin Islands and operating in Australia				
Katesbridge Group Limited	1 share of US$1	Investment holding	100%	100%
Ruby Dynasty Limited	1 share of US$1	Investment holding	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in Australia				
NSW Hotel Management Pty Ltd	2 shares of A$1 each	Hotel operation	100%	100%
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%	100%
The Great Eagle Hotels (NSW) Trust	100 units of A$1 each	Hotel ownership	100%	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 shares of A$1 each	Hotel ownership	100%	100%
Incorporated and operating in Italy				
Rio dei Vetrai S.r.l.	EUR100,000	Hotel development	100%	100%
Incorporated in the British Virgin Islands and operating in New Zealand				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Hotel ownership	100%	100%
Incorporated and operating in New Zealand				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%	100%
Incorporated and operating in the USA				
Langham Hotels Pacific Corporation	100 shares of US$0.001 each	Hotel management	100%	100%
Pacific Boston Holdings Corporation	100 shares of US$0.001 each	Hotel management	100%	100%
Pacific Chicago LLC	US$34,626,714	Hotel ownership	100%	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%	100%
Pacific Eagle China Orient (US) Real Estate GP, LLC	US$250,000	Investment fund management	80%	80%
Pacific Eagle (US) Real Estate Fund, L.P.	US$95,189,804	Investment holding	49.97%	49.97%
Pacific Eagle Holdings Corporation	100 shares of no par value	Real estate management	100%	100%
Pacific Fifth Avenue Corporation	100 shares of US$0.01 each	Hotel ownership	100%	100%
Pacific Howard Corporation	100 shares of US$0.01 each	Property/hotel development	100%	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	100%	100%
Pacific Langham Chicago Corporation	100 shares of US$0.001 each	Hotel management	100%	100%
Pacific Langham NY Management Corporation	100 shares of US$0.01 each	Hotel management	100%	100%
Pacific Malibu Dume LLC	US$20,145,000	Property held for sale	49.97%	49.97%
Pacific 1125 Market Corporation	100 shares of US$0.01 each	Hotel development	100%	100%
Pacific Pine LLC	US$33,363,081	Property development	49.97%	49.97%
Pacific 2014 Second Avenue LLC	US$7,559,883	Property development	100%	100%
Pacific Virginia LLC	US$18,465,373	Property development	100%	100%
Pacific Washington DC Corporation	100 shares of US$0.01 each	Hotel ownership	100%	100%
Pacific Washington DC Manger Corporation	100 shares of US$0.01 each	Hotel management	100%	100%
Peak Project Management Limited	100 shares of US$0.01 each	Project management	100%	100%
Shorthills NJ, Inc.	100 shares of US$1 each	Property investment	100%	100%

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ registered capital	Principal activities	Percentage of issued equity share capital held by the Company 2020	2019
Incorporated and operating in the PRC				
卓環管理咨詢(上海)有限公司 **	US$100,000	Provision of procurement services	94.5%	94%
朗廷酒店管理(上海)有限公司 **	US$3,750,000	Hotel management	100%	100%
朗虹(上海)酒店有限公司 **	RMB1,100,000,000	Hotel ownership and operation	100%	100%
上海禮興酒店有限公司 **	US$79,575,000	Hotel ownership and operation	100%	100%
高端(上海)貿易有限公司 **	US$350,000	Trading of building materials	94.5%	94%
高端星(上海)貿易有限公司 ***	RMB1,000,000	General trading business	94.5%	–
Incorporated and operating in Japan				
Great Eagle Tokyo TMK	JPY27,356,100,000	Hotel development	100%	100%
Great Eagle Japan KK	JPY20,000,000	Hotel management and property development	100%	100%
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	67.22%	66.22%
Ernest Limited	100 shares of US$1 each	Investment holding	67.22%	66.22%
Incorporated and operating in Indonesia				
PT. Langham Hotels Management Indonesia*	IDR10,000,000,000	Hotel management	100%	–

* All these subsidiaries commenced its business during the year ended 31 December 2020.

** All these subsidiaries are registered as wholly foreign-owned enterprise in the PRC.

*** This subsidiary commenced its business during the year ended 31 December 2020 and is registered as a wholly foreign-owned enterprise in the PRC.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued medium term notes as detailed in note 29, no other subsidiaries had issued any debt securities at 31 December 2020 and 2019 at any time during both years.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests/unitholders as at 31 December 2020 and 2019:

Indirect subsidiaries	Place of incorporation and principal activities	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders		Loss allocated to non-controlling interests/unitholders		Accumulated non-controlling interests/unitholders	
		2020	2019	2020	2019	2020	2019
				HK$'000	HK$'000	HK$'000	HK$'000
Champion REIT	HK/Property investment	32.78%	33.78%	(4,148,346)	(188,831)	16,671,121	21,901,034
Langham	Cayman Islands/Property investment	30.76%	36.55%	(107,991)	(16,546)	(894,543)	(1,305,576)
US Real Estate Fund	the USA/Property investment	50.03%	50.03%	(6,543)	(36,233)	264,873	370,114

The above information is based on the financial information of Champion REIT and its subsidiaries, Langham and its subsidiaries and US Real Estate Fund and its subsidiaries for the relevant years respectively.

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2020 has 67.22% and 69.24% (2019: 66.22% and 63.45%) ownership interest in Champion REIT and Langham, respectively. The Group additionally achieves control over Champion REIT and Langham through the REIT Manager and Trustee-Manager, respectively, who are wholly owned subsidiaries of the Group.

Although the Group as at 31 December 2020 has 49.97% (2019: 49.97%) ownership in US Real Estate Fund, the Directors concluded that the Group is able to direct the relevant activities of US Real Estate Fund and achieves control over US Real Estate Fund through the general partner, who is a subsidiary of the Group.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests/unitholders is set out below. The summarised financial information below represents amounts before intragroup eliminations.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries

	2020 HK$'000	2019 HK$'000
Current assets	**4,054,758**	2,225,046
Non-current assets	**67,638,474**	81,454,100
Current liabilities	**(7,121,020)**	(4,299,495)
Non-current liabilities, excluding net assets attributable to unitholders	**(13,714,614)**	(14,545,329)
Net assets attributable to non-controlling unitholders of Champion REIT	**16,671,121**	21,901,034
Revenue	**2,920,320**	3,080,669
Expenses	**(1,353,693)**	(1,407,069)
Loss for the year, before distribution to unitholders	**(12,497,090)**	(570,322)
Distribution to unitholders	**(1,476,445)**	(1,565,536)
Loss for the year, after distribution to unitholders (note a)	**(13,973,535)**	(2,135,858)
Other comprehensive (expense) income for the year (note b)	**(147,930)**	59,781
Total comprehensive expense for the year (note c)	**(14,121,465)**	(2,076,077)
Attributable to non-controlling unitholders of Champion REIT:		
Loss for the year, before distribution to unitholders	**(4,148,346)**	(188,831)
Other comprehensive (expense) income for the year	**(55,821)**	20,229
Total comprehensive expense for the year	**(4,204,167)**	(168,602)
Distributions to non-controlling unitholders of Champion REIT	**488,393**	529,776
Net cash inflow from operating activities	**1,075,637**	1,991,407
Net cash (outflow) inflow from investing activities	**(1,104,097)**	5,289
Net cash outflow from financing activities	**(91,101)**	(1,634,571)
Net cash (outflow) inflow	**(119,561)**	362,125

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

Notes:

		2020 HK$'000	2019 HK$'000
(a)	Loss for the year, after distributions to unitholders		
	attributable to owners of the Company	**(9,336,796)**	(1,417,251)
	attributable to non-controlling unitholders of Champion REIT	**(4,636,739)**	(718,607)
		(13,973,535)	(2,135,858)
(b)	Other comprehensive (expense) income for the year		
	attributable to owners of the Company	**(98,993)**	39,552
	attributable to non-controlling unitholders of Champion REIT	**(48,937)**	20,229
		(147,930)	59,781
(c)	Total comprehensive expense for the year		
	attributable to owners of the Company	**(9,435,789)**	(1,377,699)
	attributable to non-controlling unitholders of Champion REIT	**(4,685,676)**	(698,378)
		(14,121,465)	(2,076,077)

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2020 HK$'000	2019 HK$'000
Current assets	**274,094**	106,018
Non-current assets	**14,805,484**	17,506,028
Current liabilities	**(510,931)**	(463,754)
Non-current liabilities	**(6,439,050)**	(7,158,505)
Equity attributable to non-controlling interests before intragroup eliminations	**2,500,664**	3,651,267
Equity attributable to non-controlling interests after intragroup eliminations (note)	**(894,543)**	(1,305,576)
Revenue	**208,256**	483,883
Expenses	**(224,232)**	(269,227)
Loss and total comprehensive expense for the year	**(2,832,807)**	(2,634,711)
Attributable to non-controlling interests of Langham: Loss and total comprehensive expense for the year (note)	**(107,991)**	(16,546)
Distributions to non-controlling interests of Langham	**26,543**	150,146
Net cash inflow from operating activities	**12,442**	357,059
Net cash outflow from investing activities	**(79,792)**	(101,625)
Net cash inflow (outflow) from financing activities	**209,231**	(266,583)
Net cash inflow (outflow)	**141,881**	(11,149)

Note:

The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation and depreciation on Langham's properties and other service fees.

43. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund and its subsidiaries

	2020 HK$'000	2019 HK$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	269,718	374,753
Equity attributable to non-controlling interests after intragroup eliminations (note)	264,873	370,114
Loss and total comprehensive expense for the year	(13,078)	(64,263)
Attributable to non-controlling interests of US Real Estate Fund: Loss and total comprehensive expense for the year (note)	(6,543)	(36,233)
Distributions to non-controlling interests of US Real Estate Fund	100,079	–

Note:

The amounts have been adjusted for intragroup eliminations which primarily represent the elimination of fair value changes on properties and related deferred taxation in regards to the capital injection of the property to the US Real Estate Fund.

44. PARTICULARS OF THE PRINCIPAL JOINT VENTURES

Details of the Group's principal joint ventures at 31 December 2020 and 2019 are set out below:

Indirect joint ventures	Issued and paid up equity share capital/ contribution paid	Principal activities	Percentage of issued equity share capital held by the Group 2020	2019
Incorporated in the British Virgin Islands				
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are inactive	50%	50%
Incorporated in the USA				
8701 Associates 2, LLC	US$28,000,000	Investment holding of subsidiaries which are engaged in property development	N/A	50%
8701 Collins Avenue, LLC	US$26,112,500	Investment holding of a subsidiary which is engaged in property development	33%	N/A

45. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2020 and 2019 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Group 2020	2019
Incorporated in the British Virgin Islands				
City Apex Limited	3,500 shares of US$1 each	Investment holding	23%	23%
Incorporated in the Cayman Islands				
Redwood Peak Partners	12,500 shares of US$1 each	General partner of investment fund	25%	25%

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investment in a subsidiary	4,290,402	4,093,475
Amount due from a subsidiary	17,148,073	17,961,132
	21,438,475	22,054,607
Current assets		
Prepayments	505	207
Amount due from a subsidiary	365,116	628,267
Bank balances and cash	9,330	8,106
	374,951	636,580
Current liability		
Accruals and other payables	10,432	8,928
Net current assets	364,519	627,652
NET ASSETS	21,802,994	22,682,259
Share capital and reserves		
Share capital	359,960	354,191
Reserves	21,443,034	22,328,068
TOTAL EQUITY	21,802,994	22,682,259

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note)	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	5,967,374	3,054	424,627	60,710	15,360,417	21,816,182
Shares issued at premium	325,983	–	–	(11,862)	–	314,121
Share issue expenses	(107)	–	–	–	–	(107)
Recognition of equity-settled share-based payments	–	–	–	31,506	–	31,506
Profit and total comprehensive income for the year	–	–	–	–	750,418	750,418
Dividend paid	–	–	–	–	(584,052)	(584,052)
At 31 December 2019	6,293,250	3,054	424,627	80,354	15,526,783	22,328,068
Shares issued at premium	228,684	–	–	–	–	228,684
Share issue expenses	(4)	–	–	–	–	(4)
Recognition of equity-settled share-based payments	–	–	–	13,308	–	13,308
Profit and total comprehensive income for the year	–	–	–	–	898,813	898,813
Dividend paid	–	–	–	–	(2,025,835)	(2,025,835)
At 31 December 2020	6,521,930	3,054	424,627	93,662	14,399,761	21,443,034

Note: The contributed surplus is available for distribution to shareholders under the Bermuda Companies Act. Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. At 31 December 2020, total profits (including contributed surplus) available for distribution to shareholders was HK$12,303,647,000.

47. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2020, the Group entered into various agreements whereby the Group became the developer with MTR Corporation Limited for the project on a land in Ho Man Tin, Kowloon, Hong Kong.

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 117 to 234, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 14 to the consolidated financial statements, the Group's investment properties amounted to HK$87,322,962,000, as at 31 December 2019 represented 68.24% of the Group's total assets. Fair value losses on investments properties of HK$2,146,787,000 were recognised in the consolidated income statement for the year then ended. The Group's investment properties are carried at fair value based on valuation performed by independent professional property valuers. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations are dependent on certain key inputs that involve the management's and independent professional property valuers' judgments, including capitalisation rate, market rent per square foot, annual income 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.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent professional property valuers; • Obtaining an understanding from the independent professional property valuers about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgmental areas, key inputs and data used in the valuations; • Evaluating the reasonableness of the key inputs used in the valuations by comparing the rentals, capitalisation rate and market observable transactions for valuation with other similar properties, 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.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 Chan Ching Chu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**9,236,830**	10,156,180
Cost of goods and services		**(5,194,954)**	(5,992,257)
Operating profit before depreciation		**4,041,876**	4,163,923
Depreciation		**(768,529)**	(712,514)
Operating profit		**3,273,347**	3,451,409
Fair value changes on investment properties	14	**(2,146,787)**	6,660,669
Fair value changes on derivative financial instruments		**(51,303)**	(77,541)
Fair value changes on financial assets at fair value through profit or loss		**24,837**	(37,618)
Other income	7	**232,036**	259,866
Administrative and other expenses		**(639,038)**	(511,718)
Finance costs	8	**(884,426)**	(821,256)
Share of results of joint ventures		**43,860**	(10,389)
Share of results of associates		**1,191**	773
(Loss) profit before tax		**(146,283)**	8,914,195
Income taxes	9	**(429,789)**	(526,500)
(Loss) profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	10	**(576,072)**	8,387,695
(Loss) profit for the year attributable to:			
Owners of the Company		**(337,790)**	5,810,713
Non-controlling interests		**(49,451)**	(90,760)
		(387,241)	5,719,953
Non-controlling unitholders of Champion REIT		**(188,831)**	2,667,742
		(576,072)	8,387,695
(Loss) earnings per share:	13		
Basic		**(HK$0.48)**	HK$8.33
Diluted		**(HK$0.48)**	HK$8.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
(Loss) profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		**(576,072)**	8,387,695
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity instruments at fair value through other comprehensive income		**67,875**	(122,078)
Share of other comprehensive expense of an associate		**(8,312)**	(13,655)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(13,303)**	(231,759)
Share of other comprehensive income (expense) of a joint venture		**11,366**	(44,880)
Cash flow hedges:			
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	21	**57,113**	(8,540)
Reclassification of fair value adjustments to profit or loss	21	**2,668**	(509)
Other comprehensive income (expense) for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**117,407**	(421,421)
Total comprehensive (expense) income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT		**(458,665)**	7,966,274
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(237,343)**	5,390,474
Non-controlling interests		**(52,720)**	(88,883)
		(290,063)	5,301,591
Non-controlling unitholders of Champion REIT		**(168,602)**	2,664,683
		(458,665)	7,966,274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	14	**87,322,962**	89,408,450
Property, plant and equipment	15	**20,201,239**	19,630,708
Interests in joint ventures	16	**112,116**	1,352,771
Interests in associates	17	**55,700**	68,755
Equity instruments at fair value through other comprehensive income	18	**1,034,736**	900,472
Notes and loan receivables	19	**755,421**	339,100
Derivative financial instruments	20, 21	**65,652**	66,322
		109,547,826	111,766,578
Current assets			
Stock of properties	22	**6,096,557**	4,685,334
Inventories	23	**126,821**	145,990
Debtors, deposits and prepayments	24	**853,885**	995,993
Notes and loan receivables	19	**15,613**	–
Financial assets at fair value through profit or loss	25	**234,665**	230,032
Derivative financial instruments	20, 21	**11,562**	71
Tax recoverable		**608**	1,054
Restricted cash	26	**166,405**	170,798
Time deposits with original maturity over three months	26	**200,000**	702,833
Bank balances and cash	26	**10,706,504**	8,544,217
		18,412,620	15,476,322
Asset classified as held for sale	27	**–**	1,182,557
		18,412,620	16,658,879
Current liabilities			
Creditors, deposits and accruals	28	**4,534,943**	3,882,883
Derivative financial instruments	20	**4,198**	–
Provision for taxation		**526,998**	104,119
Distribution payable		**264,668**	271,748
Borrowings due within one year	29	**4,146,215**	4,981,198
Medium term notes	30	**199,929**	–
Lease liabilities	31	**11,513**	–
		9,688,464	9,239,948
Net current assets		**8,724,156**	7,418,931
Total assets less current liabilities		**118,271,982**	119,185,509

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Derivative financial instruments	20, 21	**115,007**	99,969
Borrowings due after one year	29	**21,523,056**	20,643,663
Medium term notes	30	**5,326,277**	5,536,292
Deferred taxation	32	**1,379,636**	1,395,342
Lease liabilities	31	**18,232**	–
		28,362,208	27,675,266
NET ASSETS		**89,909,774**	91,510,243
Equity attributable to:			
Owners of the Company			
Share capital	33	**354,191**	349,324
Share premium and reserves		**68,568,106**	69,003,488
		68,922,297	69,352,812
Non-controlling interests		**(913,557)**	(547,961)
		68,008,740	68,804,851
Net assets attributable to non-controlling unitholders of Champion REIT		**21,901,034**	22,705,392
		89,909,774	91,510,243

The consolidated financial statements on pages 117 to 234 were approved and authorised for issue by the Board of Directors on 6 March 2020 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 2019

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (note a)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000	Amount attributable to non-controlling unitholders of Champion REIT HK$'000	Total HK$'000
At 31 December 2017	344,295	5,619,734	217,565	23,109	3,054	400,965	(446,770)	43,895	(4,064)	8,123,352	50,143,577	64,468,712	(346,792)	64,121,920	20,706,511	84,828,431
Adjustments on adoption of HKFRS 9	–	–	(168,080)	–	–	–	–	–	–	–	168,080	–	–	–	–	–
At 1 January 2018 (restated)	344,295	5,619,734	49,485	23,109	3,054	400,965	(446,770)	43,895	(4,064)	8,123,352	50,311,657	64,468,712	(346,792)	64,121,920	20,706,511	84,828,431
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	5,810,713	5,810,713	(90,760)	5,719,953	2,667,742	8,387,695
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(122,078)	–	–	–	–	–	–	–	–	(122,078)	–	(122,078)	–	(122,078)
Share of other comprehensive expense of an associate	–	–	(13,655)	–	–	–	–	–	–	–	–	(13,655)	–	(13,655)	–	(13,655)
Change in fair value of cash flow hedges	–	–	–	–	–	–	–	–	(5,990)	–	–	(5,990)	–	(5,990)	(3,059)	(9,049)
Exchange differences arising on translation of foreign operations	–	–	242	–	–	–	(233,729)	–	–	(149)	–	(233,636)	1,877	(231,759)	–	(231,759)
Share of other comprehensive expense of joint ventures	–	–	–	–	–	–	(44,880)	–	–	–	–	(44,880)	–	(44,880)	–	(44,880)
Total comprehensive (expense) income for the year	–	–	(135,491)	–	–	–	(278,609)	–	(5,990)	(149)	5,810,713	5,390,474	(88,883)	5,301,591	2,664,683	7,966,274
Transaction with non-controlling unitholders of Champion REIT:																
Distribution to non-controlling unitholders of Champion REIT	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(522,051)	(522,051)
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(522,051)	(522,051)
Transaction with owners:																
Dividend paid	–	–	–	–	–	–	–	–	–	–	(907,860)	(907,860)	–	(907,860)	–	(907,860)
Transfer of gain on disposal of equity instruments at fair value through other comprehensive income	–	–	(5,601)	–	–	–	–	–	–	–	5,601	–	–	–	–	–
Shares issued at premium	5,029	347,753	–	–	–	–	–	(13,859)	–	–	–	338,923	–	338,923	–	338,923
Share issue expenses	–	(113)	–	–	–	–	–	–	–	–	–	(113)	–	(113)	–	(113)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	30,674	–	–	–	30,674	–	30,674	–	30,674
Increase of interests in subsidiaries (note b)	–	–	–	–	–	–	–	–	–	34,929	–	34,929	44,601	79,530	(143,751)	(64,221)
Waiver of distribution from a subsidiary (note c)	–	–	–	–	–	–	–	–	–	–	(2,927)	(2,927)	2,927	–	–	–
Distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(159,814)	(159,814)	–	(159,814)
At 31 December 2018	349,324	5,967,374	(91,607)	23,109	3,054	400,965	(725,379)	60,710	(10,054)	8,158,132	55,217,184	69,352,812	(547,961)	68,804,851	22,705,392	91,510,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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

Notes:

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

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

(c) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, a subsidiary, has agreed to waive its entitlement to receive any distributions repayable from its 50,000,000 share stapled units for 2017 in Langham. During the period ended 30 June 2018, distribution of HK$2,927,000 was waived by the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
(Loss) profit before tax	(146,283)	8,914,195
Adjustments for:		
Dividends received from equity securities held for trading	(6,711)	(5,300)
Dividends received from equity instruments at fair value through other comprehensive income	(14,659)	(20,947)
Fitting-out works of hotel buildings written off	47,558	3,985
Income arising from historical tax credit	–	(86,064)
Interest income	(223,818)	(159,875)
Fair value changes on investment properties	2,146,787	(6,660,669)
Fair value changes on derivative financial instruments	51,303	77,541
Fair value changes on financial assets at fair value through profit or loss	(24,837)	37,618
Write-down of properties held for sales	32,525	183,660
Allowance for doubtful debts	507	1,162
Depreciation	768,529	712,514
Recognition of share-based payments	31,506	30,674
Interest expense	884,426	821,256
Share of results of joint ventures	(43,860)	10,389
Share of results of associates	(1,191)	(773)
Exchange differences	3,679	(513)
Operating cash flows before movements in working capital	3,505,461	3,858,853
Decrease in debtors, deposits and prepayments	177,448	51,482
Decrease (increase) in inventories	19,169	(36,363)
Increase in creditors, deposits and accruals	661,061	203,374
Increase in stock of properties	(1,383,197)	(235,694)
Increase in derivative financial instruments	–	2,589
Increase in equity securities held for trading	(8,547)	(93,894)
Cash generated from operations	2,971,395	3,750,347
Hong Kong Profits Tax paid	(24,522)	(363,111)
Other jurisdictions tax paid	(87,059)	(87,809)
Hong Kong Profits Tax refunded	1	7
Other jurisdictions tax refunded	90,060	2,154
Net cash from operating activities	2,949,875	3,301,588

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Investing activities		
Additions of equity instruments at fair value through other comprehensive income	(120,968)	(54,872)
Additions of financial assets at fair value through profit or loss	(25,000)	(260,845)
Additions of interests in a joint venture	–	(7,079)
Additions of investment properties	(66,601)	(45,069)
Advance of loan receivables	(3,112)	(31,442)
Additions of property, plant and equipment	(1,356,875)	(853,183)
Additions of notes receivables	(435,821)	–
Dividends received from associates	5,933	7,538
Dividends received from		
– equity instruments at fair value through other comprehensive income	14,659	19,575
– equity securities held for trading	3,715	2,472
Distribution and repayment from a joint venture	1,295,673	–
Interest received	190,732	140,033
Withdrawal (placement) of restricted cash	1,876	(80,314)
Proceeds on disposal of		
– equity instruments at fair value through other comprehensive income	51,383	12,719
– financial assets at fair value through profit or loss	45,000	229,179
Proceeds on redemption of notes receivable	–	23,503
Proceeds on disposal of property, plant and equipment	2,908	860
Proceeds on disposal of asset classified as held for sale	1,176,139	–
Placement of time deposits with original maturity over three months	–	(297,289)
Withdrawal of time deposits with original maturity over three months	502,833	1,473,023
Net cash from investing activities	1,282,474	278,809
Financing activities		
Bank loans origination fees	(99,121)	(9,307)
Change of interests in subsidiaries	(196,045)	(64,224)
Distribution paid to non-controlling unitholders of Champion REIT	(537,159)	(501,099)
Distribution paid to non-controlling interests	(185,175)	(159,814)
Dividends paid to shareholders	(327,195)	(659,526)
Interest paid	(895,702)	(825,933)
Issue of shares	62,025	90,474
New bank loans raised	14,554,208	1,904,278
Proceeds from issuance of medium term notes	–	925,000
Repayments of bank loans	(14,466,094)	(2,125,856)
Repayments of lease liabilities	(13,543)	–
Transaction costs for issuance of medium term notes	–	(13,029)
Net cash used in financing activities	(2,103,801)	(1,439,036)

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Net increase in cash and cash equivalents	**2,128,548**	2,141,361
Effect of foreign exchange rates changes	**33,739**	(88,706)
Cash and cash equivalents at the beginning of the year	**8,544,217**	6,491,562
Cash and cash equivalents at the end of the year		
Included in bank balances and cash	**10,706,504**	8,544,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

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, manager of real estate investment trust, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management.

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")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and 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.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "*Leases*" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "*Determining whether an Arrangement contains a Lease*" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and the PRC was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.01% per annum.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	44,350
Difference for lease liabilities discounted at relevant incremental borrowing rates	(2,065)
Lease liabilities as at 1 January 2019	42,285
Analysed as	
Current	12,297
Non-current	29,988
	42,285

The carrying amount of right-of-use assets as at 1 January 2019 comprises right-of-use assets relating to operating leases recognised upon application of HKFRS 16 is HK$42,285,000.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted for as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustments have no material financial impact on the consolidated financial statements of the Group for the year.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Property, plant and equipment	19,630,708	42,285	19,672,993
Current liabilities			
Lease liabilities	–	12,297	12,297
Non-current liabilities			
Lease liabilities	–	29,988	29,988

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "*Definition of Material*"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "*Interest Rate Benchmark Reform*"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 "*Financial Instruments: Recognition and Measurement*", which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 "*Financial Instruments: Disclosures*" regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Directors of the Company anticipate that the application of these amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The 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*", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of 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 at initial recognition the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (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.

The significant accounting policies are set out below.

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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

Business combinations

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

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 "*Share-based Payment*" 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. 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 favourable or unfavourable 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

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

For contracts that contain more than one performance obligation, 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.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

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.

3. 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, if any. 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%

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.

Ownership interests in leasehold land and building

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Ownership interests in leasehold land and building (continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) 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.

Interests in associates and joint ventures

An associate is an entity over which the Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and joint ventures (continued)

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.

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 resulting 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these 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 and right-of-use 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 addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Properties under development for sale and properties held for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current asset held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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 or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

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.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 "*Financial Instruments*" ("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.

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.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of HKFRS 16 on 1 January 2019, 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.

In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as deferred lease payments. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income which are derived from the Group's ordinary course of business is presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 "Revenue from contracts with customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

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 the Company's shareholders are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered the service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the service. All short-term employee benefits are recognised as an expenses 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 profit/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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

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. 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 liabilities or deferred tax assets 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.

For the purpose 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 "*Income Tax*" 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 resulting 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividend income which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. 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 and debt instruments/receivables subsequently measured at FVTOCI. 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 is 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 as FVTOCI are measured at FVTPL.

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade debtors, other receivables and deposits, notes and loan receivables, amount due from a joint venture, restricted cash, time deposits with original maturity over three months and bank balances and cash), and retention money receivables which are subject to impairment 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 and retention money receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

3. 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)
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, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. 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)

(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 that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)
Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determination the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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 trade debtors where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to receive the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, 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 trade creditors, other payables, rental deposits received, distribution payable, borrowings and medium term notes) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

Cash flow hedges

The Group uses cross currency swaps to hedge its exposure against changes in exchange and interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 equity instruments that are expected to vest based on assessment of all relevant non-market vesting conditions. 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.

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to share premium.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have been in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale. As a result, the Group has not recognised any deferred taxation on changes in fair value of investment properties situated in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the investment properties situated in the United States of America ("USA") and the People's Republic of China ("PRC"), the Group has recognised the deferred taxation on changes in fair value of investment properties as the Group is subject to income taxes, capital gain taxes and land appreciation tax on disposal of its investment properties as appropriate.

Control over Pacific Eagle (US) Real Estate Fund, L.P. and its subsidiaries (collectively referred to as "US Real Estate Fund")

On 15 August 2014, US Real Estate Fund was newly formed upon a limited partnership agreement entered by Pacific Eagle China Orient (US) Real Estate GP, LLC (as general partner and referred to as "US Fund GP") and the limited partners (the "Limited Partnership Agreement"). In the formation of the US Real Estate Fund, the Group provided capital contributions by way of transferring certain investment properties. The Group as at 31 December 2019 effectively holds 49.97% (2018: 49.97%) interests in the US Real Estate Fund. In making their judgment, the Directors considered the Group's 80% ownership of the US Fund GP and in accordance with the Limited Partnership Agreement, the US Fund GP is able to direct the relevant activities of the US Real Estate Fund. After assessment, the Directors concluded that the Group is the principal and has control over the US Real Estate Fund and is accounted for as a subsidiary of the Company in accordance with the requirements of HKFRS 10 "Consolidated Financial Statements".

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional property valuers.

In determining the fair value of investment properties situated in Hong Kong and the PRC, the valuers have used income capitalisation approach which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period or direct comparison method which involves estimates of the fair value to similar properties adjusted to reflect current market conditions as of the end of the reporting period.

In relying on those valuation reports, the Directors have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions. Note 14 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

Stock of properties

As explained in note 3, the Group's properties under development for sale and properties held for sale are stated at the lower of cost and net realisable value. The Directors make significant judgments in determining the net realisable value of stock of properties based on estimated selling prices less anticipated costs to completion of these stock of properties.

Based on the nature of the subject properties, the Directors determine the net realisable value of these stock of properties by reference to the anticipated unit selling prices of the stock of properties, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing and forecasted property markets in the relevant jurisdiction. The Directors estimate the anticipated costs to completion of the stock of properties by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend.

If there is an increase in costs to completion or a decrease in net realisable value, this may result in write-downs for these stock of properties. Such write-downs require the use of judgment and estimates of the Directors.

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

Key sources of estimation uncertainty (continued)

Derivative financial instruments

As described in notes 20 and 21, the fair values of derivative financial instruments that are not quoted in active markets are provided by counterparty financial institutions and determined by using certain valuation techniques. Valuation techniques commonly used by market practitioners are applied. Cross currency swaps, interest rate swaps and other derivative financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Note 42 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of derivative financial instruments.

Where the actual future market data varies, a material adjustment on the fair values of derivative financial instruments may result. In relying on the valuation provided by counterparty financial institutions, management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

Estimated impairment of hotel properties

As explained in note 3, included in property, plant and equipment are the Group's hotel buildings which are stated at cost less subsequent accumulated depreciation and accumulated impairment losses; and hotel buildings under development which are stated at cost less accumulated impairment losses.

At the end of the reporting period, the Group reviews the carrying amounts of its hotel buildings and hotel buildings under development to determine whether there is any indication that those properties have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant property is estimated in order to determine the extent of the impairment loss (if any).

The Directors make significant judgments in determining the recoverable amount of hotel buildings and hotel buildings under development on value in use basis. Based on the nature of the subject properties, the Directors determine the recoverable amount of these properties by reference to the forecasted future operating cash flows of the properties and, when applicable, the anticipated costs to completion of the hotel buildings under development by reference to the actual development costs incurred, construction contracts committed and relevant market information showing the latest cost trend.

If there is a decrease of forecasted future operating cash flows of the properties, an increase in costs to completion or a decrease in recoverable amount, this may result in impairment of these hotel buildings and hotel buildings under development. Such impairment assessment requires the use of judgment and estimates of the Directors.

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).

	2019 HK$'000	2018 HK$'000
Hotel income	**5,545,524**	5,950,684
Rental income from investment properties	**2,918,917**	2,943,531
Building management service income	**321,697**	313,521
Sales of properties	**45,947**	578,156
Sales of goods	**213,728**	197,478
Dividend income	**21,370**	26,247
Others	**169,647**	146,563
	9,236,830	10,156,180

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

2019	**Hotel operation HK$'000**	**Property investment HK$'000**	**Property development HK$'000**	**Other operations HK$'000**	**Sub-total HK$'000**	**Champion REIT HK$'000**	**Langham HK$'000**	**US Real Estate Fund HK$'000**	**Eliminations HK$'000**	**Consolidated HK$'000**
Hotel income	**5,600,175**	**–**	**–**	**–**	**5,600,175**	**–**	**482,224**	**–**	**(536,875)**	**5,545,524**
Building management service income	**–**	**25,560**	**–**	**–**	**25,560**	**302,528**	**–**	**–**	**(6,391)**	**321,697**
Sales of properties	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**45,947**	**–**	**45,947**
Sales of goods	**–**	**–**	**–**	**213,863**	**213,863**	**–**	**–**	**–**	**(135)**	**213,728**
Others	**–**	**–**	**–**	**594,393**	**594,393**	**–**	**–**	**–**	**(424,746)**	**169,647**
Revenue from contracts with customers	**5,600,175**	**25,560**	**–**	**808,256**	**6,433,991**	**302,528**	**482,224**	**45,947**	**(968,147)**	**6,296,543**
Rental income from investment properties	**–**	**193,073**	**–**	**–**	**193,073**	**2,778,142**	**1,659**	**1,099**	**(55,056)**	**2,918,917**
Dividend income	**–**	**–**	**–**	**21,370**	**21,370**	**–**	**–**	**–**	**–**	**21,370**
	5,600,175	**218,633**	**–**	**829,626**	**6,648,434**	**3,080,670**	**483,883**	**47,046**	**(1,023,203)**	**9,236,830**

2018	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
Hotel income	6,022,816	–	–	–	6,022,816	–	615,125	–	(687,257)	5,950,684
Building management service income	–	25,795	–	–	25,795	287,726	–	–	–	313,521
Sales of properties	–	–	–	–	–	–	–	578,156	–	578,156
Sales of goods	–	–	–	198,129	198,129	–	–	–	(651)	197,478
Others	–	–	–	546,121	546,121	–	–	–	(399,558)	146,563
Revenue from contracts with customers	6,022,816	25,795	–	744,250	6,792,861	287,726	615,125	578,156	(1,087,466)	7,186,402
Rental income from investment properties	–	205,046	–	–	205,046	2,677,246	375	86,207	(25,343)	2,943,531
Dividend income	–	–	–	26,247	26,247	–	–	–	–	26,247
	6,022,816	230,841	–	770,497	7,024,154	2,964,972	615,500	664,363	(1,112,809)	10,156,180

5. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers:

– by source of revenue:

2019

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	3,221,844	3,221,844
– food & beverage revenue	1,930,870	–	1,930,870
– others	239,343	153,467	392,810
Building management service income	–	321,697	321,697
Sales of properties	45,947	–	45,947
Sales of goods	206,503	7,225	213,728
Others	–	169,647	169,647
Revenue from contracts with customers	2,422,663	3,873,880	6,296,543
Rental income from investment properties			2,918,917
Dividend income			21,370
			9,236,830

2018

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hotel income			
– room revenue	–	3,647,824	3,647,824
– food & beverage revenue	1,928,829	–	1,928,829
– others	230,812	143,219	374,031
Building management service income	–	313,521	313,521
Sales of properties	578,156	–	578,156
Sales of goods	189,095	8,383	197,478
Others	–	146,563	146,563
Revenue from contracts with customers	2,926,892	4,259,510	7,186,402
Rental income from investment properties			2,943,531
Dividend income			26,247
			10,156,180

5. REVENUE (continued)

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

– by geographical locations:

2019

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	**866,659**	**1,202,367**	**2,069,026**
The USA	**677,133**	**1,005,026**	**1,682,159**
Canada	**99,223**	**466,013**	**565,236**
The United Kingdom	**209,966**	**437,506**	**647,472**
Australia	**188,667**	**282,782**	**471,449**
New Zealand	**146,652**	**140,266**	**286,918**
The PRC	**226,801**	**338,828**	**565,629**
Others	**7,562**	**1,092**	**8,654**
Revenue from contracts with customers	**2,422,663**	**3,873,880**	**6,296,543**
Rental income from investment properties			**2,918,917**
Dividend income			**21,370**
			9,236,830

2018

	Revenue recognised at a point in time HK$'000	Revenue recognised over time HK$'000	Total HK$'000
Hong Kong	849,610	1,453,374	2,302,984
The USA	1,157,669	1,065,694	2,223,363
Canada	109,591	497,553	607,144
The United Kingdom	205,575	427,184	632,759
Australia	197,130	309,851	506,981
New Zealand	149,335	154,157	303,492
The PRC	256,504	350,242	606,746
Others	1,478	1,455	2,933
Revenue from contracts with customers	2,926,892	4,259,510	7,186,402
Rental income from investment properties			2,943,531
Dividend income			26,247
			10,156,180

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 trade customers.

Food & beverage revenue is recognised at a point in time when control of the goods and services is transferred to customers.

Other hotel income mainly comprises ancillary service income which is recognised at a point in time when control of the services is transferred to customers or over the service period, depending on the terms of the contracts.

Building management service income is recognised over the service period. The Group receives monthly building management service payments from customers one month in advance under the contracts.

Sale of properties is recognised at a point in time when control of the completed properties is delivered to buyers. The Group receives deposit from buyers when they sign the sale and purchase agreement. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as customer deposits and other deferred revenue under the Group's creditors, deposits and accruals.

Sale of goods is mainly recognised at a point in time when control of the goods is transferred to customers. The Group allows an average credit period of 30-60 days to its trade customers.

Others represent flexible workspace income, property maintenance and property management service income which are recognised over the service period. The Group receives a portion of service payments from customers in advance under the contracts.

5. REVENUE (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers:

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

2019

	Within one year HK$'000	More than one year but not more than two years HK$'000	More than two years HK$'000	Total HK$'000
Hotel income	**417,029**	**24,564**	**2,452**	**444,045**
Sales of properties	**4,437,626**	**–**	**–**	**4,437,626**
Sales of goods	**110,246**	**46,883**	**–**	**157,129**
Others	**34,670**	**–**	**–**	**34,670**
	4,999,571	**71,447**	**2,452**	**5,073,470**

2018

	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	591,105	102,311	13,223	706,639
Sales of goods	181,527	55,496	11,419	248,442
Others	14,784	–	–	14,784
	787,416	157,807	24,642	969,865

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts of building management service such that the above information does not include revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for building management service that had an original expected duration of one year or less.

6. SEGMENT INFORMATION

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of the US Real Estate Fund and each listed group, including Great Eagle Holdings Limited, Champion Real Estate Investment Trust ("Champion REIT") and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham").

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

Hotel operation	–	hotel accommodation, food and banquet operations as well as hotel management.
Property investment	–	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Property development	–	income from selling of properties held for sale.
Other operations	–	sale of building materials, flexible workspace operation, investment in securities, provision of property management, maintenance and property agency services.
Results from Champion REIT	–	based on published financial information of Champion REIT.
Results from Langham	–	based on financial information of Langham.
US Real Estate Fund	–	based on income from sale of properties and related expenses of the properties owned by the US Real Estate Fund.

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments (hereinafter referred to as the "Great Eagle Operations") represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors' salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at FVTPL, other income, finance costs and income taxes. The hotel operation segment result has been arrived at after reversing intra-group HKFRS 16 impact for its role as a lessee to the three hotel properties owned by Langham. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (continued)

The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

Segment revenue and results

2019

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,545,524	217,951	–	404,745	6,168,220	3,019,905	1,659	47,046	–	9,236,830
Inter-segment revenue	54,651	682	–	424,881	480,214	60,765	482,224	–	(1,023,203)	–
Total	5,600,175	218,633	–	829,626	6,648,434	3,080,670	483,883	47,046	(1,023,203)	9,236,830

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	779,817	168,204	–	562,284	1,510,305	2,182,965	448,300	(43,074)	(56,620)	4,041,876
Depreciation					(599,135)	–	(226,071)	–	56,677	(768,529)
Operating profit after depreciation					911,170	2,182,965	222,229	(43,074)	57	3,273,347
Fair value changes on investment properties					(152,851)	(1,994,379)	–	(357)	800	(2,146,787)
Fair value changes on derivative financial instruments					(36,412)	–	(14,891)	–	–	(51,303)
Fair value changes on financial assets at FVTPL					24,837	–	–	–	–	24,837
Other income					9,178	–	69	–	(1,029)	8,218
Administrative and other expenses					(596,610)	(23,896)	(13,328)	(8,881)	3,677	(639,038)
Net finance costs					9,882	(444,153)	(220,147)	(11,951)	5,761	(660,608)
Share of results of joint ventures					43,860	–	–	–	–	43,860
Share of results of associates					1,191	–	–	–	–	1,191
Loss before tax					214,245	(279,463)	(26,068)	(64,263)	9,266	(146,283)
Income taxes					(119,453)	(290,859)	(19,612)	–	135	(429,789)
Loss for the year					94,792	(570,322)	(45,680)	(64,263)	9,401	(576,072)
Less: Loss attributable to non-controlling interests/non-controlling unitholders of Champion REIT					(3,328)	188,831	16,546	36,233	–	238,282
Loss attributable to owners of the Company					91,464	(381,491)	(29,134)	(28,030)	9,401	(337,790)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

2018

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000 (note 1)	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000 (note 2)	US Real Estate Fund HK$'000 (note 3)	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,950,684	230,159	–	370,288	6,551,131	2,940,311	375	664,363	–	10,156,180
Inter-segment revenue	72,132	682	–	400,209	473,023	24,661	615,125	–	(1,112,809)	–
Total	6,022,816	230,841	–	770,497	7,024,154	2,964,972	615,500	664,363	(1,112,809)	10,156,180

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	854,304	182,285	–	541,156	1,577,745	2,116,684	587,002	(105,480)	(12,028)	4,163,923
Depreciation					(520,895)	–	(190,981)	–	(638)	(712,514)
Operating profit after depreciation					1,056,850	2,116,684	396,021	(105,480)	(12,666)	3,451,409
Fair value changes on investment properties					305,424	6,411,601	–	(66,491)	10,135	6,660,669
Fair value changes on derivative financial instruments					(67,351)	–	(10,190)	–	–	(77,541)
Fair value changes on financial assets at FVTPL					(37,618)	–	–	–	–	(37,618)
Other income					111,560	–	–	1,226	(12,795)	99,991
Administrative and other expenses					(466,976)	(27,399)	(12,331)	(14,953)	9,941	(511,718)
Net finance costs					(42,880)	(400,005)	(188,639)	(29,857)	–	(661,381)
Share of results of joint ventures					(10,389)	–	–	–	–	(10,389)
Share of results of associates					773	–	–	–	–	773
Profit before tax					849,393	8,100,881	184,861	(215,555)	(5,385)	8,914,195
Income taxes					(186,222)	(288,824)	(51,589)	–	135	(526,500)
Profit for the year					663,171	7,812,057	133,272	(215,555)	(5,250)	8,387,695
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT					561	(2,667,742)	(49,948)	140,147	–	(2,576,982)
Profit attributable to owners of the Company					663,732	5,144,315	83,324	(75,408)	(5,250)	5,810,713

Notes:

1. There were no revenue and segment result recognised during the year as the properties directly held were under development.
2. The inter-segment revenue of Langham mainly includes the rental income of three hotel properties receivable from Great Eagle.
3. During the year, income from sale of properties and rental income of HK$45,947,000 (2018: HK$578,156,000) and HK$1,099,000 (2018: HK$86,207,000) respectively, were recognised by the US Real Estate Fund.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

31 December 2019

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	**18,395,259**	**7,519,156**	**10,876,103**
Property investment (note a)	**6,556,581**	**77,658**	**6,478,923**
Property development (note a)	**5,990,775**	**3,781,058**	**2,209,717**
Other operations (note a)	**679,175**	**301,298**	**377,877**
Unallocated	**7,769,617**	**480,358**	**7,289,259**
Great Eagle Operations (note b)	**39,391,407**	**12,159,528**	**27,231,879**
Champion REIT (note c)	**55,412,331**	**11,960,205**	**43,452,126**
Langham (note d)	**11,174,843**	**4,836,323**	**6,338,520**
US Real Estate Fund (note e)	**541,146**	**166,393**	**374,753**

31 December 2018

	Assets HK$'000	Liabilities HK$'000	Net Assets HK$'000
Hotel operation (note a)	17,406,087	7,844,359	9,561,728
Property investment (note a)	6,722,316	129,597	6,592,719
Property development (note a)	5,532,260	1,972,149	3,560,111
Other operations (note a)	486,987	188,221	298,766
Unallocated	6,742,327	536,094	6,206,233
Great Eagle Operations (note b)	36,889,977	10,670,420	26,219,557
Champion REIT (note c)	56,283,204	11,700,393	44,582,811
Langham (note d)	12,816,453	4,661,596	8,154,857
US Real Estate Fund (note e)	1,135,001	695,013	439,988

Notes:

(a) The segment assets include primarily investment properties, property, plant and equipment, right-of-use assets, equity instruments at FVTOCI, asset classified as held for sale, 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$8,574,823,000 (2018: HK$7,407,660,000) and borrowings of HK$8,866,610,000 (2018: HK$8,184,065,000), representing net debt of HK$291,787,000 as at 31 December 2019 (2018: HK$776,405,000).

(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 66.22% (2018: 65.99%), excluding the effective interest of the distribution payable attributable from Champion REIT of HK$518,838,000 (2018: HK$527,275,000).

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

Notes: (continued)

(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 63.45% (2018: 62.93%). It includes three hotel properties with appraised value of HK$17,500,000,000 as at 31 December 2019 (2018: HK$20,177,000,000). 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$3,953,649,000 (2018: HK$4,077,599,000) 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% (2018: 49.97%) interest held by Great Eagle Holdings Limited.

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia, New Zealand, the PRC, Japan and others.

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers, except for property investment and hotel operations which are based on the geographical location of the properties, and information about the carrying amount of non-current assets excluding financial instruments, interests in associates and joint ventures by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**5,004,052**	5,183,702	**91,608,749**	93,770,602
The USA	**1,687,421**	2,312,423	**7,167,205**	6,767,640
Canada	**565,236**	607,144	**605,361**	587,716
The United Kingdom	**647,471**	632,759	**1,678,579**	1,694,822
Australia	**471,450**	506,981	**806,249**	817,530
New Zealand	**286,918**	303,492	**582,154**	487,560
The PRC	**565,630**	606,746	**2,972,001**	3,146,404
Japan	**–**	–	**1,812,858**	1,766,884
Italy	**–**	–	**291,045**	–
Others	**8,652**	2,933	**–**	–
	9,236,830	10,156,180	**107,524,201**	109,039,158

Information about major customers

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

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income on:		
Bank deposits	164,903	126,871
Financial assets at FVTPL	975	8,578
Notes receivable	33,052	8,406
Others	24,888	16,020
	223,818	159,875
Recovery of bad debts	148	645
Sundry income	8,070	13,282
Income arising from historical tax credit	–	86,064
	232,036	259,866

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	689,433	648,473
Interest on medium term notes	196,555	176,868
Interest on lease liabilities	1,372	–
Other borrowing costs	79,912	65,045
	967,272	890,386
Less: amount capitalised (note)	(82,846)	(69,130)
	884,426	821,256

Note:

Interest were capitalised at an average annual rate of 1.79% (2018: 1.61%) to property development projects.

9. INCOME TAXES

	2019 HK$'000	2018 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**356,196**	379,379
Other jurisdictions	**92,574**	100,227
	448,770	479,606
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(628)**	(1,830)
Other jurisdictions	**(4,695)**	2,170
	(5,323)	340
	443,447	479,946
Deferred tax (note 32):		
Current year	**(10,600)**	46,271
(Over)underprovision in prior years	**(3,058)**	283
	(13,658)	46,554
	429,789	526,500

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. INCOME TAXES (continued)

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

	2019 HK$'000	2018 HK$'000
(Loss) profit before tax	(146,283)	8,914,195
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	(24,136)	1,470,842
Tax effect of expenses that are not deductible for tax purpose	426,404	85,197
Tax effect of income that is not taxable for tax purpose	(35,490)	(1,134,255)
(Over)underprovision in prior years	(8,381)	623
Tax effect of share of results of associates	(196)	(127)
Tax effect of share of results of joint ventures	(7,237)	1,714
Tax effect of tax losses not recognised	54,459	43,574
Utilisation of tax losses previously not recognised	(10,126)	(8,679)
Effect of different tax rates of subsidiaries operating in other jurisdictions	16,933	27,525
Others	17,559	40,086
Tax charge for the year	429,789	526,500

10. (LOSS) PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**2,570,669**	2,592,289
Share-based payments (including Directors' emoluments)	**31,506**	30,674
	2,602,175	2,622,963
Depreciation	**768,529**	712,514
Auditor's remuneration	**15,735**	15,801
Trustee's remuneration	**14,685**	14,084
Cost of inventories recognised as an expense	**689,790**	692,546
Write-down of properties held for sale (included in cost of goods and services)	**32,525**	183,660
Net exchange loss (included in administrative and other expenses)	**15,205**	2,275
Fitting-out works of hotel buildings written off	**47,558**	3,985
Allowance for doubtful debts	**507**	1,162
Expenses relating to short-term leases/operating lease payments on rented premises	**18,723**	19,661
Share of tax of a joint venture (included in the share of results of joint ventures)	**146**	6,349
Share of tax of associates (included in the share of results of associates)	**–**	73
and after crediting:		
Share of tax credit of associates (included in the share of results of associates)	**6**	–
Recovery of bad debts	**148**	645
Dividend income from		
– equity instruments at FVTOCI	**14,659**	20,947
– financial assets at FVTPL	**6,711**	5,300
Rental income from investment properties less related outgoings of HK$204,556,000 (2018: HK$219,106,000)	**2,714,361**	2,724,425

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2018: fourteen) Directors were as follows:

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	220	14,391	2,049	4,636	603	21,899
Mr. LO Hong Sui, Antony	220	1,674	190	672	84	2,840
Madam LAW Wai Duen	220	682	77	672	34	1,685
Mr. KAN Tak Kwong	220	6,930	1,178	2,908	346	11,582
Mr. CHU Shik Pui	220	4,925	837	2,397	246	8,625
Mr. LO Alexander Chun Him	220	2,481	393	1,512	115	4,721
Sub-total	1,320	31,083	4,724	12,797	1,428	51,352

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

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) NON-EXECUTIVE DIRECTORS						
Madam LO TO Lee Kwan	220	–	–	–	–	220
Mr. LO Hong Sui, Vincent	220	–	–	–	–	220
Dr. LO Ying Sui	220	–	–	–	–	220
Sub-total	660	–	–	–	–	660

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2019					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent	550	–	–	–	–	550
Professor WONG Yue Chim, Richard	510	–	–	–	–	510
Mrs. LEE Pui Ling, Angelina	510	–	–	–	–	510
Mr. Lee Siu Kwong, Ambrose	500	–	–	–	–	500
Mr. Poon Ka Yeung, Larry	500	–	–	–	–	500
Sub-total	2,570	–	–	–	–	2,570

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

Total	54,582

	2018					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
A) EXECUTIVE DIRECTORS						
Dr. LO Ka Shui	180	13,900	5,795	4,727	580	25,182
Mr. LO Hong Sui, Antony	180	1,620	270	698	81	2,849
Madam LAW Wai Duen	180	660	110	698	33	1,681
Mr. KAN Tak Kwong	180	6,600	2,200	2,780	330	12,090
Mr. CHU Shik Pui	180	4,560	1,520	2,214	228	8,702
Mr. LO Alexander Chun Him	180	2,330	414	1,429	108	4,461
Sub-total	1,080	29,670	10,309	12,546	1,360	54,965

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2018					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
B) NON-EXECUTIVE DIRECTORS						
Madam LO TO Lee Kwan	180	–	–	–	–	180
Mr. LO Hong Sui, Vincent	180	–	–	–	–	180
Dr. LO Ying Sui	180	–	–	–	–	180
Sub-total	540	–	–	–	–	540

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

	2018					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. CHENG Hoi Chuen, Vincent	510	–	–	–	–	510
Professor WONG Yue Chim, Richard	470	–	–	–	–	470
Mrs. LEE Pui Ling, Angelina	470	–	–	–	–	470
Mr. Lee Siu Kwong, Ambrose	460	–	–	–	–	460
Mr. Poon Ka Yeung, Larry	460	–	–	–	–	460
Sub-total	2,370	–	–	–	–	2,370

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

Total	57,875

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.

There is no inducement for directors to join the Group or compensation for loss of office. None of the Directors waived any emoluments in the years ended 31 December 2019 and 31 December 2018.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2018: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	14,760	10,796
Discretionary bonuses	4,698	4,585
Share options	1,925	908
Retirement benefits scheme contributions	1,228	953
	22,611	17,242

	2019 Number of employees	2018 Number of employees
Bands:		
HK$6,500,001-HK$7,000,000	–	1
HK$7,500,001-HK$8,000,000	1	–
HK$10,000,001-HK$10,500,000	–	1
HK$14,500,001-HK$15,000,000	1	–
	2	2

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends paid:		
– Final dividend of HK50 cents in respect of the financial year ended 31 December 2018 (2018: HK48 cents in respect of the financial year ended 31 December 2017) per ordinary share	350,289	331,748
– Special final dividend of HK50 cents in respect of the financial year ended 31 December 2017 per ordinary share	–	345,573
	350,289	677,321
– Interim dividend of HK33 cents in respect of the financial year ended 31 December 2019 (2018: HK33 cents in respect of the financial year ended 31 December 2018) per ordinary share	233,764	230,539
	584,053	907,860

On 8 July 2019, a final dividend of HK50 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2018.

12. DIVIDENDS (continued)

On 11 June 2018, a final dividend of HK48 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 2017.

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

	2019 HK$'000	2018 HK$'000
Dividends:		
Cash	**93,431**	83,414
Share alternative (note 36)	**256,858**	248,334
	350,289	331,748

	2019 HK$'000	2018 HK$'000
Dividends proposed:		
– Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2018: HK50 cents in respect of the financial year ended 31 December 2018) per ordinary share	**354,191**	349,324
– Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2019 (2018: nil) per ordinary share	**354,191**	–
	708,382	349,324

The proposed final dividends in respect of the financial year ended 31 December 2019 is subject to approval by the shareholders in the forthcoming annual general meeting.

13. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((Loss) profit for the year attributable to owners of the Company)	(337,790)	5,810,713

	2019	2018
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	707,927,393	697,631,167
Effect of dilutive potential shares:		
Share options	499,038	1,457,145
Weighted average number of shares for the purpose of diluted earnings per share	708,426,431	699,088,312

14. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
FAIR VALUE		
At 1 January	89,408,450	83,999,025
Exchange adjustments	(5,302)	(10,663)
Additions	66,601	76,176
Transfer to assets classified as held for sale (note 27)	–	(1,182,557)
Transfer to property, plant and equipment (note 15)	–	(134,200)
(Decrease) increase in fair value recognised in the consolidated income statement	(2,146,787)	6,660,669
At 31 December	87,322,962	89,408,450

(a) The Group's property interests situated in Hong Kong of HK$87,079,800,000 (2018: HK$89,160,100,000) and in the PRC of HK$243,162,000 (2018: HK$248,350,000) 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) During 2018, an investment property amounting to HK$1,182,557,000 was classified as held for sale as disclosed in note 27.

(c) 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 management reports the valuation report and findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

(d) Included in the fair value of investment properties as at 31 December 2019 is HK$87,223,762,000 (2018: HK$89,308,050,000) which is categorised as Level 3 fair value hierarchy with movement as follows:

	2019 **HK$'000**	2018 HK$'000
FAIR VALUE		
At 1 January	**89,308,050**	83,900,025
Exchange adjustments	**(5,302)**	(10,663)
Additions	**66,601**	76,176
Transfer to assets classified as held for sale	**–**	(1,182,557)
Transfer to property, plant and equipment	**–**	(134,200)
(Decrease) increase in fair value recognised in the consolidated income statement	**(2,145,587)**	6,659,269
At 31 December	**87,223,762**	89,308,050

Unrealised loss on property revaluation included in profit or loss amounted to HK$2,145,230,000 (2018: unrealised gain HK$6,713,925,000).

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

	2019 **HK$'000**	2018 HK$'000
Leases in Hong Kong	**87,079,800**	89,160,100
Leases outside Hong Kong	**243,162**	248,350
	87,322,962	89,408,450

(f) The fair value of the Group's investment properties at 31 December 2019 and 2018 has been arrived at on a basis of valuation performed by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong-Colliers International (Hong Kong) Limited, Savills Valuation and Professional Services Limited

Investment properties in the PRC-Knight Frank Petty Limited

As at 31 December 2018, the Group's investment properties in the USA were transferred to asset held for sale as disclosed in note 27.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2019						
Commercial property in Wan Chai, Hong Kong	4,804,600	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	48,530,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	32,648,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for office and 3.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2019 (continued)						
Furnished apartments in Hong Kong	998,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.20% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Shanghai, the PRC	243,162	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 7.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	99,200	Level 2	Direct comparison method based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject property.	N/A	N/A	

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 2018						
Commercial property in Wan Chai, Hong Kong	4,923,700	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 2.90% for office and 4.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Commercial properties in Central, Hong Kong	49,890,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.60% for office and 4.25% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Office and mall properties in Mongkok, Hong Kong	33,245,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.00% for office and 3.75% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Furnished apartments in Hong Kong	1,001,000	Level 3	Income capitalisation approach The key inputs are: (i) capitalisation rate; and (ii) market rent per square foot	Capitalisation rate, taking into account the capitalisation of net income potential, nature of the property, prevailing market condition, of 3.20% to 3.70%.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)

14. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
As at 31 December 2018 (continued)						
Commercial properties in Shanghai, the PRC	248,350	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 7.50% for retail.	The higher the capitalisation rate, the lower the fair value.	Note (i)
				Market rent, taking into account direct market comparables within the property.	The higher the market rent, the higher the fair value.	Note (ii)
Apartments in Hong Kong	100,400	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	

Notes:

(i) A significant percentage change in the unobservable inputs would result in a significant percentage change in fair value measurement.

(ii) A significant percentage change in the unobservable inputs would result in a less significant percentage change in fair value measurement.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Right-of-use leasehold land HK$'000	Right-of-use properties HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST										
At 1 January 2018	3,840,564	2,349,418	–	15,474,843	566,172	399,481	3,730,045	3,799	99	26,364,421
Exchange adjustments	(9,419)	–	–	(412,399)	1,204	–	(115,028)	(24)	(2)	(535,668)
Acquisitions	14,542	–	–	–	–	–	–	–	–	14,542
Additions	1,844	–	–	27,403	157,498	–	659,221	580	–	846,546
Transfer in (out)	–	–	–	437,937	–	–	(437,937)	–	–	–
Transfer from investment Properties (note 14)	–	–	–	–	–	134,200	–	–	–	134,200
Disposals/written off	–	–	–	–	–	–	(25,581)	–	–	(25,581)
At 31 December 2018	3,847,531	2,349,418	–	15,527,784	724,874	533,681	3,810,720	4,355	97	26,798,460
Adjustment upon application of HKFRS 16	–	–	42,285	–	–	–	–	–	–	42,285
At 1 January 2019 (restated)	3,847,531	2,349,418	42,285	15,527,784	724,874	533,681	3,810,720	4,355	97	26,840,745
Exchange adjustments	20,250	–	(370)	(41,068)	(3,129)	–	20,960	(9)	–	(3,366)
Acquisitions	286,705	–	–	–	–	–	–	–	–	286,705
Additions	–	–	–	91,939	688,920	–	299,517	1,023	57	1,081,456
Transfer in (out)	(7,639)	–	–	5,347	101,960	–	(99,668)	–	–	–
Disposals/written off	–	–	–	(57,805)	–	(18)	(157,095)	(248)	–	(215,166)
At 31 December 2019	**4,146,847**	**2,349,418**	**41,915**	**15,526,197**	**1,512,625**	**533,663**	**3,874,434**	**5,121**	**154**	**27,990,374**
DEPRECIATION AND IMPAIRMENT										
At 1 January 2018	115,909	1,001,914	–	3,796,641	–	102,986	1,627,083	2,974	98	6,647,605
Exchange adjustments	(956)	–	–	(112,256)	–	–	(58,403)	(15)	(1)	(171,631)
Charge for the year	–	44,765	–	370,089	–	26,808	270,506	346	–	712,514
Eliminated on disposals/ written off	–	–	–	–	–	–	(20,736)	–	–	(20,736)
At 31 December 2018	114,953	1,046,679	–	4,054,474	–	129,794	1,818,450	3,305	97	7,167,752
Exchange adjustments	(530)	–	(143)	8,389	–	–	9,846	(8)	–	17,554
Charge for the year	–	44,764	13,187	369,475	–	26,809	313,888	405	1	768,529
Eliminated on disposals/ written off	–	–	–	(12,455)	–	(6)	(151,992)	(247)	–	(164,700)
At 31 December 2019	**114,423**	**1,091,443**	**13,044**	**4,419,883**	**–**	**156,597**	**1,990,192**	**3,455**	**98**	**7,789,135**
CARRYING AMOUNTS										
At 31 December 2019	**4,032,424**	**1,257,975**	**28,871**	**11,106,314**	**1,512,625**	**377,066**	**1,884,242**	**1,666**	**56**	**20,201,239**
At 31 December 2018	3,732,578	1,302,739	–	11,473,310	724,874	403,887	1,992,270	1,050	–	19,630,708

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the additions of furniture and fixtures of HK$299,517,000 (2018: HK$659,221,000) during the year are additions of hotel renovation, hotel machinery and fine art amounting to HK$47,627,000 (2018: HK$490,268,000), HK$27,985,000 (2018: HK$656,000) and HK$3,591,000 (2018: HK$256,000), respectively, of which the Directors estimate useful lives of 10 years, 25 years and 25 years, respectively.

At 31 December 2019, the leasehold land with carrying amounts of HK$1,257,975,000 (2018: HK$1,302,739,000) are situated in Hong Kong. The leasehold land is finance lease in nature during the year ended 31 December 2018. Freehold land is situated outside Hong Kong.

Owner occupied properties situated in Hong Kong are land and buildings and are finance lease in nature during the year ended 31 December 2018.

Effective from 1 January 2019, the carrying amount of leasehold land is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

At 31 December 2019, the Directors considered no further recognition of impairment was required as the recoverable amount exceeded the carrying amount.

16. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Cost of investments in joint ventures	**241,201**	1,403,753
Share of post-acquisition results and other comprehensive income	**(129,377)**	(184,770)
	111,824	1,218,983
Amount due from a joint venture	**292**	133,788
	112,116	1,352,771

Details of the material interests in joint ventures are as follows:

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly-owned subsidiary of the Company and an independent third party investor (the "Wealth Joy Investor") in February 2010, the relevant activities of Wealth Joy Holdings Limited ("Wealth Joy") that significantly affect the return of Wealth Joy, require unanimous consent from the Group and the Wealth Joy Investor, accordingly Wealth Joy is accounted for as a joint venture.

16. INTERESTS IN JOINT VENTURES (continued)

Wealth Joy and its subsidiaries are principally engaged in developing a parcel of land in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, the PRC.

In July 2019, Wealth Joy completed the disposal of its PRC subsidiary at a cash consideration of RMB1,649,000,000 (equivalent to approximately HK$1,876,067,000).

The Group's interests in joint ventures amounting to HK$111,824,000 as at 31 December 2019 (2018: HK$1,218,983,000) are accounted for using the equity method in these consolidated financial statements.

Particulars regarding the joint ventures are set out in note 45.

At 31 December 2019, the Group's investment in joint ventures are not material to the Group.

The summarised financial information in respect of the Group's material joint venture at 31 December 2018 is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

Wealth Joy Holdings Limited

	2018 HK$'000
Current assets	2,693,538
Non-current assets	3,040
Current liabilities	(592,098)
Non-current liability	(509,631)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	276,657
Current financial liabilities (excluding trade and other payables and provisions)	(178,752)
Non-current financial liabilities (excluding trade and other payables and provisions)	(509,631)
Income recognised in profit or loss	623,963
Expenses recognised in profit or loss	(621,109)
Income tax expense	(12,698)
Other comprehensive expense for the year	(89,761)
Total comprehensive expense for the year	(99,605)
The above income and expenses recognised for the year includes the following: Depreciation and amortisation	(1,610)
Interest income	934
Interest expense	–

16. INTERESTS IN JOINT VENTURES (continued)

Wealth Joy Holdings Limited (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:

	2018 HK$'000
Net assets of Wealth Joy	1,594,849
Capital contribution from the Group (note)	(661,500)
	933,349
Proportion of the Group's ownership interest in Wealth Joy	50%
	466,675
Capital contribution from the Group	661,500
Carrying amount of the Group's interest in Wealth Joy	1,128,175

Note:

The amount represents the preference shares subscribed by the Group.

Aggregate information of joint ventures that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of profit (loss) for the year	**43,860**	(5,467)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income (expense)	**43,860**	(5,467)
Dividends received from joint venture during the year	**–**	–
Aggregate carrying amount of the Group's interests in the joint ventures	**112,116**	90,808

17. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investment in associates	108	108
Share of post-acquisition profit and other comprehensive income, net of dividend received	55,592	68,647
	55,700	68,755

In determining whether there exists any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective impairment was identified. Accordingly, no impairment loss is recognised.

Particulars regarding the associates are set out in note 46.

At 31 December 2019 and 2018, the Group's investment in associates are not individually material to the Group.

Aggregate information of associates that are not individually material

	2019 HK$'000	2018 HK$'000
The Group's share of profit for the year	1,191	773
The Group's share of other comprehensive expense	(8,312)	(13,655)
The Group's share of total comprehensive expense	(7,121)	(12,882)
Dividends received from associates during the year	5,933	7,538
Aggregate carrying amount of the Group's interests in these associates	55,700	68,755

18. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI as at 31 December 2019 and 31 December 2018 comprise:

	2019 HK$'000	2018 HK$'000
Listed equity securities in Hong Kong	190,375	206,187
Listed equity securities outside Hong Kong	5,887	40,595
Unlisted equity securities in Hong Kong	106,071	10,427
Unlisted equity securities outside Hong Kong	732,403	643,263
	1,034,736	900,472

At 31 December 2019 and 2018, all the listed securities were stated at fair values which have been determined by reference to closing prices quoted in the active markets.

19. NOTES AND LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Notes receivables	679,767	250,171
Loan receivables	88,154	88,929
Mortgage loan receivables	3,113	–
	771,034	339,100
Less: Amounts due within one year shown under current assets	(15,613)	–
Amounts due after one year	755,421	339,100

Notes receivables

At 31 December 2019, the Group held unsecured bonds with principal amounts of HK$679,767,000 (2018: HK$250,171,000) denominated in US$ with nominal values ranging from US$500,000 to US$7,640,000 (2018: US$1,000,000 to US$7,640,000), bears interest at fixed interest rates ranging from 3.75% to 9.125% or variable interest rate of 3-month London Interbank Offered Rate plus 4.85% (2018: fixed interest rates ranging from 2.625% to 9.125%) per annum and has maturity dates ranging from May 2020 to May 2025 (2018: March 2020 to May 2024).

Loan receivables

Pacific Miami Corporation, a wholly-owned subsidiary of the Company, entered into unsecured promissory notes from 2015 to 2017 with an investee classified as a joint venture for a loan receivable of US$11,318,000 (equivalent to approximately HK$88,154,000) (2018: US$11,355,000 (equivalent to approximately HK$88,929,000)), which bears interest at 18% per annum and has a maturity date on 31 December 2022.

Mortgage loan receivables

Mortgage loan receivables are developer financing loans provided to unit buyers, they are secured by i) second mortgages on properties being sold; and ii) personal guarantee(s) provided by buyer(s) and additional guarantor(s) if any. The loans are repayable by monthly instalments with tenors not more than 25 years after loan drawdown and carry interest at rates with reference to bank's lending rates.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Interest rate swaps	**12,788**	**63,267**	26,923	36,255
Cross currency swaps	**–**	**51,740**	–	45,854
Foreign currency derivative contracts	**–**	**4,198**	71	–
	12,788	**119,205**	26,994	82,109
Less: Would be matured within one year shown under current assets/ liabilities	**(8,143)**	**(4,198)**	(71)	–
Would be matured after one year	**4,645**	**115,007**	26,923	82,109

The Group entered into interest rate swaps with aggregate notional amount of HK$4,000,000,000 (2018: HK$4,000,000,000) to manage the exposure to the interest rate risk on the Group's floating-rate borrowings by swapping a proportion of those borrowings from floating rate of Hong Kong Interbank Offered Rate ("HIBOR") to fixed rate ranging from 1.035% to 2.545% (2018: 1.035% to 2.545%). The Group also entered into interest rate swaps and cross currency swaps to manage the exposure to the interest rates and floating rate loans denominated in other currencies. In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements.

The fair values of foreign currency derivative contracts, interest rate swaps and cross currency swaps at the end of the reporting periods are provided by counterparty banks.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	2019 HK$'000	2018 HK$'000
Non-current assets		
Cash flow hedges – interest rate swaps	**34,344**	35,268
Cash flow hedge – cross currency swap	**26,663**	–
Fair value hedge – interest rate swaps	**–**	4,131
	61,007	39,399
Current asset		
Fair value hedge – interest rate swap	**3,419**	–
Non-current liability		
Cash flow hedge – cross currency swaps	**–**	17,860

The Group entered into cross currency swap contracts of a total notional amount of US$386,400,000 to minimise the exposure to fluctuations in foreign currency exchange rates and interest rate of the medium term notes, which is denominated in US$, in respect of the principal and fixed rate interest payments. The cross currency swaps and the corresponding medium term notes have similar terms and the Directors considered that the cross currency swaps were highly effective hedging instruments and qualified as cash flow hedges.

The Group also entered into interest rate swap contracts with various financial institutions of a total notional amount of HK$4,950,000,000 to minimise its exposure to fluctuations in interest rates of its variable interest bearing secured term loan.

21. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING (continued)

The interest rate swaps and the corresponding secured bank loan have similar terms and the Directors considered that the interest rate swaps were highly effective hedging instruments and qualified as cash flow hedges.

During the year, the gain on changes in fair value of the cross currency swaps and interest rate swaps under cash flow hedges amounting to HK$57,113,000 (2018: loss on changes of HK$8,540,000) has been recognised in other comprehensive income of which the fair value of the hedging instruments amounting to HK$2,668,000 (2018: HK$509,000) were reclassified from hedging reserve to profit or loss in the same period when the hedged item affects profit or loss and upon the settlement of coupon and interest payments.

The Group also entered into an interest rate swap contract to convert the fixed rate under the medium term note to floating rate. The interest rate swap qualifying as fair value hedge. The loss on change in fair values of the interest rate swap under fair value hedge amounting to HK$688,000 (2018: gain on changes of HK$758,000) has been recognised directly in the consolidated income statement.

The fair values of the above derivatives are based on the valuation provided by the counterparty financial institutions and measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

22. STOCK OF PROPERTIES

	2019 HK$'000	2018 HK$'000
Properties under development for sale	**5,466,838**	3,994,369
Properties held for sale	**629,719**	690,965
	6,096,557	4,685,334

Stock of properties mainly comprised of the following:

(i) An apartment building in Malibu, Los Angeles, the USA with a consideration of US$62,000,000 (equivalent to approximately HK$480,522,000) acquired in 2015. Renovation works to convert the apartments into condominiums were completed in 2018. While the Group is seeking for en-bloc sale of the property, leasing of individual units is conducted to maximise profit potential.

(ii) A site in Pine Street, San Francisco, the USA with a consideration of US$21,000,000 (equivalent to approximately HK$162,771,000) acquired in 2015. The development of residential properties is completed and available for sale to customers.

(iii) A residential site in Pak Shek Kok, Tai Po at the land premium of HK$2,412,000,000 acquired in 2014. The site is under development of luxury residential properties for sale.

(iv) A site in Howard Street, San Francisco, the USA acquired in 2015.

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. Taking into consideration of the current market conditions in the USA, the carrying amount exceeded the estimated amount to be recovered through sale of the property and, accordingly, an impairment loss of US$4,151,000 (equivalent to approximately HK$32,525,000) (2018: US$23,433,000 (equivalent to approximately HK$183,660,000)) was recognised in profit or loss.

22. STOCK OF PROPERTIES (continued)

The properties under development for sale with carrying amount of HK$236,771,000 (2018: HK$3,994,369,000) are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

23. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**18,614**	11,651
Trading goods	**1,420**	3,402
Provisions and beverages	**43,314**	44,292
Work-in-progress	**63,473**	86,645
	126,821	145,990

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Trade debtors, net of allowance for doubtful debts	**182,037**	247,768
Deferred lease payments	**168,585**	170,453
Retention money receivables	**14,731**	11,368
Other receivables	**233,095**	242,949
Deposits and prepayments	**255,437**	323,455
	853,885	995,993

Included in the balance of debtors, deposits and prepayments are trade debtors (net of impairment losses) of HK$182,037,000 (2018: HK$247,768,000). 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 after application of HKFRS 15 are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Trade receivables from contracts with customers	**163,359**	217,837	220,996
Retention money receivables	**14,731**	11,368	17,520
Amount due within one year	**(9,500)**	(6,277)	(8,454)
Amount due after one year	**5,231**	5,091	9,066

Deposits and prepayments mainly consist of rental deposit paid 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:

	2019 HK$'000	2018 HK$'000
Within 3 months	**170,481**	238,004
More than 3 months but within 6 months	**5,510**	3,626
Over 6 months	**6,046**	6,138
	182,037	247,768

As at 31 December 2019, included in the Group's trade debtors balance are debtors with aggregate carrying amount of HK$13,898,000 (2018: HK$14,222,000) 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 2019 are set out in note 42.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Equity linked notes	**–**	31,392
Listed equity securities held for trading	**234,665**	198,640
	234,665	230,032

At the end of the reporting period, all the listed equity securities are stated at fair values which have been determined by reference to closing prices quoted in the active markets. At 31 December 2018, the Group had entered into equity linked notes with banks and are detailed as follows:

(i) US$ equity linked notes with nominal values of US$500,000 had maturity period of nine months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

(ii) HK$ equity linked notes with nominal values ranging from HK$5,000,000 to HK$8,000,000 had maturity period of four months. Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

26. RESTRICTED CASH, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND BANK BALANCES AND CASH

Restricted cash

Restricted cash represented an amount equivalent to HK$166,405,000 (2018: HK$170,798,000) carried market interest rates ranging from 0% to 1.495% (2018: 0% to 1.50%) per annum was placed in designated bank account pursuant to applicable loan facilities requirements.

Time deposits with original maturity over three months

The amount represented time deposits carried market interest rate of 2.505% (2018: 1.56% to 4.15%) per annum with original maturity over three months but not exceeding one year.

Bank balances and cash

The bank balances include time deposits with original maturity of three months or less. Bank balances carry interest at market rates which range from 0.05% to 3.29% (2018: 0.70% to 6.43%) per annum.

27. ASSET CLASSIFIED AS HELD FOR SALE

On 10 December 2018, the Group entered into sales and purchase agreement to dispose of the investment property located in Seattle, the USA at a consideration of US$151,000,000 (equivalent to approximately HK$1,182,557,000). The closing of such transaction was completed in January 2019.

As at 31 December 2018, the Group had classified such investment property as asset held for sale which was separately presented in the consolidated statement of financial position.

28. CREDITORS, DEPOSITS AND ACCRUALS

	2019 **HK$'000**	2018 HK$'000
Trade creditors	**269,948**	261,003
Deposits received	**852,764**	820,214
Customer deposits and other deferred revenue	**898,412**	245,370
Construction fee payable and retention money payable	**389,426**	372,292
Accruals, interest payable and other payables	**2,124,393**	2,184,004
	4,534,943	3,882,883

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (2018: 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 and other payables mainly consist of accrued operating expenses for the hotels.

28. CREDITORS, DEPOSITS AND ACCRUALS (continued)

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**253,058**	244,176
More than 3 months but within 6 months	**3,099**	5,149
Over 6 months	**13,791**	11,678
	269,948	261,003

Customer deposits and other deferred revenue comprised:

	2019 HK$'000	2018 HK$'000
Hotel operations	**240,545**	225,600
Sales of properties	**615,574**	–
Sales of goods	**3,261**	4,759
Others	**39,032**	15,011
	898,412	245,370

As at 1 January 2018, customer deposits and other deferred revenue amounted to HK$226,483,000.

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.

	2019 HK$'000	2018 HK$'000
Hotel operations	**194,465**	186,026
Sales of goods	**3,707**	6,317
Others	**812**	1,046
	198,984	193,389

Accrued lease liabilities was adjusted upon the initial application of HKFRS 16.

29. BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans and revolving loans	25,789,860	25,705,849
Loan front-end fee	(120,589)	(80,988)
	25,669,271	25,624,861

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

	2019 HK$'000	2018 HK$'000
Within one year	4,146,215	4,981,198
More than one year but not exceeding two years	4,433,556	9,007,820
More than two years but not exceeding five years	17,089,500	10,731,431
More than five years	–	904,412
	25,669,271	25,624,861
Less: Amounts due within one year shown under current liabilities	(4,146,215)	(4,981,198)
Amounts due after one year	21,523,056	20,643,663

Borrowings amounting to HK$18,230,995,000 (2018: HK$23,957,644,000) were secured by way of legal charges over certain of the Group's assets and business undertakings.

All of the Group's borrowings are at floating rate. The effective interest rates (which approximate to contracted interest rates) range from 0.33% to 5.01% (2018: 0.33% to 5.08%) per annum.

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.

30. MEDIUM TERM NOTES

	2019 HK$'000	2018 HK$'000
Medium term notes	5,552,670	5,569,091
Origination fees	(26,464)	(32,799)
	5,526,206	5,536,292

30. MEDIUM TERM NOTES (continued)

	2019 HK$'000	2018 HK$'000
The maturity of the medium term notes is as follows:		
Within one year	199,929	–
More than one year but not more than two years	–	199,755
More than two years but not exceeding five years	3,839,407	3,651,822
Over five years	1,486,870	1,684,715
	5,526,206	5,536,292
Less: Amount due within one year shown under current liabilities	(199,929)	–
	5,326,277	5,536,292

The Group established a US$1 billion guaranteed medium term notes programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating interest rates to be set upon issuance of notes and will be guaranteed by HSBC Institutional Trust Services (Asia) Limited, the trustee of Champion REIT, in its capacity as trustee.

As at 31 December 2019, the outstanding medium term notes comprised the following:

Notional amount	Maturity	Interest rate (p.a.)	Interest period
HK$200,000,000	May 2020	2.85%[(i)]	Annually
HK$643,000,000	March 2022	3-month HIBOR plus 1.275%	Quarterly
US$386,400,000	January 2023	3.75%[(ii)]	Semi-annually
HK$200,000,000	October 2024	2.75%	Annually
HK$775,000,000	June 2025	2.85%	Annually
HK$450,000,000	July 2025	4.00%	Semi-annually
HK$275,000,000	April 2028	3.73%	Quarterly

(i) The fixed rate of 2.85% per annum is swapped to floating rate at 1-month HIBOR plus 0.67% per annum by the use of an interest rate swaps.

(ii) The foreign currency rate and interest rate are fixed by the use of cross currency swaps.

The carrying amounts of the medium term notes approximate their fair values.

31. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**11,513**
More than one year but not exceeding two years	**8,182**
More than two years but not exceeding five years	**10,050**
	29,745
Less: Amount due within one year shown under current liabilities	**(11,513)**
Amount due after one year	**18,232**

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

	US$ HK$'000	RMB HK$'000	HK$ HK$'000
As at 31 December 2019	**19,448**	**6,266**	**4,031**

32. 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 2018	1,351,594	(4,108)	14,607	1,362,093
Exchange differences	(15,823)	171	2,347	(13,305)
Charge (credit) to profit or loss for the year	109,035	(42,324)	(20,157)	46,554
At 31 December 2018	1,444,806	(46,261)	(3,203)	1,395,342
Exchange differences	**(2,475)**	**270**	**157**	**(2,048)**
Charge (credit) to profit or loss for the year	**33,965**	**(23,882)**	**(23,741)**	**(13,658)**
At 31 December 2019	**1,476,296**	**(69,873)**	**(26,787)**	**1,379,636**

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.

32. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unutilised tax losses of HK$2,967,035,000 (2018: HK$2,568,696,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$376,895,000 (2018: HK$228,355,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$2,590,140,000 (2018: HK$2,340,341,000) 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$336,782,000 (2018: HK$336,782,000) arising from impairment losses recognised in respect of hotel properties. A deferred tax asset has been recognised in respect of HK$336,782,000 (2018: HK$336,782,000) of such deductible temporary difference.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$2,243,474,000 (2018: HK$2,174,834,000). 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.

33. SHARE CAPITAL

		2019		2018	
		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	**698,647**	**349,324**	688,590	344,295
	Issued upon exercise of share options under the share option schemes	**1,989**	**994**	3,338	1,670
	Issued as scrip dividends	**7,746**	**3,873**	6,719	3,359
	Balance carried forward	**708,382**	**354,191**	698,647	349,324

During the year ended 31 December 2019, 7,746,010 (2018: 6,719,000) shares of HK$0.50 each in the Company were issued at HK$33.16 (2018: HK$36.96) per share as scrip dividends.

34. 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 ("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.

The 2009 Share Option Scheme expired 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 ("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 subsidiary (the "Participant(s)") and to allow them to participate in the growth of the Company.

b. Participants of the 2009 Share Option Scheme include any person the Board of Directors 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 subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the 2009 Share Option Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the 2009 Share Option Scheme.

d. No option may be granted to any Participant under the 2009 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's 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 months' 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.

34. SHARE OPTIONS (continued)

Further details of the 2009 Share Option Scheme (continued)

g. The subscription price shall be determined by the Board of Directors 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 of the Company as stated in the Stock Exchange's daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Listing Rules), and (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 commencing on 27 May 2009.

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 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. Participants of the 2019 Share Option Scheme include any person the Board of Directors 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 director 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 of the Company available for issue under the 2019 Share Option Scheme is 70,047,303, representing 9.89% of the issued shares of the Company as at the date of approval of these consolidated financial statements.

d. The total number of shares of the Company which may be issued upon exercise of all options which may 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 issued share capital of the Company at the date of adoption of the 2019 Share Option Scheme.

e. The total number of shares of the Company 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 (including both exercised and outstanding options) in any 12-month period shall 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 months' 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.

34. SHARE OPTIONS (continued)

Further details of the 2019 Share Option Scheme (continued)

h. The subscription price shall be determined by the Board of Directors and notified to a Participant of the 2019 Share Option Scheme and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of grant of an option, which must be a business day (as defined in the Listing Rules), and (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 commencing on 22 May 2019.

j. During the year, no share option was granted under the 2019 Share Option Scheme.

The following tables disclose details of the Company's share options held by employees, including Directors and their associates, and movements in such holdings under the 2009 Share Option Scheme during the year:

	Number of shares				
In 2019 Year of grant of options	**Outstanding options at 1 January 2019**	**Options granted**	**Options exercised**	**Options lapsed**	**Outstanding options at 31 December 2019**
2014	**729,000**	**–**	**(729,000)**	**–**	**–**
2015	**980,000**	**–**	**(16,000)**	**(12,000)**	**952,000**
2016	**1,758,000**	**–**	**(306,000)**	**(13,000)**	**1,439,000**
2017	**4,781,000**	**–**	**(938,000)**	**(198,000)**	**3,645,000**
2018	**5,227,000**	**–**	**–**	**(306,000)**	**4,921,000**
2019	**–**	**5,673,000**	**–**	**(315,000)**	**5,358,000**
	13,475,000	**5,673,000**	**(1,989,000)**	**(844,000)**	**16,315,000**
Exercisable at end of the year					**6,036,000**
Weighted average exercise price	**HK$36.27**	**HK$39.05**	**HK$31.24**	**HK$39.44**	**HK$37.68**

	Number of shares				
In 2018 Year of grant of options	Outstanding options at 1 January 2018	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2018
2013	736,000	–	(659,000)	(77,000)	–
2014	1,240,000	–	(414,000)	(97,000)	729,000
2015	1,459,000	–	(353,000)	(126,000)	980,000
2016	3,903,000	–	(1,912,000)	(233,000)	1,758,000
2017	5,211,000	–	–	(430,000)	4,781,000
2018	–	5,509,000	–	(282,000)	5,227,000
	12,549,000	5,509,000	(3,338,000)	(1,245,000)	13,475,000
Exercisable at end of the year					3,467,000
Weighted average exercise price	HK$31.00	HK$42.21	HK$27.14	HK$33.94	HK$36.27

34. SHARE OPTIONS (continued)

Details of the share options held by the Directors under the 2009 Share Option Scheme included in the above table are as follows:

In 2019 Year of grant of options	Number of shares Outstanding options at 1 January 2019	Options granted	Options exercised	Outstanding options at 31 December 2019
2014-2019	**5,448,000**	**1,966,000**	**(1,190,000)**	**6,224,000**

In 2018 Year of grant of options	Number of shares Outstanding options at 1 January 2018	Options granted	Options exercised	Outstanding options at 31 December 2018
2013-2018	4,510,000	1,888,000	(950,000)	5,448,000

The weighted average price of the shares on the date the options exercised was HK$37.55 (2018: HK$39.77) under the 2009 Share Option Scheme for the year ended 31 December 2019.

Details of options granted under the 2009 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
2013	6.6.2013	7.6.2015-6.6.2018	31.45
2014	27.2.2014	28.2.2016-27.2.2019	26.05
2014	17.3.2014	18.3.2016-17.3.2019	27.55
2015	11.3.2015	12.3.2017-11.3.2020	26.88
2015	10.4.2015	11.4.2017-10.4.2020	28.25
2016	14.3.2016	15.3.2018-14.3.2021	25.70
2017	14.3.2017	15.3.2019-14.3.2022	37.15
2018	14.3.2018	15.3.2020-14.3.2023	42.40
2018	8.5.2018	9.5.2020-8.5.2023	38.83
2019	14.3.2019	15.3.2021-14.3.2024	39.05

34. SHARE OPTIONS (continued)

Notes:

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

(ii) The vesting period for the share options granted is 24 months from the 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$
6.6.2013	31.45	31.45	30.27%	2.35%	5 years	0.72%	6.98
27.2.2014	26.05	26.05	27.76%	2.89%	5 years	1.71%	5.06
17.3.2014	27.55	27.55	27.69%	2.70%	5 years	1.74%	5.46
11.3.2015	26.45	26.88	19.33%	3.58%	5 years	1.66%	3.22
10.4.2015	28.25	28.25	18.19%	3.34%	5 years	1.46%	3.36
14.3.2016	24.08	25.70	18.84%	3.83%	5 years	1.50%	3.09
14.3.2017	37.15	37.15	25.21%	2.12%	5 years	2.20%	7.65
14.3.2018	41.87	42.40	18.63%	1.87%	5 years	2.49%	6.96
8.5.2018	37.75	38.83	18.79%	2.07%	5 years	2.76%	6.18
14.3.2019	39.05	39.05	19.23%	2.31%	5 years	2.24%	6.24

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$31,506,000 for the year ended 31 December 2019 (2018: HK$30,674,000) 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.

35. 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% to 10%, while the employees are required to contribute 5% of their salaries to the scheme, subject to minimum and maximum relevant income levels.

Forfeited contributions to retirement schemes for the year ended 31 December 2019 amounting to HK$608,000 (2018: HK$1,171,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2019 charged to the consolidated income statement amounted to HK$91,051,000 (2018: HK$89,949,000). As at 31 December 2019, contributions of HK$3,694,000 (2018: HK$4,171,000) due in respect of the year had not been paid over to the schemes.

36. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019, 7,746,010 (2018: 6,719,000) shares of HK$0.50 each in the Company were issued at HK$33.16 (2018: HK$36.96) per share as scrip dividends.

37. PLEDGE OF ASSETS

At 31 December 2019, 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$25,104,522,000 (2018: HK$51,320,907,000) 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$10,941,820,000 (2018: HK$11,928,929,000); and

(c) the Group's stock of properties with a total carrying value of HK$5,785,423,000 (2018: HK$4,343,668,000).

38. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2019, 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$7,840,771,000 (2018: HK$8,373,980,000) of which HK$1,467,366,000 (2018: HK$150,499,000) was contracted for.

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

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$2,918,917,000 (2018: HK$2,943,531,000). 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 2019 amounted to HK$144,654,000 (2018: HK$188,500,000).

Minimum lease payments receivable on leases are as follows:

	2019 **HK$'000**
Within one year	**2,462,780**
In the second year	**1,750,400**
In the third year	**1,130,037**
In the fourth year	**577,918**
In the fifth year	**324,029**
After five years	**121,638**
	6,366,802

At 31 December 2018, the Group had contracted with lessees for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2018 HK$'000
Within one year	2,413,441
In the second to fifth year inclusive	3,494,499
After five years	245,793
	6,153,733

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.

39. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee

At 31 December 2019, the Group has lease commitments of HK$476,000 for short-term leases which fall due within one year.

At 31 December 2018, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000
Within one year	13,715
In the second to fifth year inclusive	30,635
	44,350

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of two to six years and rentals are fixed over the respective leases.

40. 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.

	2019 HK$'000	2018 HK$'000
Transaction with related parties for the year ended 31 December		
Dr. Lo Ka Shui		
Management fee income	**1,356**	1,284
Repair and maintenance income	**37**	–
Mr. Lo Kai Shui		
Management fee income	**–**	116

40. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2019 HK$'000	2018 HK$'000
Transactions with related companies for the year ended 31 December		
SFK Construction Holdings Limited and its subsidiaries[1]		
Rental income	**1,790**	7,161
Building management fee income	**295**	1,133
Carpark income	**42**	254
Reinstatement work	**229**	–
Cleaning service charge	**–**	98
SOCAM Development Limited and its subsidiaries[2]		
Trading income	**–**	1,421
Shui On Land Limited and its subsidiaries[2]		
Lease payment	**1,774**	1,788
Hotel income	**344**	151
Management fee expenses	**3,613**	3,777
Trading income	**136**	17
Shui Sing Holdings Limited and its subsidiaries[3]		
Management fee income	**264**	264
Repair and maintenance income	**341**	398
Agency fee income	**27**	34
Haining Haixing Hotel Company Limited[5]		
Hotel income	**931**	1,376
Healthy Seed Limited[4]		
Management fee income	**135**	2,035
Rental income	**334**	401
Building management fee income	**166**	160
Repair and maintenance income	**–**	24
Oasis Rainbow Limited[5]		
Procurement income	**145**	435
Transactions with a joint venture for the year ended 31 December		
Wealth Joy and its subsidiaries		
Supply procurement and consultancy services income	**–**	20,612

Transactions with related companies (other than Wealth Joy) are also connected transactions as defined in the chapter 14A of the Listing Rules.

40. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	2019 HK$'000	2018 HK$'000
Balances with a joint venture and related companies as at 31 December		
Amount due from a joint venture (included in debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	**–**	24,252
Amounts due from related companies (included in debtors, deposits and prepayments)		
SOCAM Development Limited and its subsidiaries[2]	**147**	613
Shui On Land Limited and its subsidiaries[2]	**1,779**	1,773
Shui Sing Holdings Limited and its subsidiaries[3]	**289**	40
Haining Haixing Hotel Company Limited[5]	**244**	315
Oasis Rainbow Limited[5]	**–**	87
	2,459	2,828
Amounts due from related parties (included in debtors, deposits and prepayments)		
Dr. Lo Ka Shui	**118**	112
Mr. Lo Kai Shui	**664**	664
	782	776
Amounts due to related companies (included in creditors, deposits and accruals and lease liabilities)		
SFK Construction Holdings Limited and its subsidiaries[1]	**598**	1,203
Shui On Land Limited and its subsidiaries[2]	**4,560**	269
Healthy Seed Limited[4]	**147**	146
	5,305	1,618

Balances with a joint venture and related companies are unsecured, interest-free and repayable on demand. Other than the above balance with a joint venture as at 31 December 2018, the Group also had amount due from a joint venture as disclosed in note 16.

Notes:

1 Mr. Lo Kai Shui, being a controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company.

2 Mr. Lo Hong Sui, Vincent, being a director and controlling shareholder of these companies, is an associate of Dr. Lo Ka Shui (a substantial Shareholder of the Company), Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Dr. Lo Ying Sui and Mr. Lo Chun Him, Alexander, all being Directors of the Company, and Mr. Lo Kai Shui.

3 Dr. Lo Ka Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, all being Directors of the Company, and Mr. Lo Kai Shui, are among the discretionary beneficiaries under a discretionary trust, being a substantial shareholder of this company, holding 33.36% (31 December 2018: 33.33%) interest of the Company.

40. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

Notes: (continued)

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

5 The company is also a connected party of the Company in which a director of a subsidiary has controlling interest.

The remuneration of the Directors and other members of key management during the year were disclosed in note 11. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. 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 29 and 30 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instruments at FVTOCI, notes and loan receivables, debtors, financial assets at FVTPL, restricted cash, time deposits with original maturity over three months, bank balances and cash, creditors, rental deposits received, derivative financial instruments, distribution payable, medium term notes and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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, 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 London Interbank Offered Rate 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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(i) Interest rate risk (continued)

The interest rate and terms of the financial assets and financial liabilities are set out in respective notes.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates, including derivatives which are designated as effective hedging instruments for variable rate borrowings, medium term notes, and bank balances at the end of the reporting period. Management considers the impact of interest rates arising from bank balances denominated in Hong Kong dollar is insignificant and accordingly has not been included in the sensitivity analysis. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax (2018: profit before tax) for the year ended 31 December 2019 would increase/decrease by HK$80,659,000 (2018: decrease/increase by HK$63,182,000).

(ii) Currency risk

The Group has certain bank deposits, medium term notes, financial assets at FVTPL, equity instruments at FVTOCI and notes and loan receivables that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign currency derivative contracts.

The Group's medium term note of US$386,400,000 (2018: US$386,400,000) is denominated in a foreign currency (i.e. US$) and such foreign currency risk is managed by entering into cross currency swaps to hedge against its exposures to changes in foreign exchange rate on its medium term note. 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.

42. 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**810,768**	1,668,055	**3,010,274**	3,028,299
RMB	**75,993**	86,947	**–**	–
Pound Sterling	**482**	128	**–**	–
Euro dollars	**93,131**	58,195	**2,415**	2,518
Australian dollars	**9,637**	3,024	**–**	–
New Zealand dollars	**40**	159,240	**–**	–
Canadian dollars	**20**	19	**–**	–
Macau pataca	**10,209**	9,148	**–**	–
Singapore dollars	**92,039**	4	**–**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 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% (2018: 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% (2018: 10%) change in foreign currency rate. A positive number below indicates a decrease in loss before tax (2018: an increase in profit before tax) where Hong Kong dollars weaken 10% (2018: 10%) against the relevant currency. For a 10% (2018: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the loss before tax (2018: profit before tax) for the year, and the balances below would be negative.

	2019	2018
	HK$'000	HK$'000
RMB	**7,599**	8,695
Pound Sterling	**48**	13
Euro dollars	**9,072**	5,568
Australian dollars	**964**	302
New Zealand dollars	**4**	15,924
Canadian dollars	**2**	2
Macau pataca	**1,021**	915
Singapore dollars	**9,204**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

42. 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% (2018: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$103,474,000 (2018: HK$90,047,000) 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% (2018: 10%) higher/lower, fair value changes on financial assets at FVTPL would increase/decrease by HK$23,466,000 (2018: HK$19,864,000) for the Group as a result of the changes in fair value of listed equity securities held for trading.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, maintain sufficient availability of banking facilities and ensure compliance with loan covenants as well as by continuously monitoring forecast and actual cash flows.

The Group has cash and cash equivalents of HK$10,706,504,000 as at 31 December 2019 (2018: HK$8,544,217,000). 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$6,253,684,000 as at 31 December 2019 (2018: HK$4,946,480,000).

The Group established a US$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed. The Group issued an aggregate principal amounts of HK$2,543,000,000 and US$386,400,000 as at 31 December 2019 (2018: HK$2,543,000,000 and US$386,400,000).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on effective interest rate at the end of the reporting period.

	Interest rate	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	3 to 4 years HK$'000	Over 4 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
2019								
Rental deposit received	–	275,406	161,635	171,422	50,354	71,467	730,284	730,284
Non-interest bearing	–	1,386,082	–	–	–	–	1,386,082	1,386,082
Fixed interest rate instruments	2.75% to 4.00%	171,558	368,708	168,708	3,121,945	1,831,833	5,662,752	4,883,206
Variable interest rate instruments	0.33% to 5.01%	4,877,277	4,997,687	4,654,072	7,857,595	5,906,846	28,293,477	26,312,271
Lease liabilities	3.29% to 5.00%	12,497	8,764	7,258	3,101	–	31,620	29,745
		6,722,820	5,536,794	5,001,460	11,032,995	7,810,146	36,104,215	33,341,588
2018								
Non-interest bearing	–	1,322,637	–	–	–	–	1,322,637	1,322,637
Fixed interest rate instruments	2.75% to 4.00%	175,024	375,024	169,324	169,324	4,970,510	5,859,206	4,893,292
Variable interest rate instruments	0.33% to 5.08%	5,775,179	9,440,087	6,564,565	4,279,341	1,849,775	27,908,947	26,267,861
		7,272,840	9,815,111	6,733,889	4,448,665	6,820,285	35,090,790	32,483,790

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.

42. 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
2019						
Derivatives net settlement						
Interest rate swaps	**29,002**	**7,086**	**12,613**	**–**	**48,701**	**(12,716)**
Cross currency swaps	**36,003**	**32,516**	**(84,395)**	**–**	**(15,876)**	**(25,077)**
Currency forward contracts	**(4,198)**	**–**	**–**	**–**	**(4,198)**	**(4,198)**

	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
2018						
Derivatives net settlement						
Interest rate swaps	23,688	26,566	(5,337)	–	44,917	30,067
Cross currency swaps	42,675	41,447	(159,905)	–	(75,783)	(63,714)
Currency forward contracts	71	–	–	–	71	71

(c) Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2019 and 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group measures the loss allowance on liquid funds equal to 12m ECL. The credit risk on liquid funds is limited because most of the cash and deposits are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on derivative financial instrument is limited because most of the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

The credit risk on notes receivable and equity linked notes is limited because most of the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk and impairment assessment (continued)

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

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, amount due from a joint venture are considered as low risk of internal credit rating because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2019, loss allowance provision of HK$19,566,000 (2018: HK$19,059,000) for trade debtors was recognised.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) 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
At 1 January 2018	–	18,478	18,478
Amount recovered	–	(581)	(581)
Increase in allowance recognised in profit or loss	1,162	–	1,162
At 31 December 2018	1,162	17,897	19,059
Increase in allowance recognised in profit or loss	**507**	**–**	**507**
At 31 December 2019	**1,669**	**17,897**	**19,566**

Other than concentration of credit risk on loan receivable related to a third party, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade debtors	**182,037**	247,768
Other receivables	**233,095**	242,949
Notes receivable	**679,767**	250,171
Loan receivables	**88,154**	88,929
Mortgage loan receivables	**3,113**	–
Amount due from a joint venture	**292**	133,788
Restricted cash	**166,405**	170,798
Time deposits with original maturity over three months	**200,000**	702,833
Bank balances and cash	**10,706,504**	8,544,217
	12,259,367	10,381,453
Financial assets mandatorily measured at FVTPL		
Equity linked notes	**–**	31,392
Financial assets held for trading	**234,665**	198,640
	234,665	230,032
Equity instruments at FVTOCI		
Equity instruments at FVTOCI	**1,034,736**	900,472
Derivative financial instruments	**12,788**	26,994
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	**64,426**	39,399

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments (continued)

	2019 HK$'000	2018 HK$'000
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	**269,948**	261,003
Other payables	**462,040**	417,594
Rental deposits received	**730,284**	–
Construction fee payable and retention money payable	**389,426**	372,292
Distribution payable	**264,668**	271,748
Borrowings	**25,669,271**	25,624,861
Medium term notes	**5,526,206**	5,536,292
	33,311,843	32,483,790
Derivative financial instruments	**119,205**	82,109
Derivative instruments in designated hedge accounting relationships		
Derivative financial instruments	**–**	17,860

(e) Fair value

The fair values of financial assets and financial liabilities, including equity instruments at FVTOCI, derivative financial instruments and financial assets at FVTPL are determined as detailed in note 42(f). The fair value of other financial assets and financial liabilities which are at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages in third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Board of Directors of the Company half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2019				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Derivative financial instruments	–	12,788	–	12,788
Derivative financial instruments under hedge accounting	–	64,426	–	64,426
Listed equity securities held for trading	234,665	–	–	234,665
Equity investments at FVTOCI				
Listed equity securities	196,262	–	–	196,262
Unlisted equity securities	682,277	–	156,197	838,474
Total	1,113,204	77,214	156,197	1,346,615
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	119,205	–	119,205
Total	–	119,205	–	119,205

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2018				
Financial assets				
Financial assets mandatorily measured at FVTPL				
Equity linked notes	–	–	31,392	31,392
Derivative financial instruments	–	26,994	–	26,994
Derivative financial instruments under hedge accounting	–	39,399	–	39,399
Listed equity securities held for trading	198,640	–	–	198,640
Equity investments at FVTOCI				
Listed equity securities	246,782	–	–	246,782
Unlisted equity securities	502,820	–	150,870	653,690
Total	948,242	66,393	182,262	1,196,897
Financial liabilities				
Financial liabilities at FVTPL				
Derivative financial instruments	–	82,109	–	82,109
Derivative financial instruments under hedge accounting	–	17,860	–	17,860
Total	–	99,969	–	99,969

There were no transfers between Level 1 and 2 in the current year.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets (liabilities)	Fair value as at 31 December 2019 HK$'000	2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs
Listed equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**196,262**	246,782	Level 1	Quoted market bid prices in an active market.
Listed equity securities held for trading in the consolidated statement of financial position.	**234,665**	198,640	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.	**682,277**	502,820	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.	**(4,198)**	71	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.	**50,551** **(63,267)**	66,322 (36,255)	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.	**26,663** **(51,740)**	(63,714)	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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Financial assets (liabilities)	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Unlisted equity securities classified as equity instruments at FVTOCI in the consolidated statement of financial position.	**156,197**	150,870	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 linked notes classified as financial assets at FVTPL in the consolidated statement of financial position.	–	31,392	Level 3	Discounted cash flow. Future cash flows are estimated based on probability-adjusted share prices, contracted share prices and volatility discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices. (Note b)

Notes:

(a) The higher the multiples, the higher the fair value of unlisted equity securities. The higher the risk adjustments, the lower the fair value of unlisted equity securities. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

(b) The higher the volatility, the higher the fair value of equity linked notes. A reasonably possible change in the unobservable input would result in a significant higher or lower fair value measurement.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Reconciliation of Level 3 fair value measurements of financial assets

	Equity linked notes HK$'000	Unlisted equity securities HK$'000
At 1 January 2018	–	–
Adjustments*	–	41,103
Purchases	260,845	125,355
Redemption upon maturity/disposal	(229,179)	(15,690)
Change in fair value	(274)	102
At 31 December 2018	31,392	150,870
Purchases	**25,000**	**16,346**
Redemption upon maturity/disposal	**(56,747)**	**–**
Change in fair value	**355**	**(11,019)**
At 31 December 2019	**–**	**156,197**

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

The above change in fair value of equity linked notes and unlisted equity securities are included in "fair value changes on financial assets at FVTPL" in the consolidated income statement and "fair value gain (loss) on equity instruments at fair value through other comprehensive income" in the consolidated statement of other comprehensive income, respectively.

43. 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 2018	(44,164)	80,636	26,010,252	4,612,054	–	–	250,799	30,909,577
Distribution declared	–	–	–	–	–	907,860	681,865	1,589,725
Interest expenses (note)	–	763,207	46,240	5,093	–	–	–	814,540
Fair value adjustment	88,977	–	–	–	–	–	–	88,977
Financing cash flows	(11,166)	(814,767)	(230,885)	911,971	–	(659,526)	(660,913)	(1,465,286)
Foreign exchange translations	–	143	(203,199)	7,174	–	–	–	(195,882)
Interest capitalisation	–	69,130	–	–	–	–	–	69,130
Other non-cash changes	–	–	2,453	–	–	(248,334)	(3)	(245,884)
At 31 December 2018	33,647	98,349	25,624,861	5,536,292	–	–	271,748	31,564,897
Distribution declared	–	–	–	–	–	584,053	714,952	1,299,005
Interest expenses (note)	–	830,972	59,568	6,269	1,372	–	–	898,181
Fair value adjustment	(5,882)	–	–	–	–	–	–	(5,882)
New leases entered/ lease modified	–	–	–	–	42,285	–	–	42,285
Financing cash flows	14,442	(910,144)	(11,007)	–	(13,543)	(327,195)	(722,334)	(1,969,781)
Foreign exchange translations	–	149	(4,151)	(16,355)	–	–	–	(20,357)
Interest capitalisation	–	82,846	–	–	–	–	–	82,846
Other non-cash changes	(216)	–	–	–	(369)	(256,858)	302	(257,141)
At 31 December 2019	**41,991**	**102,172**	**25,669,271**	**5,526,206**	**29,745**	**–**	**264,668**	**31,634,053**

Note:

The amounts reclassified from hedging reserve are excluded in the reconciliation.

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2019 and 2018 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 2019	2018
Incorporated and operating in the British Virgin Islands				
Jolly Trend Limited	2 shares of US$1 each	Investment holding	**100%**	100%

Indirect subsidiaries	Share capital issued: Number of share(s)	Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company 2019	2018
Incorporated and operating in Hong Kong					
Able Wise (China) Limited	1	1	Investment holding	**100%**	100%
Best Come Limited	1	1	Flexible workspace operation	**100%**	100%
Bon Project Limited	2	2	Property investment	**100%**	100%
Champion Global Services Limited	1	1	Provision of procurement services	**94%**	94%
Chance Mark Limited	2	2	Property investment	**100%**	100%
Clever Gain Investment Limited	2	2	Restaurant operation	**100%**	100%
Eagle Asset Management (CP) Limited	16,000,000	16,000,000	Manager of real estate investment trust	**100%**	100%
Eagle Property Management (CP) Limited	1	1	Property management	**100%**	100%
Ease Billion Development Limited	2	2	Property investment	**100%**	100%
Ease Treasure Finance Limited	1	1	Financing	**100%**	100%
Ease Treasure Finance (PSK) Limited*	1	1	Financing	**100%**	–
Ease Treasure Investment Limited	1	1	Property development	**100%**	100%
Eaton Hotels International Limited	1	1	Hotel & restaurant management	**100%**	100%
Eaton Residences Management Limited	1,000	10,000	Management of furnished apartments	**100%**	100%
Fortuna Wealth Company Limited	2	2	Property investment	**100%**	100%
GE Hospitality Asset Management Limited	1	1	Asset management	**100%**	100%
GE (LHIL) Lessee Limited	1	1	Hotel operation	**100%**	100%
Great Eagle (China) Investment Limited	1	1	Investment holding	**100%**	100%
Great Eagle Project Advisory Company Limited	1	1	Provision of project management services	**100%**	100%
Great Eagle Real Estate Agency Limited	1	1	Real estate agency	**100%**	100%
Great Eagle Trading Holdings Limited	1,000	82,992,841	Investment holding	**94%**	94%
Keysen Engineering Company, Limited	2	2	Maintenance services	**100%**	100%
Keysen Properties Management Company Limited	1	1	Property management	**100%**	100%
Landton Limited	2	2	Investment holding	**100%**	100%

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Share capital issued: Number of share(s)	Share capital issued: Issued and paid up share capital HK$	Principal activities	Percentage of issued equity share capital held by the Company: 2019	Percentage of issued equity share capital held by the Company: 2018
Incorporated and operating in Hong Kong (continued)					
Langham Hospitality Group Limited	1	1	Investment holding	**100%**	100%
Langham Hotels International Limited	5,000	5,000	Hotel management	**100%**	100%
Langham Hotels Management (HK) Limited	1	1	Provision of hotel management service	**100%**	100%
Langham Hotels Services Limited	1	1	Hospitality management and marketing service	**100%**	100%
Langham Hotels (China) Limited	1	1	Hotel management	**100%**	100%
Langham Hotels (Cordis) Limited	1	1	Provision of staff services	**100%**	100%
Langham Hotels (EHK) Limited	1	1	Provision of staff services	**100%**	100%
Langham Hotels (LHK) Limited	1	1	Provision of staff services	**100%**	100%
LHIL Manager Limited	1	1	Trustee-Manager of Langham share stapled units	**100%**	100%
Longworth Management Limited	10,000	10,000	Property management	**100%**	100%
Mega Bloom (China) Limited	1	1	Investment holding	**100%**	100%
Moon Yik Company, Limited	10,000,000	10,000,000	Property investment	**100%**	100%
Sharp Bloom Limited	1	1	Treasury management	**100%**	100%
The Great Eagle Company, Limited	2,000,000	1,000,000	Investment holding	**100%**	100%
The Great Eagle Development and Project Management Limited	2	20	Project management	**100%**	100%
The Great Eagle Engineering Company Limited	2	2	Maintenance services	**100%**	100%
The Great Eagle Estate Agents Limited	2	20	Real estate agency	**100%**	100%
The Great Eagle Finance Company, Limited	100,000	10,000,000	Financing	**100%**	100%
The Great Eagle Properties Management Company, Limited	1,800,000	1,800,000	Property management	**100%**	100%
Toptech Co. Limited	2,000,000	2,000,000	Trading of building materials	**94%**	94%
Topstar Investment Holdings Limited	1	1	Investment holding	**100%**	100%
Venus Glory Company Limited	2	2	Property investment	**100%**	100%
Worth Bright Company Limited	2	2	Property investment	**100%**	100%
Zamanta Investments Limited	100	1,000	Property investment	**100%**	100%

44. 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$		2019	2018
Incorporated and operating in Hong Kong and indirectly owned and controlled by Champion REIT					
Benington Limited	100	1,000	Property investment	66.22%	65.99%
CP (A1) Limited	1	1	Property investment	66.22%	65.99%
CP (B1) Limited	1	1	Property investment	66.22%	65.99%
CP (MC) Limited	1	1	Property investment	66.22%	65.99%
CP (PH) Limited	1	1	Property investment	66.22%	65.99%
CP (SH) Limited	1	1	Property investment	66.22%	65.99%
CP (WC) Limited	1	1	Property investment	66.22%	65.99%
CP Finance Limited	1	1	Financing	66.22%	65.99%
CP (Portion A) Limited	2	2	Property investment	66.22%	65.99%
CP (Portion B) Limited	2	2	Property investment	66.22%	65.99%
CP Success Limited	1	1	Financing	66.22%	65.99%
CP Wealth Limited	1	1	Financing and treasury	66.22%	65.99%
Elegant Wealth Limited	1	1	Property investment	66.22%	65.99%
Maple Court Limited	2	2	Property investment	66.22%	65.99%
Panhy Limited	2	2	Property investment	66.22%	65.99%
Renaissance City Development Company Limited	2	20	Property investment	66.22%	65.99%
Shine Hill Development Limited	1,000,000	1,000,000	Property investment	66.22%	65.99%
Trump Treasure Limited	1	1	Treasury	66.22%	65.99%
Well Charm Development Limited	2	2	Property investment	66.22%	65.99%
Incorporated and operating in Hong Kong and indirectly owned and controlled by Langham					
Cordis Hong Kong Limited	2	2	Property investment	63.45%	62.93%
Grow On Development Limited	5,000	5,000	Property investment	63.45%	62.93%
Harvest Star International Limited	2	2	Property investment	63.45%	62.93%
LHIL Finance Limited	1	1	Financing	63.45%	62.93%
LHIL Treasury (HK) Limited	1	1	Financing	63.45%	62.93%
LHIL Treasury Company Limited	1	1	Treasury management	63.45%	62.93%

44. 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 2019	2018
Incorporated in the British Virgin Islands				
Bright Form Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ecobest Ventures Limited	1 share of US$1	Treasury management	100%	100%
Fine Noble Limited	1 share of US$1	Treasury management	100%	100%
Great Eagle Nichemusic Limited	1 share of US$1	Treasury management	100%	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
LHIL Assets Holdings Limited	1 share of US$1	Investment holding of Langham share stapled units	100%	100%
Lucky Wheel Investments Limited	1 share of US$1	Treasury management	100%	100%
Main Treasure Holdings Limited	1 share of US$1	Provision of investment management services	100%	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%	100%
Queenbrook Investments Limited	1 share of US$1	Investment holding	100%	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%	100%
Ultra New Investments Limited	1 share of US$1	Investment holding	100%	100%
Incorporated in the British Virgin Islands and indirectly owned and controlled by Champion REIT				
EAM-Champion REIT Limited	1 share of US$1	Securities investment	66.22%	65.99%
Incorporated in the British Virgin Islands and operating in the United Kingdom				
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%	100%
Incorporated and operating in Canada				
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%	100%
Incorporated in the British Virgin Islands and operating in Australia				
Katesbridge Group Limited	1 share of US$1	Investment holding	100%	100%
Ruby Dynasty Limited	1 share of US$1	Investment holding	100%	100%
Incorporated and operating in Australia				
NSW Hotel Management Pty Ltd	2 shares of A$1 each	Hotel operation	100%	100%
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%	100%
The Great Eagle Hotels (NSW) Trust	100 units of A$1 each	Hotel ownership	100%	100%
The Great Eagle Hotels (Victoria) Trust	108,688,206 shares of A$1 each	Hotel ownership	100%	100%

44. 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 2019	2018
Incorporated and operating in Italy				
Rio dei Vetrai S.r.l.*	EUR100,000	Hotel development	**100%**	–
Incorporated in the British Virgin Islands and operating in New Zealand				
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Hotel ownership	**100%**	100%
Incorporated and operating in New Zealand				
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	**100%**	100%
Incorporated and operating in the USA				
Langham Hotels Pacific Corporation	100 shares of US$1 each	Hotel management	**100%**	100%
Pacific Boston Holdings Corporation	100 shares of US$0.001 each	Hotel management	**100%**	100%
Pacific Chicago LLC	US$34,626,714	Hotel ownership	**100%**	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	**100%**	100%
Pacific Eagle China Orient (US) Real Estate GP, LLC	US$250,000	Investment fund management	**80%**	80%
Pacific Eagle (US) Real Estate Fund, L.P.	US$95,189,804	Investment holding	**49.97%**	49.97%
Pacific Eagle Holdings Corporation	100 shares of no par value	Real estate management	**100%**	100%
Pacific Fifth Avenue Corporation	100 shares of US$0.01 each	Hotel ownership	**100%**	100%
Pacific Howard Corporation	100 shares of US$0.01 each	Property/hotel development	**100%**	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Hotel ownership	**100%**	100%
Pacific Langham Chicago Corporation	100 shares of US$0.001 each	Hotel management	**100%**	100%
Pacific Langham NY Management Corporation	100 shares of US$0.01 each	Hotel management	**100%**	100%
Pacific Malibu Dume LLC	US$20,145,000	Property held for sale	**49.97%**	49.97%
Pacific 1125 Market Corporation	100 shares of US$0.01 each	Hotel development	**100%**	100%
Pacific Pine LLC	US$33,363,081	Property development	**49.97%**	49.97%
Pacific 2014 Second Avenue LLC*	US$7,559,883	Property development	**100%**	–
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 Manager 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%

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital/ registered capital	Principal activities	Percentage of issued equity share capital held by the Company 2019	2018
Incorporated and operating in the PRC				
卓環管理咨詢(上海)有限公司**	US$100,000	Provision of procurement services	**94%**	94%
朗廷酒店管理 (上海)有限公司**	US$3,750,000	Hotel management	**100%**	100%
朗虹(上海)酒店有限公司**	RMB1,100,000,000	Hotel ownership and operation	**100%**	100%
上海禮興酒店有限公司**	US$79,575,000	Hotel ownership and operation	**100%**	100%
高端(上海)貿易有限公司**	US$350,000	Trading of building materials	**94%**	94%
Incorporated and operating in Japan				
Great Eagle Tokyo TMK	JPY27,356,100,000	Hotel development	**100%**	100%
Great Eagle Japan KK*	JPY20,000,000	Hotel management and property development	**100%**	–
Incorporated in the Cayman Islands and indirectly owned and controlled by Champion REIT				
Champion MTN Limited	1 share of US$1	Medium term notes issuer	**66.22%**	65.99%
Ernest Limited	100 shares of US$1 each	Investment holding	**66.22%**	65.99%

* All these subsidiaries commenced its business during the year ended 31 December 2019.
** All these subsidiaries are registered as wholly foreign-owned enterprise in the PRC.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

Except for Champion MTN Limited which has issued the medium term notes as detailed in note 30, no other subsidiaries had issued any debt securities at 31 December 2019 and 2018 or 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 2019 and 2018:

Indirect subsidiaries	Place of incorporation and principal activities	Proportion of ownership interests and voting rights held by non-controlling interests/unitholders 2019	2018	Profit (loss) allocated to non-controlling interests/ unitholders 2019 HK$'000	2018 HK$'000	Accumulated non-controlling interests/unitholders 2019 HK$'000	2018 HK$'000
Champion REIT	HK/Property investment	**33.78%**	34.01%	**(188,831)**	2,667,742	**21,901,034**	22,705,392
Langham	Cayman Islands/Property investment	**36.55%**	37.07%	**(16,546)**	49,948	**(1,305,576)**	(1,183,360)
US Real Estate Fund	the USA/Property investment	**50.03%**	50.03%	**(36,233)**	(140,147)	**370,114**	616,723

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.

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and Langham are listed on the Stock Exchange. The Group as at 31 December 2019 has 66.22% and 63.45% (2018: 65.99% and 62.93%) ownership interest in Champion REIT and Langham, respectively, and the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Champion REIT and Langham. 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 2019 has 49.97% (2018: 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

	2019 HK$'000	2018 HK$'000
Current assets	2,225,046	1,897,401
Non-current assets	81,454,100	83,393,104
Current liabilities	(4,299,495)	(6,624,444)
Non-current liabilities, excluding net assets attributable to unitholders	(14,545,329)	(11,905,133)
Net assets attributable to non-controlling unitholders of Champion REIT	21,901,034	22,705,392
Revenue	3,080,669	2,964,972
Expenses	(1,407,069)	(1,303,874)
(Loss) profit for the year, before distribution to unitholders	(570,322)	7,812,057
Distribution to unitholders	(1,565,536)	(1,530,045)
(Loss) profit for the year, after distribution to unitholders (note a)	(2,135,858)	6,282,012
Other comprehensive income (expense) for the year (note b)	59,781	(9,049)
Total comprehensive (expense) income for the year (note c)	(2,076,077)	6,272,963

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Champion REIT and its subsidiaries (continued)

	2019 HK$'000	2018 HK$'000
Attributable to non-controlling unitholders of Champion REIT:		
(Loss) profit for the year, before distribution to unitholders	**(188,831)**	2,667,742
Other comprehensive income (expense) for the year	**20,229**	(3,059)
Total comprehensive (expense) income for the year	**(168,602)**	2,664,683
Distributions to non-controlling unitholders of Champion REIT	**529,776**	522,051
Net cash inflow from operating activities	**1,991,407**	1,677,352
Net cash inflow (outflow) from investing activities	**5,289**	(193,183)
Net cash outflow from financing activities	**(1,634,571)**	(1,275,028)
Net cash inflow	**362,125**	209,141

Notes:

	2019 HK$'000	2018 HK$'000
(a) (Loss) profit for the year, after distributions to unitholders		
attributable to owners of the Company	**(1,417,251)**	4,136,321
attributable to non-controlling unitholders of Champion REIT	**(718,607)**	2,145,691
	(2,135,858)	6,282,012
(b) Other comprehensive income (expense) for the year		
attributable to owners of the Company	**39,552**	(5,990)
attributable to non-controlling unitholders of Champion REIT	**20,229**	(3,059)
	59,781	(9,049)
(c) Total comprehensive (expense) income for the year		
attributable to owners of the Company	**(1,377,699)**	4,130,331
attributable to non-controlling unitholders of Champion REIT	**(698,378)**	2,142,632
	(2,076,077)	6,272,963

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Langham and its subsidiaries

	2019 HK$'000	2018 HK$'000
Current assets	**106,018**	162,264
Non-current assets	**17,506,028**	20,203,941
Current liabilities	**(463,754)**	(261,728)
Non-current liabilities	**(7,158,505)**	(7,145,861)
Equity attributable to non-controlling interests before intragroup eliminations	**3,651,267**	4,803,759
Equity attributable to non-controlling interests after intragroup eliminations (note)	**(1,305,576)**	(1,183,360)
Revenue	**483,883**	615,500
Expenses	**(269,227)**	(229,336)
(Loss) profit and total comprehensive income for the year	**(2,634,711)**	895,640
Attributable to non-controlling interests of Langham: (Loss) profit and total comprehensive (expense) income for the year (note)	**(16,546)**	49,948
Distributions to non-controlling interests of Langham	**150,146**	158,310
Net cash inflow from operating activities	**357,059**	480,539
Net cash outflow from investing activities	**(101,625)**	(242,411)
Net cash outflow from financing activities	**(266,583)**	(252,323)
Net cash outflow	**(11,149)**	(14,195)

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.

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

US Real Estate Fund and its subsidiaries

	2019 HK$'000	2018 HK$'000
Equity attributable to owners of the Company after intragroup eliminations (note)	**374,753**	439,988
Equity attributable to non-controlling interests after intragroup eliminations (note)	**370,114**	616,723
Loss and total comprehensive expense for the year	**(64,263)**	(215,555)
Attributable to non-controlling interests of US Real Estate Fund: Loss and total comprehensive expense for the year (note)	**(36,233)**	(140,147)
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 revaluation gain on property and related deferred taxation in regards to the capital injection of the property to the US Real Estate Fund.

45. PARTICULARS OF THE PRINCIPAL JOINT VENTURES

Details of the Group's principal joint ventures at 31 December 2019 and 2018 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 2019	2018
Incorporated in the British Virgin Islands				
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are engaged in property development	**50%**	50%
Incorporated in the USA				
8701 Associates 2 LLC	US$28,000,000	Investment holding of subsidiaries which are engaged in property development	**25%**	25%

46. PARTICULARS OF THE ASSOCIATES

Details of the Group's associates at 31 December 2019 and 2018 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 2019	2018
Incorporated in the British Virgin Islands				
City Apex Limited	3,500 shares of US$1 each	Investment holding	**23%**	23%
Incorporated in the Cayman Islands				
Redwood Peak Partners	12,500 shares of US$1 each	General partner of investment fund	**25%**	25%

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Investment in a subsidiary	**4,093,475**	3,459,606
Amount due from a subsidiary	**17,961,132**	18,002,907
	22,054,607	21,462,513
Current assets		
Prepayments	**207**	832
Amount due from a subsidiary	**628,267**	701,706
Bank balances and cash	**8,106**	9,273
	636,580	711,811
Current liability		
Accruals	**8,928**	8,819
Net current assets	**627,652**	702,992
NET ASSETS	**22,682,259**	22,165,505
Share capital and reserves		
Share capital	**354,191**	349,323
Reserves	**22,328,068**	21,816,182
TOTAL EQUITY	**22,682,259**	22,165,505

47. 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 2018	5,619,734	3,054	424,627	43,895	15,612,587	21,703,897
Shares issued at premium	347,753	–	–	(13,859)	–	333,894
Share issue expenses	(113)	–	–	–	–	(113)
Recognition of equity-settled share-based payments	–	–	–	30,674	–	30,674
Profit and total comprehensive income for the year	–	–	–	–	655,690	655,690
Dividend paid	–	–	–	–	(907,860)	(907,860)
At 31 December 2018	5,967,374	3,054	424,627	60,710	15,360,417	21,816,182
Shares issued at premium	**325,983**	**–**	**–**	**(11,862)**	**–**	**314,121**
Share issue expenses	**(107)**	**–**	**–**	**–**	**–**	**(107)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**31,506**	**–**	**31,506**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**750,418**	**750,418**
Dividend paid	**–**	**–**	**–**	**–**	**(584,052)**	**(584,052)**
At 31 December 2019	**6,293,250**	**3,054**	**424,627**	**80,354**	**15,526,783**	**22,328,068**

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 2019, total profits (including contributed surplus) available for distribution to shareholders was HK$14,064,537,000.

48. EVENT AFTER THE END OF THE REPORTING PERIOD

The outbreak of a coronavirus (COVID-19) has led to substantial travel bans and lockdowns across China. Increased global travel restrictions amid virus infections locally and overseas also substantially reduced China's manufacturing capability, resulting in significant disruption to global supply chains and worldwide trade, posing a significant threat to the global economy. Therefore, not only does the Group expect weak performance from the commercial properties and hotel portfolio in Hong Kong, but also expect the performance of the overseas hotel portfolio to be negatively impacted in 2020. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

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