ANNUAL REPORT
2021

Building with the Times

65TH ANNIVERSARY

爪哇集團
SEA Group
Stock Code 股份代號: 251

DIRECTORY

DIRECTORS

Executive Directors

Mr. Lu Wing Chi, Jesse *(Chairman)*
Mr. Lambert Lu *(Chief Executive)*
Mr. Yap Shee Liam *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam
Mr. Chan Kwok Wai
Mr. Lo Wai Tung Welman

AUDIT COMMITTEE

Mr. Chan Kwok Wai *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam
Mr. Lo Wai Tung Welman

NOMINATION COMMITTEE

Mr. Lu Wing Chi, Jesse *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Lo Wai Tung Welman

REMUNERATION COMMITTEE

Mr. Chung Pui Lam *(Chairman)*
Mr. Lu Wing Chi, Jesse
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Lo Wai Tung Welman

AUTHORISED REPRESENTATIVES

Mr. Lambert Lu
Ms. Chow Siu Yin, Dora

COMPANY SECRETARY

Ms. Chow Siu Yin, Dora

LEGAL ADVISERS

Mayer Brown
Clifford Chance
Stephenson Harwood
Conyers Dill & Pearman

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Credit Suisse AG Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

26/F., Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2828 6363
Fax: (852) 2598 6861
E-mail: info@seagroup.com.hk

BRANCH REGISTRAR IN HONG KONG

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2528 3158

LISTING

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

STOCK CODE AND BOARD LOT

251/2,000 shares

WEBSITE

www.seagroup.com.hk

CONTENTS

HIGHLIGHTS

For the year ended 31 December 2021

Grand Victoria, Hong Kong

Revenue

HK$530.6 million

(2020: HK$602.9 million)

12%
decrease

Profit attributable to the Shareholders

HK$70.2 million

(2020: HK$151.0 million)

54%
decrease

Net asset value ("NAV") and NAV per share of the Group attributable to the Shareholders as at 31 December 2021

HK$10,509.5 million and HK$17.5 respectively#

After adjusting hotel property to fair market value.

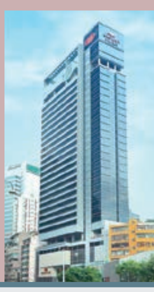
LOCATION OF THE GROUP'S PROPERTIES/PROJECTS

UNITED KINGDOM
London

- 20 Moorgate
- 33 Old Broad Street

CHINA
Hong Kong

- 1 Shouson Hill Road East
- Crowne Plaza Hong Kong Causeway Bay
- Grand Victoria
- Winway Building



PROPERTY PORTFOLIO

Major Projects

At 31 December 2021

GRAND VICTORIA
維港滙

HONG KONG, CHINA

DEVELOPMENT PROPERTY

Project Name: Grand Victoria

Development Address:
6 Lai Ying Street and 8 Lai Ying Street, South West Kowloon, Hong Kong

District: South West Kowloon

Usage: Residential

Number of Residential Units: 1,437

Approximate Site Area: 208,262 sq. ft.

Approximate Gross Floor Area: 987,812 sq. ft.

Expected Completion: March 2023

Mode of Development: Joint Venture (the Group holds 14.5% interest)

Geographical Environment:

Located at the South West Kowloon waterfront. The location enjoying panoramic harbour views while having the West Kowloon Cultural District and Guangzhou – Shenzhen – Hong Kong Express Rail Link Terminus in the vicinity. It enjoys excellent connectivity with MTR stations and lines linking Central, airport, the Express Rail Link Terminus and all the commercial hubs in the city.

Project Highlight:

- The project consists of 3 Phases, Phase I provides 524 units; Phase II provides 525 units and Phase III provides 388 units.
- The project is being developed as a premium waterfront property, completed with green architectural features and smart home designs.

PROPERTY PORTFOLIO

Major Projects

At 31 December 2021

1 SHOUSON HILL
ROAD EAST

HONG KONG, CHINA

INVESTMENT PROPERTY

Project Name: 1 Shouson Hill Road East

Development Address:
1 Shouson Hill Road East, Deep Water Bay, Hong Kong

District: Deep Water Bay

Usage: Residential

Number of Residential Units: 9 houses

Lease Expiry: 30 June 2047

Ownership Status: 100%

Geographical Environment:

Prestigiously situated in the luxurious residential area in the Deep Water Bay area of Island South, the project possesses the lush panoramic views of Mount Nicholson and residents could enjoy the convenience of commuting to the Central and Causeway Bay by just a few minutes of driving.

Project Highlight:

- Features 20 blocks of 3-storey detached houses, each with a sizable private garden, roof top and covered car parking spaces accessible directly from the house.

PROPERTY PORTFOLIO
Major Projects
At 31 December 2021

LONDON, THE UNITED KINGDOM

INVESTMENT PROPERTY

Project Name: 33 Old Broad Street

Development Address:
33-41 Old Broad Street and 1-6 Union Court, London EC2

District: Central Business District, London

Usage: Office

Approximate Gross Floor Area: 191,165 sq. ft.

Lease Expiry: Freehold

Ownership Status: 100%

Geographical Environment:

33 Old Broad Street is prominently located at the core of the City of London with only 150 metres away from the Liverpool Street Crossrail Station. This strategic location appeals to global occupiers from the financial, insurance and professional sectors.

Project Highlight:

- The 9-storey property is located in "the Eastern Cluster" identified by the City of London Corporation, which is identified as suitable for development of high-rise buildings, providing a promising redevelopment opportunity as a landmark development.
- Currently leased to Bank of Scotland as their London Headquarter.

PROPERTY PORTFOLIO
Major Projects
At 31 December 2021

LONDON, THE UNITED KINGDOM

INVESTMENT PROPERTY

Project Name: 20 Moorgate

Development Address:
20 Moorgate, London EC2R 6DA

District: Central Business District, London

Usage: Office

Geographical Environment:
20 Moorgate is a 7-storey office building located in the heart of London with less than 100 metres of walking distance from the Bank of England. The development provides a sizable floor space of Grade A office, retail and ancillary accommodation. The commercial part of the property is fully let as the headquarter of United Kingdom Prudential Regulation Authority (a regulatory body of the Bank of England).

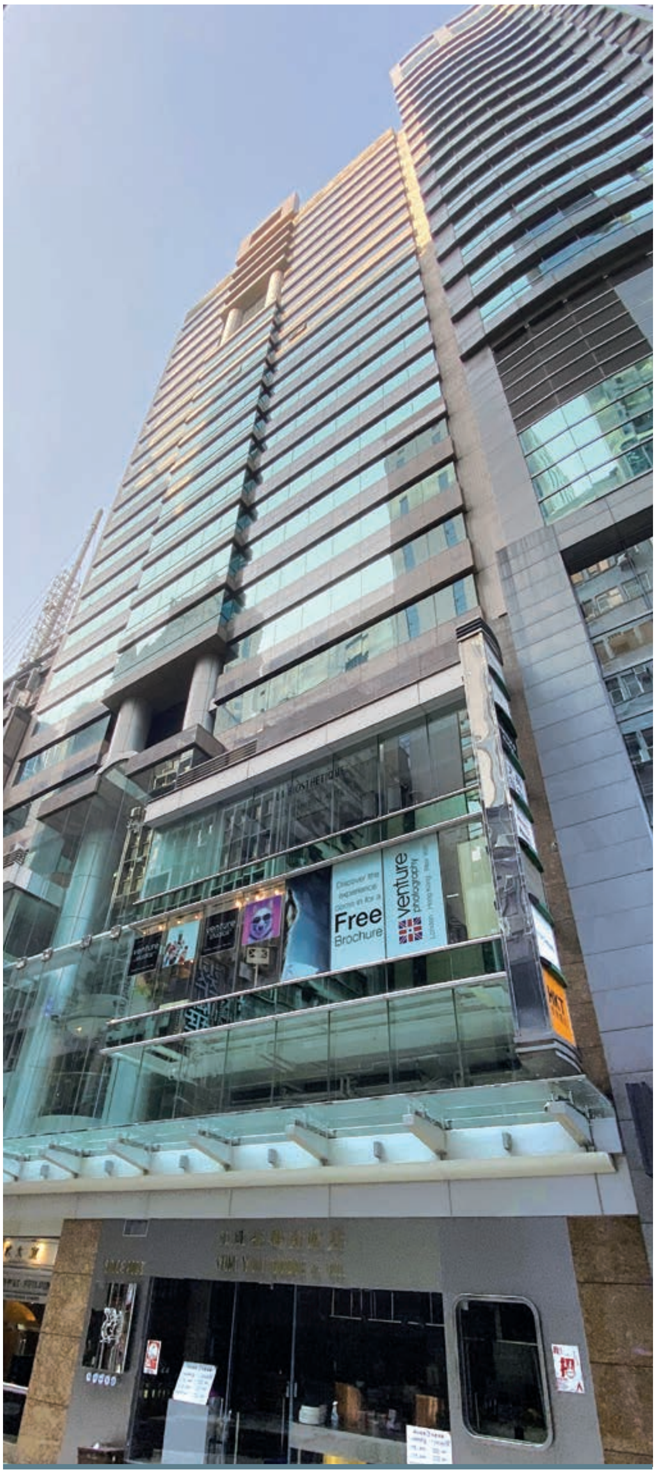
Approximate Gross Floor Area: 154,854 sq. ft.

Lease Expiry: Long Lease

Ownership Status: 100%

PROPERTY PORTFOLIO
Major Projects
At 31 December 2021

HONG KONG, CHINA



INVESTMENT PROPERTY

Project Name: Winway Building

Development Address:
50 Wellington Street, Central, Hong Kong

District: Central

Usage: Commercial

Approximate Gross Floor Area: 60,000 sq. ft.

Lease Expiry: 999 years commencing from 26 June 1843

Ownership Status: 58.83%

Geographical Environment:
A 24-storey commercial tower located at the prime area of Central. It comprises of 20-storey of office floor space occupied mainly by professional service providers, such as clinics, law firms as well as beauty centres; while the G/F-2/F retail portion provides an ideal location for tenants to establish their presence in Central.

PROPERTY PORTFOLIO
Major Projects
At 31 December 2021

HONG KONG, CHINA

HOTEL PROPERTY

Project Name: Crowne Plaza Hong Kong Causeway Bay

Development Address:
8 Leighton Road, Causeway Bay, Hong Kong

District: Causeway Bay

Usage: Hotel

Lease Expiry: 6 November 2049

Ownership Status: 100%

Geographical Environment:

Situated at the heart of Hong Kong's most renowned shopping district, the hotel has spectacular views of the vibrant city as well as the greenery views of the Happy Valley race course, and it has become the premium choice of hotel accommodation for both business and leisure travelers.

Project Highlight:

- Crowne Plaza Hong Kong Causeway Bay's guest rooms and suites are spacious and comfortable, and are the largest of any hotels in the area. Since its opening in late 2009, the hotel has established an excellent reputation offering a unique experience to the international travelers around the world.

CHAIRMAN'S STATEMENT

During the year, the COVID-19 pandemic remained challenging due to new variants and renewed outbreaks. Mass vaccination campaigns were gathering pace around the world, injecting hope for recovery in the battle against the mutating viruses. Amidst the uncertainties surrounding the pandemic, the Group remained resilient with its solid foundation and quality assets. With determination and quick adaptation to the rapidly changing business environment, the Group maintained stable operation and achieved steady development, and continued to record a profit during the year.

The hospitality industry continued to be heavily impacted by COVID-19 pandemic. Travel restrictions will persist throughout the year. Recovery is dependent on the easing of travel restrictions and resumption of international travel. Despite the uncertainty on the changes in the global travel trends, I believe that demand for high-end luxury hotels will return once the global economy recovers. The short-haul travel tourists still have potential demand, Hong Kong remains Mainland China's perfect choice.

Property development and investment remain the core businesses of the Group. With the Group's prudent investment strategy, we have built up a high quality property development and investment portfolio to maintain future growth and liquidity. Despite resurgences of COVID-19 cases during the year, the property market in Hong Kong was driven by solid demand and limited new supply. Especially for luxury residential property, it has very little new supply, resulting luxury residential property to its position as an attractive asset class.

During the year, the Group further acquired additional equity interest in West Kowloon waterfront residential project "Grand Victoria". Subsequent to the financial year, we won a Government tender for purchasing a land situated at South Bay Road, Repulse Bay. It demonstrates that we are full of confidence in Hong Kong residential property market.

CHAIRMAN'S STATEMENT

The Group is also well diversified geographically and therefore able to take advantage of different territory cycles. We continue to focus on reputable tenants under long leases with investment grade covenants for contribution of stable rental income to the Group. With the Group's robust financial position, the Group will continue to assess prime location with growth potential for future development when suitable opportunities arise.

The general economy remains challenging and also as an opportunity to the Group. We keep cautious about land acquisition and exploration of investment opportunities. Our strong balance sheet provides a reliable basis for the Group to grasp valuable investment opportunities. Looking ahead, the economy of the world and Hong Kong still face difficulties and challenges.

I am confident that our financials, which have remained healthy throughout challenging times and enabled us to maintain dividend payouts, remain a solid measure of financial health. I would also like to take the opportunity to thank our Shareholders, partners and colleagues for their concerted effort, which underpins the steady growth of our business. They are the key elements for the Group's success.

Lu Wing Chi, Jesse
Chairman

25 March 2022

Tai Hang, Hong Kong

CHIEF EXECUTIVE'S REPORT

FY2021 HIGHLIGHTS

For the financial year of 2021, despite of the COVID-19 pandemic and the closure of borders which have continued to adversely affect economy, the Group continued to record a profit of HK$70.2 million this year.

Property Development and Investment

Despite of COVID-19 during the year, the demand for luxury residence continues to show resilience amid limited new supply. The Group has also successfully built its development pipeline in Hong Kong over the years through the acquisition of redevelopment sites, participating in government tenders and bidding for projects. During the year, the Group entered into conditional agreements to acquire the properties located at Jardine's Lookout at No. 89–93 Tai Hang Road, a traditional luxury residential area. Subject to completion upon certain conditions fulfilled, the site will be redeveloped into a low-density luxury residence. In February 2022, the Group acquired a land with a gross floor area of about 19,055 sq.ft. through a Government tender which situated at South Bay Road, Repulse Bay, Hong Kong for a premium of HK$1.19 billion. The land will be developed into luxury residential houses for long term investment purpose.

We continue our effort in West Kowloon Waterfront "Grand Victoria" residential project. In December 2021, the Group acquired additional 4.5% equity interest in the project with discount at a consideration of HK$413 million, resulting our interests in the project increased from 10% to 14.5%. The project is progressed well with construction entering the superstructure work. Pre-sale of the project has been launched in March 2021 and over 700 units of the residential project have been sold with approximately HK$10.0 billion of sale proceeds.

Hotel Operations and Management

As hotel business was severely disrupted by the COVID-19 pandemic, our hotel have had to adjust their business strategies to enroll in the Government's Designated Quarantine Hotel Scheme as hotels for quarantine purposes which helped to improve room occupancies.

We have also rebranded our existing restaurant outlets and introduced a new Italian restaurant for having an all-new dining experience to the guests. All-in-all, whilst it has been a difficult period for the hotel industry, we have taken actions to deal with this period of uncertainty.

CHIEF EXECUTIVE'S REPORT

Balance Sheet and Management

During the year, the Group disposed of an investment property located at Lizard Island, Queensland, Australia in cash consideration of AUD42 million. The disposal provides an attractive opportunity for the Group to realise the investment and allows us to re-allocate the proceeds from the disposal to other investment opportunities when they arise.

With the support from several major local banks, the Group entered into with the banks a committed term and revolving facilities with aggregate amount of HK$1.5 billion. We have access to approximately of HK$8.6 billion of available funds[1] to maintain maximum financial flexibility.

RESULTS HIGHLIGHTS

In FY2021, the Group recorded revenue of HK$530.6 million (FY2020: HK$602.9 million), a 12.0% decrease as compared to FY2020. This decrease in revenue was mainly due to the drop in return from financial investment.

Net profit attributable to the Shareholders for the year amounted to HK$70.2 million (FY2020: HK$151.0 million), a 53.5% decrease as compared to last year, mainly due to the decline in return from financial investment and provision for impairment loss on listed debt securities but largely offset by fair value increase in investment properties.

Grand Victoria, Hong Kong

[1] It includes cash, undrawn facilities and highly liquid marketable securities, net of leverage.

CHIEF EXECUTIVE'S REPORT

The Group remains resilient and continues to generate sustainable value for its Shareholders. As a result, the Board recommended a final dividend of HK3 cents per share. Together with an interim dividend of HK2 cents per share, the total dividend for the year will amount to HK5 cents per share. The Group is committed to maintaining a stable dividend policy in the long run.

For more details on our financial results, please refer to the section entitled "Management Discussion and Analysis".

STRENGTHENING OUR BUSINESS RESILIENCE

The Group adheres to prudent investment strategy although our performance in FY2021 remain affected by the COVID-19 pandemic and the general uncertainty in the global economy. The Group has financially strong with ample cash on hand and will continue to assess prime sites with growth potential for future development when suitable opportunities arise to enhance its portfolio. We get ready to take advantage of a rebound in business activity during the recovery phase.

Furthermore, the Group also benefited from government incentives and compensation programs such as Designated Quarantine Hotel Scheme and Hotel Sector Support Scheme under the Anti-Epidemic Fund. With incentives offered, the Group received approximately HK$3.3 million, the financial impacts of COVID-19 in FY2021 had been, to some extent, mitigated.

The Group remains much disciplined in reviewing investment opportunities. The current market environment is starting to force certain owners of assets or businesses to consider selling or introducing a partner. The Group will seek to take advantage of the environment to expand its business.

We will also seek partnerships with companies that own land in good locations to jointly develop their sites for regeneration or repositioning which provides us with an attractive strategy to property development.

We will continue with our prudent approach in allocating capital across the different divisions and regions to allow us to generate higher returns on equity as compared with our peer groups in Hong Kong. We firmly believe this approach should drive share price outperformance.

1 Shouson Hill Road East, Hong Kong

Grand Victoria, Hong Kong

CHIEF EXECUTIVE'S REPORT

CAPITAL STRUCTURE AND LIQUIDITY

Adhering to prudent management of our capital, the Group continued to optimize its capital structure to ensure sufficient liquidity.

As at 31 December 2021, the Group's cash position amounted to HK$2,748.6 million (2020: HK$3,384.2 million). Together with the Group's undrawn banking facilities stood at HK$5,053.0 million (2020: HK$3,332.1 million), total available fund to the Group amounts to HK$7,801.6 million (2020: HK$6,716.3 million).

Our net gearing ratio (adjusting for hotel revaluation surplus of HK$5,053.8 million, which is not recognized on the balance sheet) stood at 27.6% as at 31 December 2021. Although hotel valuations were affected by COVID-19, the Group's credit standing remains healthy.

For equity, we repurchased approximately 40 million shares during the year for a total consideration of approximately HK$342.2 million. We believe this is an effective way to increase earnings per share and capital gain to our shareholders along with the declared dividends.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

We believe a high standard of corporate governance is an essential element to enhance sustainable development and provide a high degree of transparency to our investors. During the year, the Group received a number of international awards that recognized our efforts in its corporate governance and corporate social responsibility. Examples of awards include:

Hong Kong — S E A Holdings Limited

- Caring Company 2021
- Happy Company 2021
- Good MPF Employer 2021: "Good MPF Employer" "MPF Support Award"

Hong Kong — Crowne Plaza Hong Kong Causeway Bay

- Booking.com: Sustainability Initiatives 2021
- Booking.com: Traveller Review Awards 2021
- TripAdvisor: Traveller's Choice Awards 2021
- Hotels.com: Loved By Guests Awards 2021

The Group is committed to continuing its efforts to strengthen corporate social responsibility in all aspects and will continue to provide investors with a high degree of transparency in information disclosures.

CHIEF EXECUTIVE'S REPORT

OUTLOOK

The domestic and international environment will remain harsh and uncertain in 2022. From the international perspective, the Russia-Ukraine war, the US-China tensions, global supply chain disruptions, and elevated inflation will continue threaten the world's economy recovery. From the domestic perspective, the latest spreading of new variants of the coronavirus in Hong Kong is out of control. All these factors cast uncertainty to the local economy. The Group has closely monitored the complicated and volatile environment and situations, actively responded to any changes and adopted measures, including maintaining strong property portfolio, building healthy cashflow, and focusing on our principal business of property development and investment, to tackle difficulties and seize opportunities so that the Group can create greater value to its shareholders.

1 Shouson Hill Road East, Hong Kong

We are confident that our strong and successful property portfolio will continue to contribute stable income stream to the Group for the years to come. The Group will continue to strive to elevate its projects to higher standards and closely review marketing strategies to increase our market competitiveness and enhance the Group's profitability. On the other hand, the Group is proactively exploring new property investment and development opportunities to lay a solid foundation for future growth.

Grand Victoria, Hong Kong

CHIEF EXECUTIVE'S REPORT

To maintain the sustainable development of the hotel business, the Group swiftly and successfully repositioned our hotel as a quarantine hotel. It allows our hotel business to generate stable contribution to revenues and profits. Our hotel has also introduced initiatives such as elevating the hygienic standards to ensure a safe and healthy environment for its customers and employees to stay and work in. Looking forward to 2022, the Group will closely monitor the market development and adopt the most appropriate strategies when borders relax and tourists return.

Crowne Plaza Hong Kong Causeway Bay, Hong Kong

Going forward, the Group will continue to carry out business prudently under stringent risk control against the backdrop of headwinds. The Group will also continue to adhere to a high level of financial discipline with a strong financial position to capture the opportunity while market conditions improve. Our main focus in 2022 will be to maintain stability while seeking development opportunities.

Through effective cost control, robust balance sheet management and prudent acquisitions, I am confident that, the Group's performance will improve in the coming financial years once the local epidemic situation stablilises.

I am optimistic about the Group's future and I very much believe that we are well-positioned for the recovery of the global economy. We have a number of existing projects on the way that will provide very strong cash flows to the Group in the years to come.

33 Old Broad Street, London

Lambert Lu
Chief Executive

25 March 2022

DIRECTORS' BIOGRAPHICAL INFORMATION

MR. LU WING CHI, JESSE
Chairman
Executive Director

Mr. Lu Wing Chi, Jesse, aged 75, joined the Group in 1969 and is currently the Chairman and Executive Director. He is also the chairman of the Nomination Committee and the Executive Committee and a member of the Remuneration Committee.

Mr. Lu is a director of various members of the Group and holds directorship in NLI (the controlling shareholder of the Company), NYH, Port Lucky, SEA Fortune and Ambleside Glory (all of them are substantial shareholders of the Company). He has more than 50 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations.

Mr. Lu is the son of Mr. Lu Chu Mang (the founder of the Group) and the father of Mr. Lambert Lu (the Executive Director and Chief Executive).

MR. LAMBERT LU
Executive Director
Chief Executive

Mr. Lambert Lu, aged 45, joined the Group in 1999 and is currently the Executive Director and Chief Executive. He is also a member of the Executive Committee and Remuneration Committee.

Mr. Lu is a director of a number of companies within the Group and holds directorship in NLI (the controlling shareholder of the Company), NYH, Port Lucky, SEA Fortune and Ambleside Glory (all of them are substantial shareholders of the Company).

Mr. Lu is a member of the Henan Committee of Chinese People's Political Consultative Conference and the Advisory Board of the MBA Programmes of The Chinese University of Hong Kong. He was previously the vice chairman of The Chamber of Hong Kong Listed Companies. He holds a Bachelor's degree from the University of British Columbia in Canada.

Mr. Lu is the son of Mr. Lu Wing Chi, Jesse (the Chairman and Executive Director).

MR. YAP SHEE LIAM
Executive Director
Chief Financial Officer

Mr. Yap Shee Liam, *FCPA*, aged 48, joined the Group as the Financial Controller in 2015 and has been appointed as Executive Director and Chief Financial Officer since January 2021. He is also a member of the Executive Committee and a director of a number of companies within the Group.

Prior to joining the Group, Mr. Yap was an assistant finance director of Fortune Real Estate Investment Trust (a real estate investment trust listed in Hong Kong and also listed in Singapore prior to 2019) from 2012 to 2015. He was a deputy financial controller of Lai Sun Development Company Limited (a company listed in Hong Kong) from 2008 to 2012. Previous to that he was senior manager of Messrs. Deloitte Touche Tohmatsu from 1997 to 2008. Mr. Yap has more than 20 years of experience in finance, accounting, treasury and auditing.

He holds a Bachelor Degree in Business Administration with major in Accounting from Hong Kong Baptist University.

DIRECTORS' BIOGRAPHICAL INFORMATION

MR. WALUJO SANTOSO, WALLY

Independent Non-executive Director

Mr. Walujo Santoso, Wally, aged 68, has acted as an Independent Non-executive Director since December 1994. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Santoso is also the Managing Director of Grand Ocean (International) Limited (a private trading company incorporated in Hong Kong) and has over 45 years of experience in international trading and manufacturing. He holds a Diploma in Accounting.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.

MR. CHUNG PUI LAM

Independent Non-executive Director

Mr. Chung Pui Lam, *GBS, OBE, JP*, aged 81, has acted as an Independent Non-executive Director since September 2004. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Chung is a practicing solicitor in Hong Kong. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited (both are listed companies in Hong Kong). In addition, Mr. Chung is serving as consultant for numerous district organisations, industrial and commercial associations, trade unions and body corporates.

MR. CHAN KWOK WAI

Independent Non-executive Director

Mr. Chan Kwok Wai, *FCCA, FCPA, FCPA(Aust.), ACG, TEP, AFP*, aged 65, has acted as an Independent Non-executive Director and a member of the Audit Committee since June 2019. He was appointed as the chairman of the Audit Committee in May 2021.

Mr. Chan is currently an executive director of South Asia Textiles (Holdings) Limited (a private company incorporated in Hong Kong) which he joined in May 2020. Prior to that, Mr. Chan was an executive director and the head of greater China at Hang Seng Bank Limited from February 2016 to May 2017. He also served as an executive director of Sun Hung Kai Properties Limited from July 2009 to November 2015 and the chief financial officer of the same company from July 2009 to January 2016. From 1995 to 2009, Mr. Chan held various roles at Hang Seng Bank Limited including executive director and general manager, chief financial officer, deputy general manager, assistant general manager and head of Financial Control Division. Mr. Chan served as an independent non-executive director of IntelliCentrics Global Holdings Ltd. (a company listed in Hong Kong) for the period from March 2019 to January 2020. He was appointed as an accounting consultant of the Ministry of Finance of the People's Republic of China. Mr. Chan has more than 20 years of experience in accounting, banking and professional services industries. Mr. Chan holds a Master of Business Administration degree from the University of Warwick England.

MR. LO WAI TUNG WELMAN

Independent Non-executive Director

Mr. Lo Wai Tung Welman, aged 45, has acted as an Independent Non-executive Director and a member of the Audit Committee, Nomination Committee and Remuneration Committee since May 2021.

Mr. Lo currently is the Founder and Chairman of Glide East (Holdings) Limited, a design and manufacturing company in Hong Kong. He has more than 20 years of experience in international trading and manufacturing. In addition, he acts as consultant for numerous intellectual property creative organizations. Mr. Lo holds a Bachelor of Commerce degree from the University of British Columbia in Canada.

Mr. Lo did not hold any directorship in other listed public companies in the last three years.

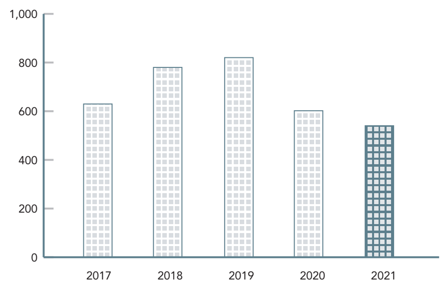
FINANCIAL HIGHLIGHTS

Statement of Profit or Loss Highlights

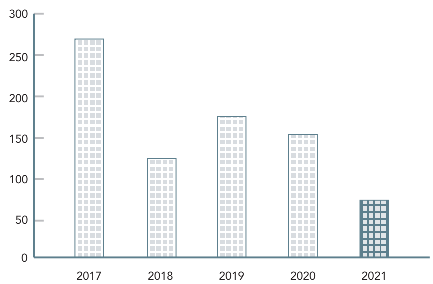
HK$ million, unless otherwise stated

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
Revenue [Note 1]	627.6	778.8	816.4	602.9	**530.6**
Profit attributable to the Shareholders	267.3	121.0	173.1	151.0	**70.2**
Total dividends declared (per share) (HK cents) [Note 2]	305.0	5.0	5.0	5.0	**5.0**
Basic earnings per share for profit attributable to the Shareholders (HK$)	0.39	0.18	0.26	0.23	**0.11**

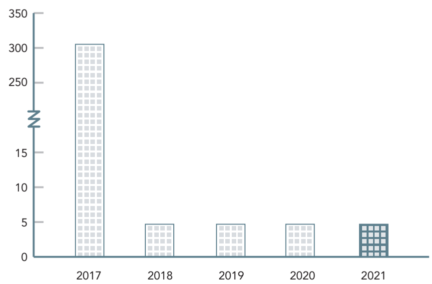
Revenue
(HK$ million)



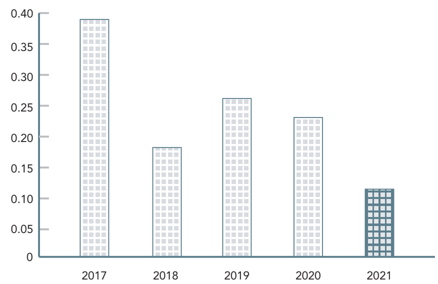
Profit attributable to the Shareholders
(HK$ million)



Total dividends declared (per share)
(HK cents)



Basic earnings per share for
profit attributable to the Shareholders
(HK$)



Note 1: The revenue for 2017 represented continuing operations HK$576.5 million and discontinued operations HK$51.1 million respectively.

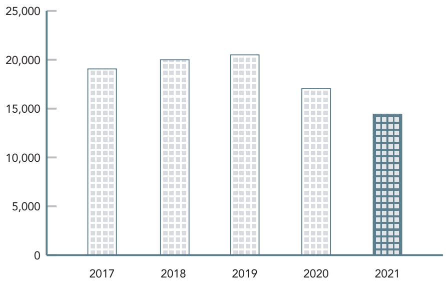
Note 2: Other than the above cash dividend declared, the distribution of a special non-cash dividend by way of distribution in specie of HK$3,883.8 million was completed on 15 May 2017.

FINANCIAL HIGHLIGHTS
Statement of Financial Position Highlights

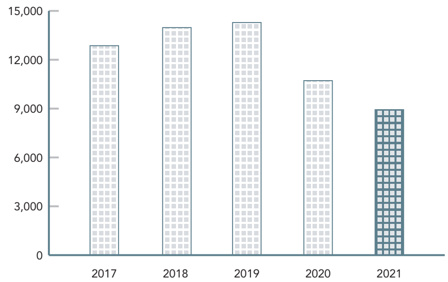
HK$ million, unless otherwise stated

	As at 31 December				
	2017	2018	2019	2020	**2021**
Total assets	19,011.1	19,986.1	20,537.8	16,961.7	**14,369.9**
Total liabilities	(12,867.0)	(13,974.5)	(14,287.4)	(10,721.1)	**(8,914.2)**
Adjusted NAV attributable to the Shareholders [Note 1]	9,516.4	11,405.4	11,564.2	11,274.4	**10,509.5**
Adjusted NAV per share attributable to the Shareholders (HK$) [Note 1]	14.1	17.2	17.5	17.6	**17.5**

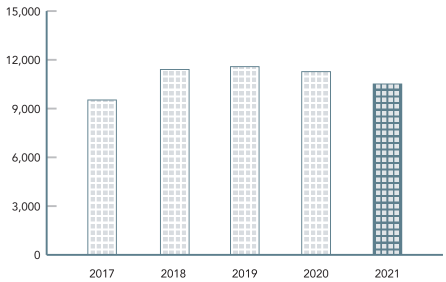
Total assets
(HK$ million)



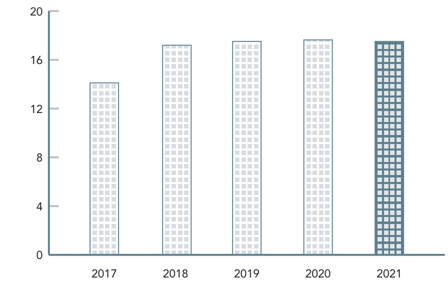
Total liabilities
(HK$ million)



Adjusted NAV attributable
to the Shareholders
(HK$ million)



Adjusted NAV per share
attributable to the Shareholders
(HK$)

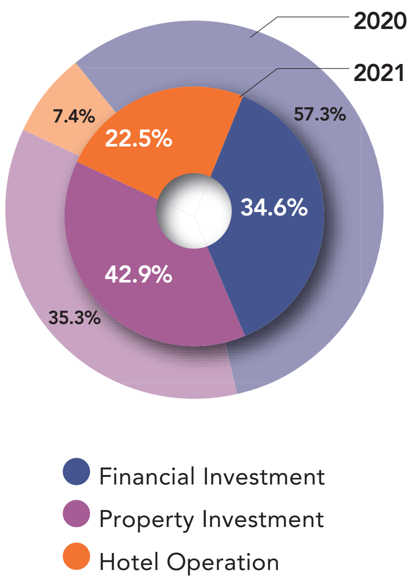


Note 1: The adjusted NAV and adjusted NAV per share attributable to the Shareholders are calculated on the basis of the Group's respective book NAV after adjusting hotel property (which is on cost basis in the book) to fair market value determined by an independent property valuer.

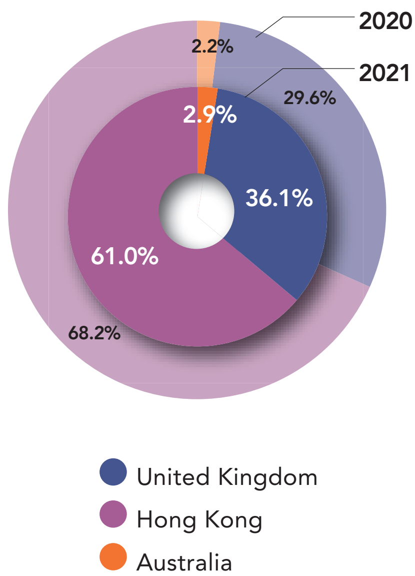
FINANCIAL HIGHLIGHTS
Segment Information

1 Shouson Hill Road East, Hong Kong

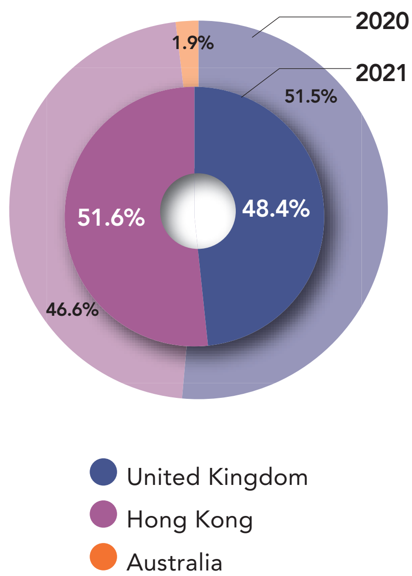
Segment Revenue for External Sales



Revenue for External Customers by Geographical Location of Properties



Property Assets by Geographical Segment



MANAGEMENT DISCUSSION AND ANALYSIS

Grand Victoria, Hong Kong

Financial Summary

Revenue for the year ended 31 December 2021 amounted to HK$530.6 million (2020: HK$602.9 million). The revenue was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and return from financial investment.

Profit attributable to the Shareholders for the year amounted to HK$70.2 million (2020: HK$151.0 million), equivalent to a basic earnings per share of HK11.3 cents (2020: HK23.0 cents). The decrease in profit attributable to the Shareholders in current year was mainly due to the decline in return from financial investment and provision for impairment loss on listed debt securities but largely offset by fair value increase in investment properties.

As at 31 December 2021, the Group's equity attributable to the Shareholders amounted to HK$5,455.7 million (2020: HK$6,240.6 million). The net asset value per share attributable to the Shareholders as at 31 December 2021 was HK$9.1 as compared with HK$9.7 as at 31 December 2020.

The Group's property assets (including interests in joint venture) by geographical location at the year end were as follows:

	31 December 2021 HK$' million	31 December 2020 HK$' million
Hong Kong	**4,964.8**	4,243.8
United Kingdom	**4,663.3**	4,697.2
Australia	**—**	171.0
Total	**9,628.1**	9,112.0

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK$546.2 million (2020: HK$566.2 million), whereas the market value as at 31 December 2021 as determined by valuation carried out by an independent property valuer is HK$5,600.0 million (2020: HK$5,600.0 million). For the purpose of providing supplementary information, if the carrying value of the Group's hotel property was restated to its market value as at 31 December 2021, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Shareholders would be HK$14,681.9 million (2020: HK$14,145.8 million), HK$10,509.5 million (2020: HK$11,274.4 million) and HK$17.5 (2020: HK$17.6) respectively.

Dividends

The Board has resolved to recommend for Shareholders' approval at the forthcoming 2022 AGM the payment of a final dividend of HK3 cents (2020: HK3 cents) per share for the year ended 31 December 2021 to the Shareholders whose names appear on the register of members at the close of business on Monday, 6 June 2022. The relevant dividend warrants are expected to be despatched on or before Friday, 17 June 2022.

Together with the interim dividend of HK2 cents per share already paid (2020: HK2 cents), the total dividends for the year will be HK5 cents (2020: HK5 cents) per share.

Business Review

Property Investment and Development

The Group continues to focus on property development and property investment projects. The strategy of the Group will be determined by the Board taking into consideration market opportunities, the Group's financial resources and its core competence. It is the Group's approach to review and optimize the project portfolios from time to time. Currently, the Group's core projects mainly consist of a residential project in Hong Kong (No. 1 Shouson Hill Road East), an investment property in Hong Kong (a portion of Winway Building) and a joint venture residential development project "Grand Victoria" at West Kowloon Waterfront in Hong Kong, and two investment properties in London, the United Kingdom (20 Moorgate and 33 Old Broad Street).

Grand Victoria, Hong Kong

Hong Kong

During the year, the Group continues our effort in the residential development project in West Kowloon Waterfront "Grand Victoria"[1]. In December 2021, the Group further acquired 4.5% equity interest in the project at an aggregate cash consideration of HK$413 million, resulting increase in the Company interests in the project from 10% to 14.5%. Superstructure work is in progress as scheduled and the development is expected to be completed by 2023. Pre-sale of the residential units has been launched in March 2021. More than 700 units of the project have been sold with total sale proceeds of nearly HK$10.0 billion.

1 Shouson Hill Road East, Hong Kong

Winway Building[2], one of the Group's investment properties, is at the prime location of central business district of Hong Kong and is a high quality commercial property. The rental income generated from the property for the year ended 31 December 2021 was slightly increased primarily due to rising in COVID vaccination rate which help restore the economic stability in the second half of the year, including rental relief granted to selective tenants to help them weather through this difficult time. As at 31 December 2021, the occupancy rate was increased to 95% (2020: 87%).

The Group owns a residential properties project at Shouson Hill Road East. Parts of the renovation works were completed during the year with remaining works to be completed in 2022 by phases. Despite of COVID-19 during the year, the Group entered into agreements with several independent third parties to dispose of several houses at an aggregate consideration of approximately HK$670 million. One of the transactions was completed in 2021 and the remaining transactions were completed in first quarter of 2022. The disposal provides an attractive opportunity to realise the Group's long-term investment in the project and realise a cash amount of approximately HK$420.0 million (after repayment of the existing bank loan) for future reinvestment. During the year, the Group recorded fair value surplus of HK$482.3 million for this project, which included the disposal gains of the above transactions and unrealised fair value surplus for the remaining unsold houses.

During the year, the demand for luxury house continues to show resilience amid limited new supply. In October 2021, the Group entered into several agreements with independent third parties to acquire the properties located at Jardine's Lookout at No. 89–93 Tai Hang Road, a traditional luxury residential area, with deposits paid during the year. The completion of the acquisition is subject to fulfillment of certain conditions. If the acquisition is completed, the site will be redeveloped into low-density luxury residence.

Subsequent to the financial year end, the Group won a tender from the Lands Department of the Government of Hong Kong with total gross floor area of approximately 19,055 sq.ft. for Rural Building Lot 1203 situated at South Bay Road, Repulse Bay, Hong Kong at the land premium of HK$1,188.2 million. The Group intends to develop the land into a luxury residential development as a long term investment for rental purpose.

1 The Group is being a part of the consortium comprised of well-known property developers.
2 The Group owns approximately 59% of the gross floor area of Winway Building.

MANAGEMENT DISCUSSION AND ANALYSIS

33 Old Broad Street, London

The United Kingdom

The Group owns two investment properties located in the heart of London in the United Kingdom.

20 Moorgate, London is almost fully let to the Prudential Regulatory Authority (a regulatory body of the Bank of England) as a headquarter under long-term lease agreements.

33 Old Broad Street, London is fully leased to Bank of Scotland as their London headquarter and guaranteed by HBOS Plc (a wholly owned subsidiary of the Lloyds Banking Group) for a fixed term until 2039 with fixed uplift every five years on rental.

Despite of the prolonged lockdown in the United Kingdom and world economy uncertainties during the COVID-19 pandemic, the Group did not have any rent arrear from the above tenants in the United Kingdom, reflecting the Group’s success in making investment strategy and the Group’s capability to withstand in any market instability.

Australia

On 25 October 2021, the Group entered into an agreement with an independent third party to dispose of the property located at Lizard Island, Queensland, Australia for a total cash consideration of AUD42 million (equivalent to approximately HK$243.6 million). The transaction was completed in November 2021 with a disposal gain of HK$78.1 million recorded under fair value surplus on investment properties during the year. The property was sub-leased to a hotel operator on a long-term lease and secured by an investment-grade conglomerate. The disposal provides a good opportunity for the Group to realise its investment in the property and allows the Group to reallocate the proceeds from the disposal for other investment opportunities that arise in the future.

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is operated under the brand of Crowne Plaza of the InterContinental Hotels Group. In spite of Hong Kong hospitality market continued to be negatively affected by stringent travel restrictions and border closures, the hotel revenue for the year ended 31 December 2021 had improvement, which was HK$119.3 million (2020: HK$44.8 million), increased by approximately 166.5%. This was the result from room revenue from joining the Designated Quarantine Hotel Scheme and the increase in food and beverage revenue after rebranding of our existing restaurant outlets and introducing new Italian and Japanese restaurants.

Crowne Plaza Hong Kong Causeway Bay, Hong Kong

The Group is taking all practicable measures to cope with the challenges. We prioritize in delivering feeling of safety to our guests, putting in place strict sanitisation and hygiene protocol. At the same time, the hotel will strive to implement cost saving measures and take decisive decisions to reduce operating costs in this challenging time to gain further market share. The Group will continue to improve the quality of its hotel services to ensure our guests have enjoyable experiences during their stays in our hotel.

Crowne Plaza Hong Kong Causeway Bay, Hong Kong

Financial Investment

Adhering to prudent management of our capital, the Group continues to optimize its capital structure and prioritise access to ample liquidity under the low interest rate environment. As at 31 December 2021, the Group held financial investment of approximately HK$1,622.7 million (31 December 2020: HK$4,412.3 million), which are comprised of listed equity and debt securities and unlisted investments.

During the year, the Group recorded an unrealised loss of HK$701.0 million mainly representing impairment loss on listed debt securities investments. The above mentioned impairment loss is a non-cash item and has no immediate impact on the cash flow of the Group.

Financial Resources and Liquidity

Working Capital and Loan Facilities

As at 31 December 2021, the Group's total pledged bank deposits, bank balances and cash was HK$2,748.6 million (2020: HK$3,384.2 million), total financial investments (including debt instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income) were HK$1,622.7 million (2020: HK$4,412.3 million) and unutilised facilities were HK$5,053.0 million (2020: HK$3,332.1 million).

As at 31 December 2021, the Group's bank borrowings was HK$7,274.0 million (2020: HK$9,123.0 million) and the guaranteed notes was HK$1,149.3 million (2020: HK$1,158.2 million). After netting off the bank balance, cash and the financial investments, the Group had a net debt position of HK$4,052.0 million (2020: HK$2,484.7 million) with gearing ratio of 27.6% (2020: 17.6%) (calculated on the basis of net debt as a percentage of the adjusted total property assets with hotel property adjusted to fair market value of HK$5,600.0 million (2020: HK$5,600.0 million)).

As at 31 December 2021, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	31 December 2021 HK$' million	31 December 2020 HK$' million
Due		
Within 1 year	**1,288.0**	3,516.3
1–2 years	**1,203.1**	1,118.4
3–5 years	**4,224.6**	5,681.8
Over 5 years	**1,779.0**	—
	8,494.7	10,316.5
Less: Unamortised front-end fee and notes issued expenses	**(71.4)**	(35.3)
	8,423.3	10,281.2

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank borrowings drawn as at 31 December 2021 amounted to HK$4,503.4 million (2020: HK$6,274.3 million) which comprised of secured bank borrowings of HK$3,651.4 million (2020: HK$4,722.8 million) and unsecured bank borrowings of HK$852.0 million (2020: HK$1,551.5 million). The secured bank borrowings were secured by properties valued at HK$3,331.2 million (2020: HK$3,020.2 million), listed debt securities of HK$1,312.6 million (2020: HK$3,879.6 million) and pledged cash of HK$25.3 million (2020: HK$29.8 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK$4,663.3 million (2020: HK$4,868.2 million) as at 31 December 2021 to secure bank borrowings of HK$2,839.7 million (2020: HK$2,879.5 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2021, all of the Group's borrowings except the guaranteed notes were raised through its wholly-owned subsidiaries on a non-recourse basis.

Staff and Emolument Policy

As at 31 December 2021, the Group had a total of 160 employees (2020: 133 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK$83.2 million for the year ended 31 December 2021 (2020: HK$77.8 million).

The Group maintains a good working relationship with its employees and continues to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, skills, responsibilities, performance and development potentials. Discretionary bonuses are granted in line with the Group's financial results and employees' performance. Fringe benefits including medical insurance scheme, study and training allowances, examination leave and voluntary employer contributions to retirement schemes are offered to employees. In addition, to retain and motivate management staff and good performers, the Company has adopted an employee share option scheme and a share award scheme with options to subscribe for shares in the Company and awards of shares being granted by the Group to its employees (including Directors) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.

GIACOMO at Crowne Plaza Hong Kong Causeway Bay, Hong Kong

Sushi Ikkon at Crowne Plaza Hong Kong Causeway Bay, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

China's economic activity cooled rapidly in the second half of 2021 after a strong rebound in the first half of 2021. It was mainly attributable to the government's continued deleveraging efforts, and prolonged financial stress among property developers. The downside risk of its economic outlook is increasing. The slow growth will remain in 2022 and 2023.

Locally, since the beginning of 2022, under the deterioration in the local epidemic situation of late and tougher pandemic measures, the near-term business operating environment has become increasingly tough. To provide support to businesses and individuals hard hit by the pandemic and the ongoing strict social distancing measures, the fifth and the sixth round of measures under the Anti-epidemic Fund have been rolled out. Hopefully the outbreaks can be effectively contained in the coming months. It is expected that Hong Kong economy will gradually pick up momentum after the pandemic situation improves later this year.

Hong Kong's residential property market in the first quarter of 2022 has returned quiet, which was mainly attributable to the recent surging local COVID-19 cases and the adoption of stringent social distancing restrictions. Notwithstanding this, the property market is expected to demonstrate its resilience in the long run, with the ongoing strong demand, together with the latest announced relaxation of maximum loan-to-value ratio for mortgage financing under the Mortgage Insurance Scheme. Hong Kong luxury residential in prime location is scarce and expected to be less affected by the economic cycle and shall outperform the market.

In the past three years, the hotel business was in deep pain. In spite of the Designated Quarantine Hotel Scheme and the Designated Transportation Scheme, requiring all arrivals from specified places to undergo compulsory quarantine at designated quarantine hotels, the hotel sector remained under pressure in 2021. Following the imposition of restricter cross border restriction since early this year, the occupancy rate for quarantine hotels has been seriously affected. However, the long term outlook looks promising if borders across the world reopen.

As a result of the emergence of the Omicron variant and the measures of controlling the spread of the virus, UK economic activity slowed down in December 2021 and January 2022. Its impact, yet, is expected to be limited and temporary. Following the improvement of the epidemic situation and ease of many containment measures, UK economy is expected to recover since February 2022. However, the degree of uncertainty around the outlook, including for energy prices and the Russia-Ukraine war, remains high.

Looking ahead, business operating environment in 2022 will remain tough amidst the current epidemic situation and the geopolitical risk around the world. For longer run, we are cautiously optimistic on Hong Kong property market. However, the Group's performance depends necessarily on containment of the epidemic, re-open local markets as well as the borders. The Group will continue to tackle all difficulties, proactively participate in sustainable developments and make precise efforts to optimize earnings and enhance performance.

Club@28 at Crowne Plaza Hong Kong Causeway Bay, Hong Kong

FINANCIAL CALENDAR

Results Announcements

2021 Annual results announcement	25 March 2022 (Friday)
2022 Interim results announcement	on or before 31 August 2022 (Wednesday)

Book Close Dates

For ascertaining Shareholders' eligibility to attend and vote at the 2022 Annual General Meeting

Latest time to lodge transfer documents	4:30 p.m. on 19 May 2022 (Thursday)
Closure of register of members	20 May 2022 (Friday) to 26 May 2022 (Thursday) (both days inclusive)
Record date	20 May 2022 (Friday)

For ascertaining Shareholders' entitlement to the proposed final dividend

Latest time to lodge transfer documents	4:30 p.m. on 31 May 2022 (Tuesday)
Closure of register of members	1 June 2022 (Wednesday) to 6 June 2022 (Monday) (both days inclusive)
Record date	6 June 2022 (Monday)

Annual General Meeting

2022 AGM	26 May 2022 (Thursday)

Final Dividend

Ex-dividend date for 2021 final dividend	30 May 2022 (Monday)
Payment of 2021 final dividend (subject to Shareholders' approval at the 2022 AGM)	17 June 2022 (Friday)

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying, formulating, establishing and enhancing corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of Shareholders and comply with increasingly stringent regulatory requirements.

1. Corporate Governance Practices

Throughout the year ended 31 December 2021, the Company has applied the principles and complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules.

2. Board of Directors

Composition

As at the date of this report, the Board has seven members comprising three Executive Directors and four INED.

Board of Directors
Executive Directors
Mr. Lu Wing Chi, Jesse *(Chairman)* Mr. Lambert Lu *(Chief Executive)* Mr. Yap Shee Liam *(Chief Financial Officer) (appointed on 1 January 2021)*
Independent Non-executive Directors
Mr. Walujo Santoso, Wally Mr. Chung Pui Lam Mr. Chan Kwok Wai Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*

The Board, with the recommendation of the Nomination Committee, appointed Mr. Yap Shee Liam as Executive Director and Chief Financial Officer and Mr. Lo Wai Tung Welman as the INED on 1 January 2021 and 28 May 2021 respectively.

An updated list of Directors and their respective roles and functions has been maintained on the websites of the Company and HKEX. Biographical particulars of the existing Directors are set out in the section headed "Directors' Biographical Information" on pages 18 and 19.

More than one-third of the Board are INED and at least an INED possesses appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the INED an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INED including their immediate family members (as defined in the Listing Rules) are independent.

Role and Function

The Company is governed by the Board and the Directors are accountable to the Shareholders for the activities and performance of the Group. To oversee the Group's business and development, the Board has reserved for its decision and consideration the following matters:

(i) adoption and overall oversight of objectives and strategic plans;

(ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;

(iii) approval of interim dividends and other distribution and recommendation of final dividends for Shareholders' approval;

(iv) establishment of Board committees and delegation of powers of the Board to the Board committees;

(v) appointment, re-appointment, re-designation and removal of Board members;

(vi) approval of significant accounting policies and practices;

(vii) oversight of corporate governance, risk management and internal controls; and

(viii) other significant matters.

Matters other than mentioned above have been delegated by the Board to the management and the major ones are execution of the Board's decisions (including business strategies and initiatives it has adopted) and daily operations, preparation of annual and interim financial statements for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management as well as compliance with relevant requirements, rules and regulations.

The four INED serve the relevant function of bringing independent judgement and valuable guidance and advice on the development, performance and risk management of the Group. They come from diverse business and professional backgrounds in the fields of international trading, financial, accounting, laws and business management, rendering valuable expertise and experience to promote the best interests of the Company and its Shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner. The INED also serve on the Audit, Remuneration and Nomination Committees. Compositions of these Board committees are set out on pages 37 to 41.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties including:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2021, the Board reviewed the Company's corporate governance practices.

Directors' Appointment, Retirement and Re-election

In response to the amended CG Code in respect of the deletion of code requirement regarding the appointment of non-executive directors with a specific term which came into effect from 1 January 2022, the Company has entered into letters of appointment with all INED with no specified length or proposed length of service with the Company as Directors. Pursuant to the Company's Bye-laws, every Director shall retire from office no later than the third AGM after he was last elected or re-elected. Further, any Director appointed by the Board as an additional Board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

For an INED who has served the Company for more than nine years, his further appointment will be subject to a separate resolution to be approved by the Shareholders. The papers to the Shareholders accompanying that resolution will state why the Board believes he is still independent and should be re-elected.

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws, Messrs Lu Wing Chi, Jesse and Chung Pui Lam will retire as Directors by rotation and, being eligible, have offered themselves for re-election at the 2022 AGM.

Pursuant to Bye-law 95 of the Company's Bye-laws, Mr. Lo Wai Tung Welman who was appointed as an INED by the Board on 28 May 2021 will retire and being eligible, has offered himself for re-election at the 2022 AGM.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy in August 2013.

Under the Board Diversity Policy, all Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be considered by the Company from a number of aspects, including but not limited to cultural and educational background, experience, skills, knowledge, length of service, age and gender. The Company's business model and specific needs will also be taken into account in determining the optimum composition of the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and will from time to time review the Board Diversity Policy, as appropriate, and recommend revisions to the Board for consideration and approval.

Meetings

The Board conducts meetings on a regular basis with at least 14 days' notice and on an ad hoc basis with reasonable notice that are required for significant and important issues. Before each Board and committee meetings, relevant agendas and documents with appropriate information are sent to Directors who are consulted for including matters in the agendas. The Board has four scheduled meetings a year to, amongst other matters, approve the final results and interim results respectively and consider financial and operating performances of the Company. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

During the year ended 31 December 2021, the Board held four meetings and the attendance record of each Director is set out in the following table:

Directors	**Attendance/Number of Board meetings held in 2021**
Executive Directors	
Mr. Lu Wing Chi, Jesse *(Chairman)*	4/4
Mr. Lambert Lu *(Chief Executive)*	4/4
Mr. Yap Shee Liam *(Chief Financial Officer)* *(appointed on 1 January 2021)*	4/4
Non-executive Directors	
Mr. Lam Sing Tai *(retired on 28 May 2021)*	1/1
Mr. Lincoln Lu *(resigned on 28 May 2021)*	1/1
INED	
Mr. Walujo Santoso, Wally	3/4
Mr. Chung Pui Lam	4/4
Mr. Chan Kwok Wai	4/4
Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*	3/3
Mr. Leung Hok Lim *(retired on 28 May 2021)*	1/1

Note: The Chairman met all INED without the presence of other Directors in 2021.

Relationship

Mr. Lu Wing Chi, Jesse (the Chairman and Executive Director) is the father of Mr. Lambert Lu (the Executive Director and Chief Executive) and Mr. Lincoln Lu (resigned as Non-executive Director on 28 May 2021). Other than this, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's activities and affairs. In addition, the roles of the Chairman and the Chief Executive are separate and performed by different Directors. Their roles and responsibilities had been clearly set out and approved by the Board.

During the year 2021, more than half of the Board members were Non-executive Directors (including INED) whose views carry significant weight in the Board's decisions. Directors have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

Training, Professional Development and Insurance for Directors

When a newly-appointed Director joins the Group, he/she will receive an induction briefing that will give him/her an understanding of the Group, its businesses and Director's responsibilities. The Company provided the new Directors with an induction on their appointments in 2021.

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its Directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. An in-house training session conducted by a solicitors' firm was organised by the Company for the year 2021 as part of the continuous professional development for its Directors to update them on the latest developments regarding the Listing Rules and applicable regulatory requirements in discharging their duties.

During the year ended 31 December 2021, the Company provided a Director's Handbook to the Directors to give them an overview of key governance issues and key guidelines relating to their roles, responsibilities and ongoing obligations. The Directors were also provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

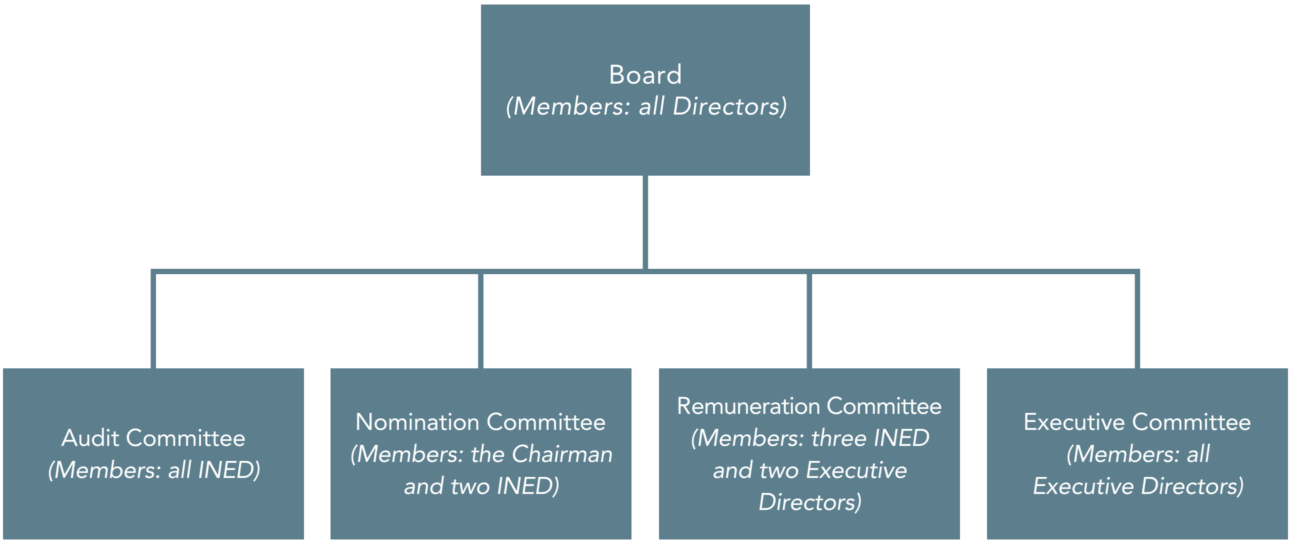
A summary of training participated by the Directors during the year ended 31 December 2021 is as follows:

Directors	**Attend seminars and/or reading materials in relation to updates on laws, rules and regulations**	**Reading regulatory updates and information relevant to the Group or its business**
Executive Directors		
Mr. Lu Wing Chi, Jesse *(Chairman)*	✓	✓
Mr. Lambert Lu *(Chief Executive)*	✓	✓
Mr. Yap Shee Liam *(Chief Financial Officer)*	✓	✓
Non-executive Directors		
Mr. Lam Sing Tai *(retired on 28 May 2021)*	N/A	N/A
Mr. Lincoln Lu *(resigned on 28 May 2021)*	N/A	N/A
INED		
Mr. Walujo Santoso, Wally	✓	✓
Mr. Chung Pui Lam	✓	✓
Mr. Chan Kwok Wai	✓	✓
Mr. Lo Wai Tung Welman	✓	✓
Mr. Leung Hok Lim *(retired on 28 May 2021)*	N/A	N/A

The Company has also arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

3. Delegation — Board Committees

The Board has properly delegated its powers and established the Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee with specific written terms of reference that clearly deal with their authority and duties, to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



Audit Committee

Composition

The Audit Committee was established in 1999. The terms of reference of the Audit Committee were published on the websites of the Company and HKEX. The Audit Committee currently comprises of four members and all of them are INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2021 is set out below:

Committee Members	**Attendance/Number of Audit Committee meetings held in 2021**
INED	
Mr. Chan Kwok Wai *(appointed as chairman on 28 May 2021)*	2/2
Mr. Walujo Santoso, Wally	2/2
Mr. Chung Pui Lam	2/2
Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*	1/1
Mr. Leung Hok Lim *(ceased as chairman on 28 May 2021)*	1/1

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting, the effectiveness of the audit process in accordance with applicable standards, the effectiveness and adequacy of the Group's risk management and internal control systems as well as to maintain an appropriate relationship with the independent external auditor of the Company.

During the year ended 31 December 2021, the Audit Committee met twice with representatives of the management and Deloitte (the independent auditor of the Company) to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

(i) the accounting principles and policies adopted by the Group;

(ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2020;

(iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2021;

(iv) any significant findings by the independent auditor during the financial audit and other audit issues;

(v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and

(vi) the risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee also recommended to the Board for the re-appointment of Deloitte and reviewed the relevant audit fees. In March 2022, the Audit Committee reviewed with representatives of the management and Deloitte the audited consolidated financial statements of the Company for the year ended 31 December 2021 and was of the opinion that such financial statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.

Nomination Committee

Composition

The Nomination Committee was established in 2012. Its terms of reference can be found on the websites of the Company and HKEX. The Nomination Committee currently comprises of three members including the Chairman and two INED. The attendance record of the committee members at the meeting held during the year ended 31 December 2021 is set out in the following table:

Committee Members	**Attendance/Number of Nomination Committee meeting held in 2021**
Executive Director	
Mr. Lu Wing Chi, Jesse (*chairman*)	1/1
INED	
Mr. Walujo Santoso, Wally	1/1
Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*	N/A
Mr. Leung Hok Lim *(retired on 28 May 2021)*	1/1

Role and Function

The principal role of the Nomination Committee includes, inter alia, reviewing the structure, size and composition of the Board with due regard to the Board Diversity Policy, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Board adopted the Nomination Policy in March 2014 setting out the criteria, procedures and process for nomination of Directors. When identifying candidates to be appointed as Director, the Nomination Committee shall make evaluation of the proposed candidate pursuant to the nomination criteria and make recommendation to the Board if appropriate. The Board shall make decisions on the appointment based on the recommendation of the Nomination Committee. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the candidate's skills, competence, experience, professional and educational qualifications, time commitment, diversity perspectives set out in the Board Diversity Policy and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED.

The Nomination Committee also reviews the expertise and overall contribution of the retiring Directors who are standing for re-election at the AGM and recommends such retiring Directors to the Board for re-election at the AGM.

During the year 2021 and in January 2022, the Nomination Committee reviewed the structure, size, composition of the Board and the Board Diversity Policy, assessed the independence of INED and made recommendations in relation to the re-appointment of retiring Directors who have offered themselves for re-election at the coming AGM.

In order to comply with provisions of the Listing Rules and the terms of reference of relevant Board committees following the retirement of Mr. Leung Hok Lim in May 2021, the Nomination Committee recommended the Board to appoint Mr. Chan Kwok Wai as chairman of the Audit Committee taking into account of his extensive experience in accounting, banking and professional fields. The Nomination Committee also recommended the Board to appoint Mr. Lo Wai Tung Welman as an INED and member of the Audit Committee, the Nomination Committee and the Remuneration Committee. In arriving the decision of nomination of Mr. Lo, the Nomination Committee considered various factors including the size, structure and composition of the Board, Mr. Lo's educational background, past working experience, independence, time commitment and diversity of the Board.

The Board accepted the Nomination Committee's recommendations and appointed Mr. Chan as chairman of the Audit Committee and Mr. Lo as the new INED and member of the Audit Committee, the Nomination Committee and the Remuneration Committee to fill the vacancy occasioned by the retirement of Mr. Leung.

Remuneration Committee

Composition

The Remuneration Committee was established in 2005. Its terms of reference can be found on the websites of the Company and HKEX. The Remuneration Committee currently comprises of five members including three INED and two Executive Directors. The attendance record of the committee members at the meeting held during the year ended 31 December 2021 is set out in the following table:

Committee Members	**Attendance/Number of Remuneration Committee meeting held in 2021**
INED	
Mr. Chung Pui Lam (*chairman*)	1/1
Mr. Walujo Santoso, Wally	1/1
Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*	N/A
Mr. Leung Hok Lim *(retired on 28 May 2021)*	1/1
Executive Directors	
Mr. Lu Wing Chi, Jesse	1/1
Mr. Lambert Lu	1/1

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the Executive Directors and Non-executive Directors and ensuring that no Director will be involved in deciding his own remuneration. The Remuneration Committee has adopted the operation model where it determines the remuneration packages of individual Executive Directors and makes recommendations to the Board on the remuneration packages of individual Non-executive Directors.

In determining the Directors' emoluments, the Remuneration Committee takes into consideration factors such as the qualifications, experience, time commitment, responsibilities, performance, contribution and remuneration of the Directors for previous years, the Company's profitability, emoluments paid by comparable companies and employment conditions elsewhere in the Group.

At the AGM held in 2019, the Shareholders passed an ordinary resolution to authorise the Directors to fix the directors' fees for an aggregate amount not exceeding HK$5.0 million per annum.

During the year 2021 and in January 2022, the Remuneration Committee determined the remuneration packages of the Executive Directors as well as made recommendation to the Board on the remuneration packages of the Non-executive Directors (including INED).

Details of the Directors' emoluments for the year ended 31 December 2021 is set out in note 16 to the consolidated financial statements.

Executive Committee

Composition

The Executive Committee was set up in 1990 and is currently comprised of three Executive Directors.

Mr. Lu Wing Chi, Jesse *(Chairman)*
Mr. Lambert Lu *(Chief Executive)*
Mr. Yap Shee Liam *(Chief Financial Officer)*

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

4. Securities Transactions by Directors and Employees

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

In response to the specific enquiry made on them by the Company, all Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2021.

Directors' interests in shares and underlying shares in the Company are contained in the section headed "Directors' Report" on pages 56 to 58.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the Directors) to regulate their dealings in the shares of the Company, as they are likely to be in possession of inside information in relation to such shares because of their office or employment.

5. Directors' Responsibility for Preparing Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the section headed "Independent Auditor's Report" on page 67. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance department of the Company, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

In addition, the Directors ensure timely publication of the financial statements of the Group.

6. Risk Management and Internal Control

The Board has overall responsibility for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group and reviewing their effectiveness by the Audit Committee to safeguard the Shareholders' interest and the Company's assets. However, these systems are designed to manage rather than eliminate risk of failure in operational system, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the Executive Directors of operational and financial reports provided by the management, regular business meetings between the Executive Directors and the core management team and periodic review of the Group's financial results by the Board.

The Board, through the Audit Committee, reviews regularly the effectiveness and adequacy of the Group's internal control system which includes financial, operational and compliance mechanisms and risk management functions in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. The review also includes the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by an independent external auditor during the statutory audit.

During the year 2021, the Company has engaged an independent consultant to perform an internal audit review on the operations of the Group in order to assist the Group to assess its internal control system in general.

The work approach of the review conducted by the independent consultant includes:

(i) making enquiries with appropriate management and key process owners to obtain a thorough understanding of the operations of the in-scope processes and to identify major risks, respective internal controls and significant design deficiencies of the internal control system;

(ii) performing walkthrough tests and identifying implementation deficiencies for the key internal control procedures;

(iii) performing necessary substantive procedures to identify operating deficiencies of the key internal control procedures; and

(iv) following completion of the review, the independent consultant summarizes the findings and certain deficiencies identified and also makes appropriate recommendations for improving and strengthening the Group's internal control system to the Audit Committee for approval.

In the year under review, no material issues on the Group's internal control system have been identified in the reviewed areas. The findings of the review and some recommendations proposed to the management for improving the internal control system have been reported to the Audit Committee. After reviewing the internal audit report for the year 2021, the Board considered that the risk management and internal control system was adequate and effective.

7. Handling and Dissemination of Inside Information

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The Board adopted the Inside Information Policy in August 2019 which provides a general guide to the Group's officers and employees in handling confidential information and ensures that inside information of the Company is to be disseminated to the public in a timely manner in accordance with the applicable laws and regulations.

Below is a summary of key provisions of the Inside Information Policy:

(i) officers and employees must follow the reporting channels for disclosing the inside information and take reasonable care for safeguard the confidentiality of all inside information;

(ii) the Executive Directors are empowered to take appropriate actions to ensure compliance with the disclosure requirements including issuing announcements and making a request to the Stock Exchange for a trading halt in case the Company is facing an unexpected and significant event; and

(iii) Directors and employees of the Group must not deal in the Company's securities when they are in possession of unpublished inside information.

The Group also keeps the Directors and employees appraised of the latest regulatory updates on disclosure requirements of inside information.

8. Dividend Policy

The Board adopted the Dividend Policy in December 2018 which sets out the frequency, forms and criteria of dividend payout in order to provide stable and sustainable returns to the Shareholders that allows the Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future development.

The Company may distribute dividends by way of cash and/or by way of distribution in specie, subject to the applicable rules and requirements under the Bermuda law and the Company's constitutional documents. The Board takes into account, inter alia, the following factors in deciding whether to propose a dividend and in determining the dividend amount:

(i) the Group's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and its subsidiaries;

(iii) the cash flow position of the Group;

(iv) the Group's working capital requirements and future expansion plans; and

(v) general economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group.

The Company will review the Dividend Policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way to obligate the Company to declare a dividend for any given period.

9. Independent Auditor's Reporting Responsibility

The statement of Deloitte, Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 67 and 68. Representatives of Deloitte also attend the AGMs to answer questions which the Shareholders may have.

10. Independent Auditor's Remuneration

At the AGM held on 28 May 2021, Deloitte was re-appointed by the Shareholders as independent auditor of the Company at a fee to be agreed by the Board. The total fees paid/payable to Deloitte in respect of the audit and non-audit services provided during the year ended 31 December 2021 are set out as follows:

	HK$'000
Audit services	1,806
Non-audit services (reviewing and other reporting services)	590
Total	2,396

11. Going Concern

The Directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

12. Communication with Shareholders

The Board has adopted the Shareholders' Communication Policy with the objective of ensuring that its communications with the Shareholders are timely, transparent, accurate and open. Information of the Company is disseminated to the Shareholders through a number of channels as follows:

(i) corporate communication such as annual reports, interim reports and circulars are available in printed form and electronic form on the websites of the Company and HKEX;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and HKEX;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and SGMs provide a forum for Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's Hong Kong branch share registrar serves the Shareholders in respect of share registration, election of means of receipt of corporate communications and related matters.

To preserve environment and increase efficiency in communication with the Shareholders, the Company made arrangements pursuant to Rule 2.07A of the Listing Rules and the Bye-laws of the Company for the Shareholders to elect to receive corporate communications in printed form or by electronic means through the Company's website. Shareholders have the right to change their choice of receipt of our corporate communications at any time by giving reasonable notice to the Company. The change request form may be downloaded from the websites of the Company and HKEX.

Separate resolutions are proposed at general meetings on each substantial issue including the election of individual Directors.

During the year ended 31 December 2021, an AGM was held on 28 May 2021. All resolutions relating to ordinary businesses and special businesses proposed at the AGM were duly passed.

The attendance records of the existing Directors at the 2021 AGM are set out in the following table:

Directors	**Attendance at the 2021 AGM**
Executive Directors	
Mr. Lu Wing Chi, Jesse (*Chairman*)	✓
Mr. Lambert Lu (*Chief Executive*)	✓
Mr. Yap Shee Liam *(Chief Financial Officer)* *(appointed on 1 January 2021)*	✓
Non-executive Directors	
Mr. Lam Sing Tai *(retired on 28 May 2021)*	✓
Mr. Lincoln Lu *(resigned on 28 May 2021)*	N/A
INED	
Mr. Walujo Santoso, Wally	✓
Mr. Chung Pui Lam	✓
Mr. Chan Kwok Wai	✓
Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*	N/A
Mr. Leung Hok Lim *(retired on 28 May 2021)*	✓

1. Messrs. Lam Sing Tai and Leung Hok Lim retired after the conclusion of the 2021 AGM.

2. Mr. Lo Wai Tung Welman was appointed after the conclusion of the 2021AGM.

13. Shareholders' Rights

Convening Special General Meeting

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a SGM. The purposes of the meeting must be stated in the related requisition and deposited at the Company's registered office and principal place of business in Hong Kong. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM, the Shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at general meetings

Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at a general meeting or not less than one hundred Shareholders can submit a written request to move a resolution at a general meeting. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and deposited at the Company's registered office and principal place of business in Hong Kong not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

14. Constitutional Documents

The constitutional documents of the Company are available on the websites of the Company and HKEX. There is no change in the constitutional documents during the year ended 31 December 2021.

15. Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by the following means:

(i) By phone at (852) 2828 6363 during normal business hours

(ii) By fax at (852) 2598 6861

(iii) By e-mail to info@seagroup.com.hk

(iv) By post to 26/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong

16. Looking Forward

With effective from 1 January 2022, the Stock Exchange has re-structured Appendix 14 to the Listing Rules and renamed it as "Corporate Governance Code" whereby some code provisions have been amended and certain new code provisions introduced. The Board will continue to monitor, review and take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CG Code at all times.

DIRECTORS' REPORT

The Directors have pleasure in presenting this Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Principal Activities

During the year 2021, the Company acted as an investment holding company and the activities of its principal subsidiaries were property investment, property development, hotel operation and financial investment in Hong Kong, Australia and the United Kingdom.

Other particulars of the principal subsidiaries of the Company as at 31 December 2021 are set out in note 46 to the consolidated financial statements.

Business Review and Performance

A review of the business of the Group during the year ended 31 December 2021 and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the "Chairman's Statement" on pages 10 and 11, "Chief Executive's Report" on pages 12 to 17 and "Management Discussion and Analysis" on pages 23 to 30 of this Annual Report.

The financial risk management objectives and policies of the Group can be found in note 36 to the consolidated financial statements.

An analysis of the Group's performance during the year ended 31 December 2021 using financial key performance indicators is provided in the "Chairman's Statement" on pages 10 and 11,"Chief Executive's Report" on pages 12 to 17 and "Management Discussion and Analysis" on pages 23 to 30 and the "Financial Highlights" on pages 20 to 22 of this Annual Report.

Environmental Protection

The Group operates its business to meet its stakeholders' need and is also committed to reducing its environmental footprint. The Group has formulated a corporate social responsibility policy statement to demonstrate its determination to care for the environment. It continually seeks to identify and manage environmental impacts attributable to its operational activities and strives to minimise these impacts.

To address climate-related issues, the Group has adopted the Climate Change Policy and Supply Chain Management Policy in November 2021. The Climate Change Policy guides the Group in mitigating the impacts of climate change on its operations, enhance the resilience, adaptability and disclosure of climate-related issues. The purpose of the Supply Chain Management Policy is to manage the environmental and social risks of the Group's supply chain covering the suppliers' business ethics, environmental performance and social standards.

Energy saving measures have been implemented at the main office in order to reduce power and paper consumption. All copiers, printers and other electronic equipment have been set to eco-friendly options by default. Energy-saving modes of office equipment is also being enabled after a long period of inactivity. LED lighting and indoor temperature control are applied to minimise power consumption. The Group also makes an effort to raise its staff's energy-saving awareness and regularly reminds them to switch off unnecessary lighting and electronic devices when not in use. Application of e-system, setting printers from single-sided printing mode to double-sided printing mode, and recycling of papers and stationery are carried out to reduce paper consumption and to achieve cost savings.

The Group has also actively promoted material-savings and implemented policies to reduce waste generated from its business activities. Water saving practices such as water saving signage is posted at the pantry to remind and encourage staff to save water resources. Its financial reports are printed on Forest Stewardship Council-certified (FSC) papers. To further save paper resources, the Company has made arrangements to its Shareholders to receive corporate documents like financial reports and circulars in electronic form instead of printed copies since 2019. After implementation of the e-communication arrangement, the number of printed copies of corporate documents issued by the Company to its Shareholders during the year 2021 reduced by approximately 40%. The Group understands the importance of reducing waste production and promotes recycling across its operations. Waste electrical and electronic equipment such as computers, printers and photocopiers were sent to recyclers for processing. The recycling of materials in our operations, including papers, plastic bottles, stationery and office equipment, are highly encouraged. Hazardous waste such as used ink and toner cartridges are returned to the service providers to minimise negative impacts on the environment.

With the aim to increase energy efficiency, Crowne Plaza has implemented an energy monitoring system to improve, assess and monitor its energy consumption behavior within its operations. Additionally, Crowne Plaza adopted a number of supportive measures in its hotel operations to reduce energy consumption. It has adopted LED lighting in the hotel and switched off lighting and electronic devices when not in use. Besides, all equipment is serviced and maintained ensuring maximum efficiency and major equipment including chiller plants is subject to seasonal adjustments for reducing electricity consumption but without affecting the comfort of the hotel's occupants.

At Crowne Plaza, water is mainly used for guests rooms and outlets kitchens. To implement water-saving measures, Crowne Plaza has implemented water consumption monitoring system to track water consumption. Besides, it has installed water-saving taps in kitchens and washrooms to reduce water consumption.

Crowne Plaza deploys the concept of waste management in its operation for proper waste handling. The drop off points of recyclable items such as cardboards, newspapers, office papers, glasses, metal, plastic, aluminium cans and cooking oil and grease are established in different areas of the Crowne Plaza. Hazardous materials are disposed at an approved hazardous waste disposal facility by original suppliers or professional companies appointed by Crowne Plaza. It also conducts audit of hazardous materials annually and performs regular checks of their storage area. Crowne Plaza also strives to minimize waste generation by reusing and recycling of papers, battery and card boards.

Compliance with Laws and Regulations

The Group complies with applicable rules and regulations governing property development and property investment in Hong Kong and holds relevant required licences for provision of services. With respect to the overseas properties held by the Group, it engages external professional advisors to ensure the compliance with applicable laws and regulations of that jurisdictions. During the year under review, there was no reported incident of material non-compliance with the relevant laws and regulations that had a significant impact on the Group's business.

The Group establishes and protects its intellectual property rights and has registered its domain name. Various trademarks have been applied for or registered in various classes in Hong Kong, the PRC and other relevant jurisdictions. The Group takes all appropriate actions to enforce its intellectual property rights.

The Group is committed to upholding the highest standard of business integrity and complying with relevant legal and regulatory requirements. It is the policy of the Group to strictly prohibit bribery, corruption and money laundering activities to ensure the conduct of the Group companies and employees are in compliance with the applicable rules and regulations. All staff members are required to strictly adhere to the provisions of the Prevention of Bribery Ordinance. They are prohibited to offer or solicit all forms of benefits from any third parties, such as suppliers or business partners. The Company has provided sufficient information on the Group's anti-corruption principles to all employees. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. To raise the Board members and employees' awareness on anti-corruption legislation and equip employees with the necessary skills to handle ethical dilemmas at the workplace, the Group has provided them anti-corruption reading materials issued by the Independent Commission Against Corruption (ICAC).

Workplace Quality

The Group values its employees and is dedicated to supporting their career development and protecting their rights. The Group believes a motivated and balanced workforce is crucial for building a substantial business model and delivering long-term returns.

The Group has formulated and updated from time to time an employee handbook which clearly sets out company policies and procedures, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony, respectful and safe workplace. The Group encourages staff of all levels to serve the community and care for those in need. We have participated in the "Dress Casual Day" which is the annual charity event organised by the Community Chest. Besides, we have made donation to Yang Memorial Methodist Social Service in responding to anti-epidemic work. The Group has been awarded the Caring Company Logo by the Hong Kong Council of Social Service (HKCSS) in 2021 in recognition of our commitment in caring for our community, employees and environment over the past year.

The Group believes that people are the valuable assets of an enterprise and commits to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2021, approximately 39% of the staff have been working for the Group for more than five years. Service awards were presented as tribute to staff members who have contributed to the Group for 5 and 20 years.

The Group provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as opportunities for career advancement based on employees' merits and performance. It is the policy of the Group to encourage employees to attend appropriate courses to keep them abreast of the latest developments in the market and industry. They are encouraged to enrol in external job-related seminars and training programmes to improve their knowledge and maximise their potentials.

The Group considers employee health and safety as a priority at all times across its business operations. The Group follows the Guidelines from the Occupational Safety and Health Council and Labour Department which outline relevant measures and tips covering use of equipment, hygiene, first aid and fire precaution. During the year under review, the Group arranged free on-site flu vaccinations for its employees.

COVID-19 remains as one of the major health and safety concerns at workplace during the year. The Company has implemented several precautionary measures in its main office to enhance employees' hygiene awareness and to minimize their exposure to virus in the community as much as possible. Health tips, face masks and hand sanitizers are provided to the employees and all of them are required to measure body temperature and wear surgical masks upon entering into the office to help them stay healthy and infection-free. Employees who have symptoms of COVID-19 such as fever, malaise, dry cough and shortness of breath should at once notify the Company, seek medical advice, do a coronavirus test and stay home. In addition, employees are encouraged to receive COVID-19 vaccine and conduct COVID-19 testing for controlling virus transmission and early detection. Office cleaning schedule has been increased to provide a safe workplace to the staff.

In view of the stabilized epidemic situation in the second half of 2021, the Company had resumed group gathering activities including monthly birthday party, Christmas party and annual dinner in the fourth quarter of 2021. All the activities taken place during the year strictly followed the government's guidance on group gathering to prevent the spread of COVID-19. The Company also gives out festival gifts such as mooncake and rice dumpling to our employees for festival celebration striving to develop good sense of belonging and strong team bonding among employees.

Crowne Plaza has also adopted a wide range of preventive measures to ensure occupational health and safety in the hotel premises. Anti-epidemic items such as surgical masks, hand sanitizers and disinfectant spray are provided to hotel staff to reduce the risks of virus infection. Crowne Plaza also provided personal protective equipment such as gloves, facial shields and disposable gowns to those staff who are carrying out high risk operations. All operational employees are required to conduct COVID-19 testing provided by the hotel. All personnel entering into the hotel premises are required to measure body temperature and wear surgical masks to protect them from a possible virus infection. In addition, all room guests are required to submit health declaration form and their travel history. Crowne Plaza has strengthened the frequency of cleaning and disinfection works in its ventilation system and public amenities in order to minimize the spread of pandemic.

Further discussions on the Group's environmental policies, compliance with relevant laws and regulations and relationships with its key stakeholders which have a significant impact on the Group's operation will be provided in the 2021 Environmental, Social and Governance Report to be published on the websites of the Stock Exchange and the Company by May 2022.

Segmental Analysis of Operations

An analysis of the Group's performance for the year by reportable segments is set out in note 6 to the consolidated financial statements.

DIRECTORS' REPORT

Results

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 69 and the consolidated statement of profit or loss and other comprehensive income on page 70.

The state of affairs of the Group as at 31 December 2021 is set out in the consolidated statement of financial position on pages 71 and 72.

Dividends

An interim dividend of HK2 cents per share (2020: HK2 cents) amounting to HK$12.0 million (2020: HK$13.2 million) was paid to the Shareholders during the year.

The Board has resolved to recommend for the Shareholders' approval at the forthcoming 2022 AGM the payment of a final dividend of HK3 cents (2020: HK3 cents) per share for the year under review, amounting to HK$18.1 million (2020: HK$19.3 million) to the Shareholders whose names appear on the register of members at the close of business on Monday, 6 June 2022. The relevant dividend warrants are expected to be despatched on or before Friday, 17 June 2022.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group during the year 2021 are set out in the consolidated statement of changes in equity on page 73. The Company's reserves available for distribution to the Shareholders as at 31 December 2021 were as follows:

	2021 **HK$'000**	2020 HK$'000
Contributed surplus	**190,081**	190,081
Retained profits	**4,314,087**	4,691,180
	4,504,168	4,881,261

Under the Companies Act 1981 of Bermuda (as amended), the amount of the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if after the payment:

(i) it is or would be unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than its liabilities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

Investment Properties

All the investment properties of the Group were revalued at 31 December 2021. The net increase in fair value of investment properties amounting to HK$655.5 million (2020: net increase of HK$39.1 million) has been credited directly to the consolidated statement of profit or loss.

Details of the movements in the investment properties of the Group during the year are set out in note 20 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 21 to the consolidated financial statements.

Properties

Details of the properties of the Group held for investment and sale purposes at 31 December 2021 are set out in the section headed "Property Portfolio" on pages 4 to 9.

Permitted Indemnity Provision

Pursuant to the Company's Bye-law 148, every Director for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, liabilities, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own wilful neglect or default respectively. During the year under review, the Company had arranged a directors' and officers' liability insurance for the Directors.

DIRECTORS' REPORT

Directors

The Directors who served during the year and up to the date of this Annual Report were set out below.

Executive Directors

Mr. Lu Wing Chi, Jesse *(Chairman)*
Mr. Lambert Lu *(Chief Executive)*
Mr. Yap Shee Liam *(Chief Financial Officer) (appointed on 1 January 2021)*

Non-executive Directors

Mr. Lam Sing Tai *(retired on 28 May 2021)*
Mr. Lincoln Lu *(resigned on 28 May 2021)*

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam
Mr. Chan Kwok Wai
Mr. Lo Wai Tung Welman *(appointed on 28 May 2021)*
Mr. Leung Hok Lim *(retired on 28 May 2021)*

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws, Messrs Lu Wing Chi, Jesse and Chung Pui Lam will retire as Directors by rotation and, being eligible, have offered themselves for re-election at the 2022 AGM.

Pursuant to Bye-law 95 of the Company's Bye-laws, any Director appointed by the Board shall hold office only until the next general meeting of the Company. Mr. Lo Wai Tung Welman who was appointed as an INED by the Board on 28 May 2021 will retire and being eligible, has offered himself for re-election at the 2022 AGM.

All other Directors shall continue in office.

Directors' Biographical Particulars

Biographical particulars of the present Directors are set out on pages 18 and 19 of this Annual Report.

Further particulars of the Directors to be re-elected at the 2022 AGM are set out in the circular to be despatched to the Shareholders in April 2022.

DIRECTORS' REPORT

Update of Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the directors' information since the disclosure made in the Company's 2021 interim report up to 25 March 2022 (being the date of approval of this report) are set out below:

1. The basic salary of Mr. Yap Shee Liam has been adjusted upward by 4% with effect from 1 January 2022.

2. The professional designation of Mr. Chan Kwok Wai has been updated from "ACIS" to "ACG".

Directors' Service Contracts

None of the Directors proposed for re-election at the 2022 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

Particulars of the emoluments of Directors on a named basis for the year are set out in note 16 to the consolidated financial statements.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

There were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director or a controlling Shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangements for Directors to Acquire Shares and Debentures

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the following Directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such Directors have been appointed to represent the interests of the Company and/or other members of the Group:

(i) Mr. Lu Wing Chi, Jesse (the Chairman and Executive Director) has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

(ii) Mr. Lambert Lu (the Executive Director and Chief Executive) and Mr. Lincoln Lu (the Non-executive Director who resigned on 28 May 2021) are the sons of Mr. Lu Wing Chi, Jesse. In this regard, Messrs Lambert Lu and Lincoln Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi, Jesse is deemed interested. Messrs Lambert Lu and Lincoln Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs Lambert Lu and Lincoln Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Currently, more than half of the Board members are INED whose views carry significant weight in the Board's decisions. Fundamentally, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the Directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

1. Long positions in shares of the Company

	Number of ordinary shares held			Number of underlying shares held under equity derivatives		
Name of Directors	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporations)	Family Interests (interests of spouse)	Personal interests (held as beneficial owner)	Total interests	Approximate % of interest in the issued share capital
Lu Wing Chi, Jesse	—	446,392,255[i]	—	—	446,392,255	74.14
Lambert Lu	550,000	338,779,740[ii]	—	—	339,329,740	56.36
Yap Shee Liam	648,000	—	—	350,000[iii]	998,000	0.17
Walujo Santoso, Wally	1,680,400	—	—	—	1,680,400	0.28
Chung Pui Lam	894,800	—	—	—	894,800	0.15
Chan Kwok Wai	—	—	—	—	—	—
Lo Wai Tung Welman	—	—	—	—	—	—

Notes:

(i) Among these 446,392,255 shares, 107,612,515 shares were held by Port Lucky, 78,548,387 shares were held by Ambleside Glory and 260,231,353 shares were held by NLI. Port Lucky is 100% owned by SEA Fortune, which in turn is 100% owned by NYH. NYH is 100% owned by Mr. Lu Wing Chi, Jesse. Ambleside Glory is 100% owned by NLI, which in turn is owned by Mr. Lu Wing Chi, Jesse and Mr. Lambert Lu as to 60% and 40% respectively (as disclosed in the section of "Long positions in shares of associated corporation" on page 57). By virtue of Mr. Lu Wing Chi, Jesse's interests in NLI, Port Lucky and Ambleside Glory, he is deemed to be interested in these shares.

(ii) As disclosed in Note (i) above, among these 338,779,740 shares, 78,548,387 shares were held by Ambleside Glory and 260,231,353 shares were held by NLI. Ambleside Glory is 100% owned by NLI, which in turn is owned by Mr. Lu Wing Chi, Jesse and Mr. Lambert Lu as to 60% and 40% respectively. By virtue of Mr. Lambert Lu's interests in NLI and Ambleside Glory, he is also deemed to be interested in these shares.

(iii) The total number of issued shares of the Company as at 31 December 2021 was 602,122,726 shares.

2. Long positions in shares of associated corporation

Name of associated corporation	Name of Directors	Number of ordinary shares held: Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporation)	Family interests (interests of spouse)	Total interests	Approximate % of interest in the issued share capital
NLI	Lu Wing Chi, Jesse	93,876	—	—	93,876	60.00
	Lambert Lu	62,584	—	—	62,584	40.00

Saved as disclosed herein, as at 31 December 2021, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, so far as is known to the Directors, the following substantial Shareholders and other persons (other than Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name of Shareholders	Number of ordinary shares: Held as beneficial owner	Held by controlled corporations	Total interests	Approximate % of interest in the issued share capital
NLI	260,231,353	78,548,387[(i)]	338,779,740	56.26
Ambleside Glory	78,548,387	—	78,548,387	13.05
NYH	—	107,612,515[(ii)]	107,612,515	17.87
SEA Fortune	—	107,612,515[(ii)]	107,612,515	17.87
Port Lucky	107,612,515	—	107,612,515	17.87

Notes:

(i) NLI holds 100% of the issued share capital of Ambleside Glory. The above 78,548,387 shares held by Ambleside Glory are also deemed to be interest of NLI and such shares are, therefore, duplicated between these shareholders for the purpose of the SFO.

(ii) NYH holds 100% of the issued share capital of SEA Fortune, which in turn holds 100% of the issued share capital of Port Lucky. The above 107,612,515 shares held by Port Lucky are also deemed to be interest of SEA Fortune and NYH and such shares are, therefore, duplicated between these shareholders for the purpose of the SFO.

(iii) Messrs Lu Wing Chi, Jesse and Lambert Lu, both being Directors, are also directors of NLI, Ambleside Glory, NYH, SEA Fortune and Port Lucky.

(iv) The total number of issued shares of the Company as at 31 December 2021 was 602,122,726 shares.

Saved as disclosed herein, as at 31 December 2021, none of the substantial Shareholders and other persons (other than Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

The Company adopted the 2015 Share Option Scheme on 29 May 2015. A summary of the principal terms of the 2015 Share Option Scheme is set out below:

1. Purpose:	To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the 2015 Share Option Scheme).
2. Participants:	Eligible participants include any (i) director or employee of the Company or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of the Company or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of the Company or any of its affiliate.
3. Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the issued share capital that it represents as at the date of this Annual Report:	The maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2015 Share Option Scheme was 69,186,772 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 29 May 2015, the date on which an ordinary resolution was passed by the Shareholders to approve the 2015 Share Option Scheme. As at 25 March 2022, a total of 57,206,772 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2015 Share Option Scheme, which represented approximately 9.50% of the issued share capital of the Company on that date.

4. Maximum entitlement of each participant:	Unless approved by Shareholders, the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company then in issue. In addition, for any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period exceed 0.1% of the shares of the Company then in issue and with an aggregate value in excess of HK$5 million, then the proposed grant is also subject to the approval of Shareholders in general meeting.
5. Period within which the shares must be taken up under an option:	The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6. Minimum period for which an option must be held before it can vest:	As determined by the Board.
7. Amount payable on acceptance of an option and the period within which payments shall be made:	HK$10 is payable to the Company upon acceptance of the option which must be taken up within 28 days from the date of offer.
8. Basis of determining the exercise price:	The exercise price is determined by the Board which must be at least the highest of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.
9. Remaining life of the 2015 Share Option Scheme:	Valid and effective for a term of ten years from the date of adoption until 28 May 2025.

The following table shows the movements in share options under the 2015 Share Option Scheme during the year ended 31 December 2021 and the options outstanding at the beginning and end of the year:

Name	Date of grant	Exercise price per share (HK$)	Exercise period	Number of underlying shares comprised in share options		
				As at 01.01.2021	Lapsed during the year	As at 31.12.2021
Eligible employees in aggregate	22.01.2018	12.800	01.01.2019 to 31.12.2020	175,000	(175,000)	—
			01.07.2019 to 30.06.2021	200,000	(200,000)	—
			01.01.2020 to 31.12.2021	500,000	—	500,000
			01.07.2020 to 30.06.2022	225,000	(150,000)	75,000
			01.01.2021 to 31.12.2022	975,000	(400,000)	575,000
			01.07.2021 to 30.06.2023	1,025,000	(150,000)	875,000
Total				3,100,000	(1,075,000)	2,025,000

Notes:

(i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.

(ii) No share options had been granted, exercised or cancelled under the 2015 Share Option Scheme for the year ended 31 December 2021.

Share Award Scheme

The Share Award Scheme was approved by the Shareholders at the SGM held on 27 May 2010. The Share Award Scheme commenced on 15 June 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and are listed on the Stock Exchange; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the Share Award Scheme. No award may be granted under the Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

No award was granted by the Company under the Share Award Scheme during the year ended 31 December 2021.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2021, the Company repurchased a total of 40,116,000 Shares on the Stock Exchange at an aggregate cash consideration of HK$342,242,507 (excluding expenses). All the purchased shares were then cancelled and the number of issued shares of the Company was reduced accordingly. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration
		Highest	Lowest	
		HK$	HK$	HK$
May 2021	1,620,000	8.48	8.28	13,683,168
June 2021	38,496,000	8.88	8.07	328,559,339
	40,116,000			342,242,507

The Directors considered that the aforesaid shares were repurchased at a discount to the underlying fair value per share and such purchases resulted in an increase in the net asset value and earnings of every remaining share of the Company.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

Major Customers and Major Suppliers

During the year, the revenue and aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 21% and 40% of the Group's total revenue respectively.

The aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group for the year.

At no time during the year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers.

Related Party Transactions

Details of the significant related party transactions undertaken in the usual course of business are set out in note 44 to the consolidated financial statements. All such related party transactions are fully exempt connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Corporate Governance

The Company is committed to maintain high corporate governance standards so as to ensure better transparency and protection of Shareholders' interests. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 32 to 46.

Financial Assistance to Affiliated Companies

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 31 December 2021 are presented as follows:

	Combined statement of financial position HK$ million	**Group's attributable interests** HK$ million
Current assets	23,087.2	3,347.6
Current liabilities	(2,941.9)	(426.6)
Total assets less current liabilities	20,145.3	2,921.0
Non-current liabilities		
— Bank borrowings	(7,632.7)	(1,106.7)
	12,512.6	1,814.3
Total equity (including capital contribution in form of loan to the affiliated company)	12,512.6	1,814.3

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2021.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued shares in the Company was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this Annual Report.

Charitable Donations

During the year, the Group made charitable donations amounting to about HK$61,000 (2020: HK$29,000).

Five-Year Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Highlights" on pages 20 and 21.

Review by Audit Committee

The Audit Committee comprises four members, namely Messrs Chan Kwok Wai, Walujo Santoso, Wally, Chung Pui Lam and Lo Wai Tung Welman, all being INED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2021.

Independent Auditor

The consolidated financial statements of the Company for the year under review have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Deloitte as independent auditor of the Company for the ensuing year will be put to the 2022 AGM for the Shareholders' approval.

On behalf of the Board

Lu Wing Chi, Jesse
Chairman

Hong Kong, 25 March 2022

Deloitte. 德勤

To the Shareholders of S E A Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 69 to 166, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 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 as the valuation is subject to management estimate and has a significant impact on the financial result and financial position of the Group. As disclosed in note 20 to the consolidated financial statements, the carrying value of the investment properties amounted to HK$7,046,884,000 as at 31 December 2021 and the increase in fair value of the investment properties recorded in the profit for the year was HK$655,533,000. In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified professional valuers (the "Valuers") to perform the valuation. The Valuers have determined the fair value of the Group's investment properties by the use of different valuation methodologies, and key inputs such as: (i) capitalisation rate under income capitalisation approach and (ii) adjusting factors such as location, size, age and maintenance under direct comparison approach.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers; • Obtaining an understanding of the valuation process and significant assumptions to assess if the methodologies meet relevant accounting requirements and industry norms; • Obtaining the valuation reports and interviewing with the Valuers to assess the reasonableness of the key inputs used by the Valuers by comparing them to comparable market transactions and other publicly available information of the property market; and • Assessing the completeness and accuracy of information provided by the Group to the Valuers.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss ("ECL") for debt instruments at fair value through other comprehensive income ("FVTOCI")	
We identified the measurement of ECL for debt instruments at FVTOCI as a key audit matter due to the determination of loss allowances for debt instruments at FVTOCI using the ECL model involves significant estimates and judgements, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward looking information. As at 31 December 2021, the Group's debt instruments at FVTOCI amounted to HK$1,312,573,000, for which impairment losses under ECL of HK$701,018,000 has been recognised in the consolidated statements of profit or loss during the year. As set out in note 4 to the consolidated financial statements, the measurement of ECL is dependent on the external economic conditions and the credit rating of each debt instrument and requires management's estimation, significant assumptions applied in the ECL model and the selection of key inputs used in the ECL model. The Group had also engaged an independent professional valuer to perform ECL assessment on the debt instruments which are determined to be significant increase in credit risk and credit-impaired.	Our procedures in relation to the measurement of ECL for debt instruments at FVTOCI included: • Obtaining an understanding of the Group's process in assessing the ECL for debt instruments at FVTOCI under HKFRS 9 Financial Instruments; • Understanding and evaluating the management's judgement in determining significant increase in credit risk and the staging criteria based on the external available information; • Testing the integrity of significant inputs used by management in determining ECL and the mathematical accuracy of the calculations; and • Engaging our internal specialist to review the significant management judgements and assumptions, including (i) the criteria for significant increase in credit risk made by assessing credit rating migration between origination date and reporting date; (ii) reasonableness of probability of default, recovery rate and loss given default; and (iii) the use of economic variables and relative weighting for forward-looking scenarios.

OTHER INFORMATION

The Directors 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 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.

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.

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

- 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.

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 Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	7		
— Renting of investment properties		**227,555**	212,934
— Hotel operation		**119,312**	44,769
— Return from financial investment			
— Interest income and others		**183,712**	345,246
Total revenue		**530,579**	602,949
Other income	8	**10,180**	10,467
Costs:			
Property and related costs	9	**(4,869)**	(5,227)
Staff costs		**(83,178)**	(77,752)
Depreciation and amortisation		**(42,334)**	(36,908)
Other expenses	10	**(81,291)**	(52,237)
		(211,672)	(172,124)
Profit before fair value changes on investment properties, impairment loss and other gains and losses		**329,087**	441,292
Fair value changes on investment properties		**655,533**	39,067
Profit after fair value changes on investment properties		**984,620**	480,359
Other gains and losses	11	**57,100**	(29,897)
Impairment loss recognised on debt instruments at fair value through other comprehensive income ("FVTOCI")	12	**(701,018)**	—
Share of result of joint ventures		**(8,995)**	(61)
Finance costs	13	**(202,332)**	(273,679)
Profit before taxation	14	**129,375**	176,722
Income tax expense	15	**(59,213)**	(25,754)
Profit for the year		**70,162**	150,968
Profit for the year attributable to the Company's shareholders		**70,162**	150,968
		HK cents	HK cents
Basic and diluted earnings per share for profit attributable to the Company's shareholders	19	**11.3**	23.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTE	2021 HK$'000	2020 HK$'000
Profit for the year		**70,162**	150,968
Other comprehensive (expense) income:			
Item that will not be reclassified subsequently to profit or loss:			
Fair value (loss) gain on equity instruments at FVTOCI		**(283,918)**	668
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(20,651)**	76,963
Fair value loss on debt instruments at FVTOCI		**(846,106)**	(35,601)
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI		**(31,943)**	24,000
Impairment loss recognised on debt instruments at FVTOCI	12	**701,018**	—
Other comprehensive (expense) income for the year		**(481,600)**	66,030
Total comprehensive (expense) income for the year attributable to the Company's shareholders		**(411,438)**	216,998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	20	**7,046,884**	7,338,649
Property, plant and equipment	21	**603,598**	615,936
Investment in joint ventures	22	**1,685,935**	1,169,992
Equity instruments at FVTOCI	23	**262,021**	431,485
Debt instruments at FVTOCI	24	**695,176**	3,073,053
Financial assets at fair value through profit or loss ("FVTPL")	25	**48,146**	20,874
Pledged bank deposits	27	**59,148**	—
Other assets	26	**6,779**	6,839
		10,407,687	12,656,828
Current assets			
Inventories		**1,700**	941
Debt instruments at FVTOCI	24	**617,397**	806,575
Financial assets at FVTPL	25	**—**	80,309
Trade and other receivables, deposits and prepayments	28	**245,610**	32,794
Tax recoverable		**—**	7
Pledged bank deposits	27	**—**	29,768
Bank balances and cash	27	**2,685,034**	3,354,456
		3,549,741	4,304,850
Assets classified as held for sale	29	**412,519**	—
		3,962,260	4,304,850
Current liabilities			
Payables, rental deposits and accrued charges	30	**243,983**	153,344
Tax liabilities		**36,895**	28,123
Lease liabilities	33	**6,633**	12,901
Bank borrowings — due within one year	31	**1,278,785**	3,511,586
		1,566,296	3,705,954
Liabilities associated with assets classified as held for sale	29	**160,491**	—
		1,726,787	3,705,954
Net current assets		**2,235,473**	598,896
Total assets less current liabilities		**12,643,160**	13,255,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	34	**60,212**	64,224
Reserves		**5,395,533**	6,176,381
Total equity		**5,455,745**	6,240,605
Non-current liabilities			
Rental deposits	30	**3,985**	—
Lease liabilities	33	**178,575**	190,911
Bank borrowings — due after one year	31	**5,835,022**	5,611,388
Guaranteed notes	32	**1,149,340**	1,158,222
Deferred taxation	35	**20,493**	54,598
		7,187,415	7,015,119
Total equity and non-current liabilities		**12,643,160**	13,255,724

The consolidated financial statements on pages 69 to 166 were approved and authorised for issue by the Board of Directors on 25 March 2022 and are signed on its behalf by:

LU WING CHI, JESSE
CHAIRMAN
AND EXECUTIVE DIRECTOR

LAMBERT LU
EXECUTIVE DIRECTOR
AND CHIEF EXECUTIVE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to the Company's shareholders									
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (note i)	**Translation reserve** HK$'000	**Capital redemption reserve** HK$'000	**Share option reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Other reserves** HK$'000 (note ii)	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2020	66,229	20,745	277,707	35,122	4,451	2,704	(1,456)	20,159	5,824,726	6,250,387
Profit for the year	—	—	—	—	—	—	—	—	150,968	150,968
Exchange differences arising on translation of foreign operations	—	—	—	76,963	—	—	—	—	—	76,963
Fair value loss on debt instruments at FVTOCI	—	—	—	—	—	—	(35,601)	—	—	(35,601)
Fair value gain on equity instruments at FVTOCI	—	—	—	—	—	—	668	—	—	668
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI	—	—	—	—	—	—	24,000	—	—	24,000
Other comprehensive income (expense) for the year	—	—	—	76,963	—	—	(10,933)	—	—	66,030
Total comprehensive income (expense) for the year	—	—	—	76,963	—	—	(10,933)	—	150,968	216,998
Recognition of equity-settled share-based payments — share options (note 42)	—	—	—	—	—	464	—	—	—	464
Lapse of share options	—	—	—	—	—	(831)	—	—	831	—
Shares repurchased and cancelled	(2,005)	(192,167)	—	—	—	—	—	—	—	(194,172)
Transfer of excess share premium to retained profits	—	171,422	—	—	—	—	—	—	(171,422)	—
Dividends paid (note 18)	—	—	—	—	—	—	—	—	(33,072)	(33,072)
At 31 December 2020	64,224	—	277,707	112,085	4,451	2,337	(12,389)	20,159	5,772,031	6,240,605
Profit for the year	—	—	—	—	—	—	—	—	70,162	70,162
Exchange differences arising on translation of foreign operations	—	—	—	(20,651)	—	—	—	—	—	(20,651)
Fair value loss on debt instruments at FVTOCI	—	—	—	—	—	—	(846,106)	—	—	(846,106)
Fair value loss on equity instruments at FVTOCI	—	—	—	—	—	—	(283,918)	—	—	(283,918)
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI	—	—	—	—	—	—	(31,943)	—	—	(31,943)
Impairment loss recognised on debt instruments at FVTOCI	—	—	—	—	—	—	701,018	—	—	701,018
Other comprehensive expense for the year	—	—	—	(20,651)	—	—	(460,949)	—	—	(481,600)
Total comprehensive (expense) income for the year	—	—	—	(20,651)	—	—	(460,949)	—	70,162	(411,438)
Recognition of equity-settled share-based payments — share options (note 42)	—	—	—	—	—	82	—	—	—	82
Lapse of share options	—	—	—	—	—	(1,016)	—	—	1,016	—
Shares repurchased and cancelled	(4,012)	(338,231)	—	—	—	—	—	—	—	(342,243)
Transfer of excess share premium to retained profits	—	338,231	—	—	—	—	—	—	(338,231)	—
Dividends paid (note 18)	—	—	—	—	—	—	—	—	(31,261)	(31,261)
At 31 December 2021	**60,212**	**—**	**277,707**	**91,434**	**4,451**	**1,403**	**(473,338)**	**20,159**	**5,473,717**	**5,455,745**

Notes:

(i) Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition pursuant to the Group reorganisation in previous years.

(ii) Other reserves represent the excess of the consideration paid for acquisition of additional interest in subsidiaries from non-controlling interests over the carrying amount of non-controlling interests.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTE	2021 HK$'000	2020 HK$'000
Operating activities			
Profit before taxation		**129,375**	176,722
Adjustments for:			
Interest expense		**202,332**	273,679
Depreciation and amortisation		**42,334**	36,908
Fair value changes on investment properties		**(655,533)**	(39,067)
Fair value gain on financial assets at FVTPL		**(9,673)**	(1,014)
(Gain) loss on disposal of debt instruments at FVTOCI		**(31,943)**	24,000
Impairment loss recognised on debt instruments at FVTOCI		**701,018**	—
Loss on early redemption of guaranteed notes		**74**	—
Share of result of joint ventures		**8,995**	61
Interest income		**(177,502)**	(345,248)
Dividend from listed equity securities		**(6,438)**	(224)
Loss (gain) on disposal of property, plant and equipment		**40**	(10)
Equity-settled share-based payment expenses		**82**	464
Net exchange (gains) losses		**(15,558)**	6,911
Operating cash flows before movements in working capital		**187,603**	133,182
(Increase) decrease in inventories		**(759)**	79
(Increase) decrease in trade and other receivables, deposits and prepayments		**(212,761)**	7,871
Increase (decrease) in payables, rental deposits and accrued charges		**33,175**	(36,854)
Cash generated from operations		**7,258**	104,278
Interest received from financial investment		**211,395**	377,357
Dividend received		**6,438**	224
Tax paid		**(83,283)**	(21,309)
Tax refunded		**6**	4
Net cash from operating activities		**141,814**	460,554
Investing activities			
Interest received from bank deposits		**228**	226
Placement of pledged bank deposits		**(32,000)**	(12,255)
Release of pledged bank deposits		**1,498**	479,759
Redemption of debt instruments at FVTOCI		**1,824,259**	3,251,110
Redemption of financial assets at FVTPL		**73,445**	184,379
Capital investment in joint ventures		**(27)**	—
Advances to joint ventures in form of loans		**(443,208)**	(55,426)
Purchase of property, plant and equipment		**(29,976)**	(2,781)
Additions to investment properties		**(13,692)**	(12,433)
Purchase of debt instruments at FVTOCI		**(121,876)**	(1,617,000)
Purchase of equity instruments at FVTOCI		**(114,348)**	(430,817)
Purchase of financial assets at FVTPL		**(27,068)**	(5,374)
Proceeds from disposal of investment properties		**254,663**	—
Proceeds from disposal of subsidiaries	38	**260,105**	196,565
Proceeds from disposal of property, plant and equipment		**—**	10
Net cash from investing activities		**1,632,003**	1,975,963

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTE	2021 HK$'000	2020 HK$'000
Financing activities			
Drawdown of bank borrowings		**1,173,900**	2,370,569
Repayment of bank borrowings		**(2,969,247)**	(4,370,164)
Repayment of lease liabilities		**(17,349)**	(10,323)
Repayment of guaranteed notes		**(17,954)**	(1,554,060)
Payment of bank borrowings front-end fee		**(57,364)**	(10,028)
Repurchase of ordinary shares		**(342,243)**	(194,172)
Interest paid		**(184,488)**	(296,569)
Dividends paid		**(31,259)**	(33,057)
Net cash used in financing activities		**(2,446,004)**	(4,097,804)
Net decrease in cash and cash equivalents		**(672,187)**	(1,661,287)
Cash and cash equivalents at beginning of the year		**3,354,456**	5,027,037
Effect of foreign exchange rate changes		**6,014**	(11,294)
Cash and cash equivalents at end of the year		**2,688,283**	3,354,456
Represented by:			
Bank balances and cash		**2,685,034**	3,354,456
Bank balances and cash included in assets classified as held for sale	29	**3,249**	—
		2,688,283	3,354,456

1. GENERAL

S E A Holdings Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on Stock Exchange. Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability, is the immediate and ultimate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the "Directory" of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries and joint ventures are set out in notes 46 and 22 respectively.

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

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

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

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

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

2.1 Impacts on application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The Group has applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* for the first time in the current year. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* ("HKFRS 16") if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

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

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

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform — Phase 2*

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

As at 1 January 2021, the Group has several bank borrowings, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of bank borrowings are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR") HK$'000	**USD London Interbank Offered Rate ("LIBOR")** HK$'000	**GBP London Interbank Offered Rate ("LIBOR")** HK$'000
Financial liabilities — bank borrowings	5,115,537	1,158,041	2,849,396

The amendments have had no impact on the consolidated financial statements as none of the bank borrowings have been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 36.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

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

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

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

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

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

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

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* *(continued)*

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

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

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements

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

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

3.1 Basis of preparation of consolidated financial statements *(continued)*

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that 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 the 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 these 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, 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.

In addition, for 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

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

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

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

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

3.2 Significant accounting policies *(continued)*

Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the 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 the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture 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 investment in a joint venture is 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 joint venture. Changes in net assets of the 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 a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the 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 joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in 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 a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

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

3.2 Significant accounting policies *(continued)*

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their 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 (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 *Financial Instruments* and investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

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.

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)*

Hotel room revenue is recognised over time by using output method; while revenue from food and beverage sales and ancillary services are recognised at point in time.

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.

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 (i.e. hotel room revenue in which the Group bills a fixed amount for each day of the room provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Investment properties

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

Investment properties also include leasehold land which is being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

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 or no future economic benefits are expected from its disposal. A leasehold land under head lease which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. 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 profit or loss in the period in which the property is derecognised.

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

3.2 Significant accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that held for use in the supply of services, or for administrative purpose. Property, plant and equipment other than crockery, utensils and linen are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" 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.

Depreciation is recognised so as to write off the cost of assets, other than crockery, utensils and linen, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 or retirement 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.

Intangible asset — club membership

Intangible asset — club membership acquired separately

The club membership with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets — club membership with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of a club membership measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit or loss when the asset is derecognised.

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

3.2 Significant accounting policies *(continued)*

Impairment on property, plant and equipment and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and intangible assets with finite useful lives 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 intangible 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, corporates assets are allocated to individual cash generating units 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 Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, 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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where 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 immediately in profit or loss.

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

3.2 Significant accounting policies *(continued)*

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are 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 at fair value through profit or loss ("FVTPL")) 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 at FVTPL 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.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at 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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the 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 and debt instruments subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, 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 (see below). 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)*

(i) Amortised cost and interest income *(continued)*

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Debt instruments classified as FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) 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 other comprehensive income 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, and will be transferred to retained profits.

Dividend 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 dividend clearly represent a recovery of a part of the cost of the investment. Dividends are included in the "revenue" line item in profit or loss.

(iv) 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 the "other gains and losses" line item.

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and financial guarantee contract subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss model ("ECL") on trade receivables, other receivables, pledged bank deposits, bank balances, debt instruments at FVTOCI, loans to joint ventures and financial guarantee contract which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets and financial guarantee contract subject to impairment assessment under HKFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the 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 which has either investment grades or issued by a large institution.

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 financial guarantee contract subject to impairment assessment under HKFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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 financial guarantee contract subject to impairment assessment under HKFRS 9 *(continued)*

(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;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(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 one year 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.

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 financial guarantee contract subject to impairment assessment under HKFRS 9 *(continued)*

(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.

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 financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contract for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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.

Except for investments in debt instruments that are measured at FVTOCI and the financial guarantee contract, 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 receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to 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 a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to 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 investment 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 recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings and guaranteed notes are subsequently measured at amortised cost, using the effective interest method.

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 (continued)

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

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

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

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 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

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.

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

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 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 changes in interest and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed 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 presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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 modifications *(continued)*

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as 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, such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value method. Variable lease payments for operating leases that depend on an index or a rate are based on the market or rate at commencement date of the lease 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.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

3.2 Significant accounting policies *(continued)*

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".

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, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's investment in the foreign operation.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 items 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, 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, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

3.2 Significant accounting policies *(continued)*

Share-based payment

Equity-settled share-based payment transactions

Share options/share awards granted to employees

Equity-settled share-based payments to employees are measured at the 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/share award reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, 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/share award reserve. For share options/share awards that vest immediately at the date of grant, the fair value of the share options/share awards granted is expensed immediately to profit or loss.

When 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 the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered 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 services. 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 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 profit before taxation 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 differences 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 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 associated with investments in subsidiaries and interest in a joint venture, 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 interest 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 in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

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 Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management has made 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.

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

Critical judgements in applying accounting policies *(continued)*

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors have determined that the Group's investment properties situated in Hong Kong and in the United Kingdom (the "UK") 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, whereas those situated in Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is not rebutted for properties situated in Hong Kong and the UK. For the Group's investment properties situated in Hong Kong, the Group has not recognised any deferred taxes on changes in fair value of these investment properties as the Group is not subject to any income taxes on disposal of these investment properties. For the Group's investment properties situated in the UK, the Group has recognised deferred tax on changes in fair value of these investment properties due to changes of tax regulation in April 2019. The presumption that the carrying amounts of the Group's investment properties situated in Australia were recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of those investment properties was recognised according to the relevant tax rules.

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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax asset

As at 31 December 2021, a deferred tax asset of HK$37,823,000 (2020: HK$26,276,000) in relation to unused tax losses of HK$229,232,000 (2020: HK$153,634,000) has been recognised to offset with the deferred tax liabilities arisen from same entities. No deferred tax asset has been recognised on the remaining tax losses of HK$495,563,000 (2020: HK$352,776,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of Group's hotel operations due to the COVID-19 pandemic. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such reversal or further recognition takes place.

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

Key sources of estimation uncertainty *(continued)*

Fair value of investment properties

Investment properties with a carrying amount of HK$7,046,884,000 in aggregate (2020: HK$7,338,649,000) are stated at fair value based on the valuation performed by independent qualified professional valuers. In determining the fair values, the valuers have used different methods of valuation which involve certain assumptions of market conditions. In relying on the valuation reports, the Directors have exercised their judgment and are satisfied that the methods of valuation are reflective of the current market conditions. Changes in assumption relating to these factors could affect the reported fair values of the investment properties. See note 20 for further disclosures.

Fair value measurement of financial assets at FVTPL

The Group's financial assets at FVTPL as disclosed in note 25 are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair values of these instruments. See note 36(c) for further disclosures.

Measurement of ECL for debt instruments at FVTOCI

Measurement of ECL for debt instruments at FVTOCI is dependent on the external economic conditions and credit behaviour (e.g. the likelihood of issuers defaulting and the resulting losses) of each debt instrument. The determination of loss allowances for debt instruments at FVTOCI using the ECL model involves significant estimates and judgements, including determination of whether there is significant increase in credit risk since initial recognition and the use of the following:

- The selection of inputs which the entity used in the ECL model including loss given default and probability of default;
- The selection of forward-looking information;
- Macroeconomic scenario and weighting information

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments which are determined to be significant increase in credit risk and credit-impaired by taking into consideration the historical data from international rating agencies. The management regularly review the estimation and assumptions used in the ECL calculation to reduce any differences between loss estimates and actual loss experience.

See note 36(b) for further disclosures.

5. 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 the Shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt (see below) and equity attributable to the owners of the Company, comprising issued share capital, retained profits and reserves.

The Directors review the capital structure periodically, monitor the level of bank borrowings and manage the leverage yield of returns while targeted to maintain a low gearing. The Group's percentage of net debt to the carrying value of properties (comprising investment properties, properties included in property, plant and equipment) and investment in a joint venture which engaged in property development segment at the end of the reporting period is as follows.

	2021 HK$'000	2020 HK$'000
Bank balances and cash (note)	**2,688,283**	3,354,456
Pledged bank deposits (note)	**60,270**	29,768
Debt instruments at FVTOCI	**1,312,573**	3,879,628
Financial assets at FVTPL	**48,146**	101,183
Equity instruments at FVTOCI	**262,021**	431,485
Guaranteed notes	**(1,149,340)**	(1,158,222)
Bank borrowings (note)	**(7,273,995)**	(9,122,974)
Lease liabilities	**(185,208)**	(203,812)
Net debt	**(4,237,250)**	(2,688,488)
Total carrying value of properties (note)	**8,026,539**	7,942,055
Investment in a joint venture which engaged in property development segment	**1,601,531**	1,169,992
	9,628,070	9,112,047
Percentage of net debt to carrying value of properties and investment in a joint venture which engaged in property development segment	**44.0%**	29.5%

note: The amounts included those assets classified as held for sale and liabilities associated with assets classified as held for sale, as disclosed in note 29.

6. SEGMENT INFORMATION

Information reported to the Executive Directors, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment, hotel operation and financial investment.

The property investment segment includes a number of various property locations, each location is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as property investment provide the same nature of income with the same recognition criteria.

The financial investment segment includes interest income from time deposits and investment income from listed and unlisted investments.

It is the Group's strategy to make financial investment, particularly fixed income debt securities, from time to time in order to generate stable financial investment income for the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results from operating and reportable segments:

For the year ended 31 December 2021

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External revenue	—	227,555	119,312	183,712	530,579
SEGMENT RESULTS					
Segment (loss) profit	(2,818)	870,762	1,149	(477,255)	391,838
Unallocated interest income					228
Corporate expenses					(51,364)
Share of result of joint ventures					(8,995)
Finance costs					(202,332)
Profit before taxation					129,375

6. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2020

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External revenue	—	212,934	44,769	345,246	602,949
SEGMENT RESULTS					
Segment (loss) profit	(2,865)	240,867	(33,650)	320,979	525,331
Unallocated interest income					226
Corporate expenses					(75,095)
Share of result of a joint venture					(61)
Finance costs					(273,679)
Profit before taxation					176,722

Segment profit of the property investment division for the year ended 31 December 2021 included an increase in fair value of investment properties of HK$655,533,000 (2020: HK$39,067,000).

The accounting policies for operating segments are the same as the Group's accounting policies described in note 3.

The Group does not allocate interest income generated from bank deposits, corporate expenses, share of results of joint ventures and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the CODM.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION *(continued)*

Other segment profit or loss information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2021

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amortisation and depreciation						
— Other assets	—	—	—	—	60	60
— Property, plant and equipment	—	—	28,754	—	13,520	42,274
Fair value changes on investment properties	—	(655,533)	—	—	—	(655,533)
Loss on disposal of property, plant and equipment	—	4	36	—	—	40

For the year ended 31 December 2020

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amortisation and depreciation						
— Other assets	—	—	—	—	60	60
— Property, plant and equipment	—	—	22,987	—	13,861	36,848
Fair value changes on investment properties	—	(39,067)	—	—	—	(39,067)
Gain on disposal of property, plant and equipment	—	—	(10)	—	—	(10)

6. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in Hong Kong (country of domicile), Australia and the UK.

Information about the Group's revenue from external customers by the geographical location of its properties or the principal place of business of the Company is detailed below.

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**323,832**	411,057
Australia	**15,490**	13,415
UK	**191,257**	178,477
	530,579	602,949

Other than the tenants of 33 Old Broad Street and 20 Moorgate from whom the rental income represents 21% (2020: 17%) and 15% (2020: 12%) of the total revenue of the Group respectively, there is no other single customer who contributes over 10% of the total revenue of the Group.

Information about the Group's non-current assets excluding financial assets at FVTPL, equity instruments at FVTOCI, debt instruments at FVTOCI, investment in joint ventures and pledged bank deposits, by geographical location is detailed below.

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**2,993,977**	3,093,175
Australia	**—**	171,031
UK	**4,663,284**	4,697,218
	7,657,261	7,961,424

The total assets of the Group by geographical location which is determined by reference to the location of the asset or the principal place of the business of the Company are detailed below.

	2021 **HK$'000**	2020 HK$'000
Hong Kong	**9,650,650**	12,071,954
Australia	**1,642**	173,796
UK	**4,717,655**	4,715,928
	14,369,947	16,961,678

7. REVENUE

	2021 HK$'000	2020 HK$'000
Renting of investment properties (note i)	**227,555**	212,934
Hotel operation (note ii)	**119,312**	44,769
Return from financial investment — interest income and others (note iii)	**183,712**	345,246
	530,579	602,949

Notes:

(i) Included in revenue generated from renting of investment properties, HK$226,777,000 (2020: HK$210,366,000) is rental income from leasing of investment properties under operating leases in which the lease payments are fixed. No rental income from leasing of investment properties under operating leases in which the lease payments depend on an index or a certain rate is generated for both years.

(ii) For the year ended 31 December 2021, revenue from hotel operation, which arose from contracts with customers comprises of (i) hotel room revenue of HK$63,913,000 (2020: HK$28,156,000) being recognised over time and based on output method; (ii) food and beverage sales of HK$46,767,000 (2020: HK$6,265,000) and ancillary service of HK$791,000 (2020: HK$915,000) being recognised at point in time. The remaining revenue of HK$7,841,000 (2020: HK$9,433,000) is rental income from leasing of hotel's retail portion under operating leases in which the lease payments are fixed.

(iii) Interest income and others includes interest income from listed and unlisted debt securities, and time deposits of HK$177,274,000 (2020: HK$345,022,000) and dividend income from listed equity securities of HK$6,438,000 (2020: HK$224,000).

8. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income from bank deposits	**228**	226
Government grants	**3,253**	7,700
Others	**6,699**	2,541
	10,180	10,467

For the year ended 31 December 2021, the Group recognised government grants of HK$3,253,000 (2020: HK$7,700,000) from Club-house Subsidy Scheme, Catering Business Subsidy Scheme, Designated Quarantine Hotel Scheme and Hotel Sector Support Scheme under Anti-Epidemic Fund of the Government.

9. PROPERTY AND RELATED COSTS

	2021 HK$'000	2020 HK$'000
Selling and marketing expenses	**398**	144
Direct operating expenses of investment properties	**4,471**	5,083
	4,869	5,227

10. OTHER EXPENSES

	2021 HK$'000	2020 HK$'000
Included in other expenses are:		
Hotel operating expenses	**38,272**	15,575
Legal and professional fees	**12,214**	14,446

11. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Net exchange gains (losses)	**15,558**	(6,911)
Fair value gain on financial assets at FVTPL	**9,673**	1,014
Loss on early redemption of guaranteed notes	**(74)**	—
Gain (loss) on disposal of debt instruments at FVTOCI	**31,943**	(24,000)
	57,100	(29,897)

12. IMPAIRMENT ASSESSMENT OF FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	2021 HK$'000	2020 HK$'000
Impairment loss recognised on debt instruments at FVTOCI	**701,018**	—

For the year ended 31 December 2021, the Group provided impairment allowance of HK$701,018,000 (2020: nil) for listed debt securities due to the deterioration of credit quality of respective securities issued by PRC property developers.

Details of ECL assessment refer to note 36(b).

13. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Bank borrowings:		
Interest on bank borrowings	**112,732**	182,438
Amortisation of bank borrowings front-end fee	**18,644**	13,428
	131,376	195,866
Guaranteed notes:		
Interest on guaranteed notes	**56,735**	60,163
Amortisation of guaranteed notes issued costs	**2,263**	2,443
	58,998	62,606
Lease liabilities:		
Interest on lease liabilities	**1,545**	8,044
Other charges	**10,413**	7,163
	202,332	273,679

14. PROFIT BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,809	1,834
Equity-settled share-based payment expenses		
— share options	82	464
Loss (gain) on disposal of property, plant and equipment	40	(10)
Gross rental income from investment properties	(226,777)	(210,366)
Less: direct operating expenses	4,471	5,083
Net rental income	(222,306)	(205,283)

15. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong	1,036	5,338
Australia	55,025	2,816
The United Kingdom	28,797	14,203
	84,858	22,357
(Over)under provision in prior years:		
Hong Kong	(20)	2,738
The United Kingdom	7,465	71
	7,445	2,809
Deferred tax (note 35):		
Current year	(33,090)	588
	59,213	25,754

15. INCOME TAX EXPENSE *(continued)*

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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the qualifying group entity.

The United Kingdom Corporate Tax is calculated at 19% (2020: 19%) of the estimated assessable profit. Effective from 6 April 2019, the Group is subject to the United Kingdom Corporate Tax which is calculated at 19% of the assessable chargeable capital gain on disposals.

Income tax arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

Details of deferred taxation are set out in note 35.

Income tax expense for the year can be reconciled to profit before taxation per the consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before taxation	**129,375**	176,722
Tax at the domestic income tax rate of 16.5%	**21,347**	29,159
Tax effect of expenses not deductible for tax purposes	**114,562**	35,271
Tax effect of income not taxable for tax purposes	**(133,544)**	(64,894)
Tax effect of tax losses not recognised	**23,710**	19,535
Utilisation of tax losses previously not recognised	**(89)**	(1,097)
Income tax at concessionary rate	**(165)**	(165)
Effect of different tax rates of subsidiaries operating overseas	**28,524**	3,402
Under provision in prior years	**7,445**	2,809
Others	**(2,577)**	1,734
Income tax expense for the year	**59,213**	25,754

16. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS

The emoluments paid or payable to each of the Directors for the year are as follows:

	Mr. Lu Wing Chi, Jesse	Mr. Lambert Lu	Mr. Yap Shee Liam (note 5)	Mr. Walujo Santoso, Wally	Mr. Chung Pui Lam	Mr. Chan Kwok Wai	Mr. Lo Wai Tung Welman (note 6)	Mr. Lam Sing Tai (note 7)	Mr. Lincoln Lu (note 8)	Mr. Leung Hok Lim (note 7)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2021											
Fees (note 1)	**40**	**40**	**40**	**400**	**500**	**459**	**237**	**16**	**16**	**205**	**1,953**
Other emoluments (note 2)											
Salaries and other benefits	**3,600**	**6,000**	**1,800**	**—**	**—**	**—**	**—**	**518**	**—**	**—**	**11,918**
Discretionary and performance -based bonus (notes 3 to 4)	**2,588**	**2,588**	**650**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,826**
Retirement benefits scheme contributions	**540**	**900**	**180**	**—**	**—**	**—**	**—**	**74**	**—**	**—**	**1,694**
Total emoluments	**6,768**	**9,528**	**2,670**	**400**	**500**	**459**	**237**	**608**	**16**	**205**	**21,391**
2020											
Fees (note 1)	40	40	—	400	500	400	—	40	40	500	1,960
Other emoluments (note 2)											
Salaries and other benefits	3,600	6,000	—	—	—	—	—	1,200	—	—	10,800
Discretionary and performance -based bonus (notes 3 to 4)	3,534	3,534	—	—	—	—	—	200	—	—	7,268
Retirement benefits scheme contributions	540	900	—	—	—	—	—	180	—	—	1,620
Total emoluments	7,714	10,474	—	400	500	400	—	1,620	40	500	21,648

Notes:

1. The directors' fees shown above were mainly for their services as the directors of the Company and its subsidiaries.

2. The other emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

3. The discretionary and performance-based bonus to Messrs. Lu Wing Chi, Jesse and Lambert Lu are based on their contribution to the Group and calculated on the basis of profit before taxation attributable to the Shareholders. The discretionary and performance-based bonus to Messrs. Lam Sing Tai and Yap Shee Liam are based on the Group's and their performance.

4. There was no arrangement under which a Director or the Chief Executive waived or agreed to waive any remuneration during both years.

5. Mr. Yap Shee Liam was appointed on 1 January 2021.

6. Mr. Lo Wai Tung Welman was appointed on 28 May 2021.

7. Mr. Lam Sing Tai and Mr. Leung Hok Lim retired on 28 May 2021.

8. Mr. Lincoln Lu resigned on 28 May 2021.

17. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2020: two directors), details of whose remuneration are set out in note 16 above. Details of the remuneration for the year of the remaining two (2020: three) highest paid employees who are neither a Director nor Chief Executive are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	2,543	4,198
Retirement benefits scheme contributions	318	417
Discretionary and performance-based bonus	912	477
Equity-settled share-based payment	274	251
	4,047	5,343

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	2021 Number of employees	2020 Number of employees
HK$2,000,001 to HK$2,500,000	1	—
HK$1,500,001 to HK$2,000,000	1	3

Details of the share option scheme are set out in note 42 to the Group's consolidated financial statements.

18. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distributions during the year:		
2021 interim dividend — HK2 cents (2020: 2020 interim dividend — HK2 cents) per share	**12,042**	13,203
2020 final dividend — HK3 cents (2020: 2019 final dividend — HK3 cents) per share	**19,219**	19,869
	31,261	33,072
2021 final dividend proposed: HK3 cents (2020: HK3 cents) per share	**18,064**	19,267

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK3 cents (2020: HK3 cents) per ordinary share, in an aggregate amount of HK$18,064,000 (2020: HK$19,267,000), has been proposed by the Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting.

19. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

	2021 HK$'000	2020 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to the Company's shareholders	**70,162**	150,968

	Number of shares	
	2021	2020
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**619,273,641**	657,392,666

The computation of diluted earnings per share for the year ended 31 December 2021 does not assume the exercise of the Company's share options as set out in note 42 as the exercise price of these options is higher than the average market price for the shares.

20. INVESTMENT PROPERTIES

The Group leases out various offices, retail stores and a resort under operating leases with rentals receivables monthly. The leases typically run for an initial period of 1 to 35 years (2020: 1 to 35 years). Some of the lease contracts contain market review clauses. The leases of resort contain minimum annual lease payment that depends on index or at certain rate and variable lease payment that is based on a percentage of sales over minimum annual lease payment.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Hong Kong HK$'000	United Kingdom HK$'000	Australia HK$'000	Total HK$'000
At 1 January 2020	2,615,400	4,542,345	156,147	7,313,892
Additions	12,433	—	—	12,433
Disposal	(196,500)	—	—	(196,500)
Fair value changes	39,067	—	—	39,067
Exchange adjustments	—	154,873	14,884	169,757
At 31 December 2020	2,470,400	4,697,218	171,031	7,338,649
Additions	13,692	—	—	13,692
Disposal	(269,950)	—	(244,713)	(514,663)
Transfer to assets held for sale (note 29)	(408,000)	—	—	(408,000)
Fair value changes	577,458	—	78,075	655,533
Exchange adjustments	—	(33,934)	(4,393)	(38,327)
At 31 December 2021	**2,383,600**	**4,663,284**	**—**	**7,046,884**

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Included in the investment properties in the United Kingdom are leasehold land subleased by the Group under operating leases. The related right-of-use assets of HK$189,479,000 are recognised with related lease liabilities of HK$180,954,000 as at 31 December 2021 (2020: right-of-use assets of HK$190,858,000 and related lease liabilities of HK$188,981,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2021, the total cash outflow for leases is HK$8,068,000 (2020: HK$7,541,000), paid for leasehold land under sublease.

During the year ended 31 December 2021, the Group disposed of investment properties in Australia and Hong Kong with an aggregate carrying amount of HK$254,663,000 for a cash proceed of HK$254,663,000.

20. INVESTMENT PROPERTIES *(continued)*

During the year ended 31 December 2021, the Group, through disposal of a subsidiary, disposed of an investment property in Hong Kong with a carrying amount of HK$260,000,000 (2020: HK$196,500,000) for a cash proceed of HK$260,000,000 (2020: HK$196,500,000). Details are set out in note 38.

The fair value of the Group's investment properties as at 31 December 2021 and 31 December 2020 has been arrived at on the basis of valuations carried out on the respective dates by the independent qualified professional valuers not connected to the Group as disclosed in below table.

Details of the valuation methodologies are as follows:

Valuer	Class of properties	Fair value as at 31 December		Valuation methodology	Fair value hierarchy	Unobservable key inputs to the valuation	Sensitivity analysis
		2021 HK$'000	2020 HK$'000				
CBRE Limited*, Colliers International (Hong Kong) Limited# and Jones Lang Lasalle Limited** (2020: Colliers International (Hong Kong) Limited)	Residential and commercial units in Hong Kong	**2,383,600**	2,470,400	The valuers have used the direct comparison approach and made reference to comparable sales evidence as available in the market adjusted by location, size, age and maintenance, etc.	Level 3	Hong Kong residential units adjusting factors for nature, location and conditions of the property ranging from 100.0% to 130.0% (2020: 81.4% to 117.2%) Hong Kong commercial units adjusting factors for nature, location and conditions of the property ranging from 77.7% to 129.3% (2020: 76.3% to 118.9%)	A significant increase in the adjusting factors for location, size, age and maintenance of the property used would result in a significant increase in fair value, and vice versa.
Colliers International Valuation UK LLP@	Office portion in the United Kingdom	**4,663,284**	4,697,218	The valuer has used the income capitalisation approach in which the valuations have reflected the current lease terms and capitalised the appropriate income stream, having regard to market comparable evidence.	Level 3	UK office capitalisation rates ranging from 3.8% to 4.3% (2020: 3.8% to 4.3%) per annum	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
CBRE Valuations Pty Limited^	Resort portion in Australia	**–**	171,031	The valuer has used a combination of the income capitalisation approach and discounted cash flow analysis to determine the fair value. Income capitalisation approach reflected the current lease terms and capitalised the appropriate income stream, having regard to market comparable evidence. Discounted cash flow analysis was based upon estimation of future trading results which are based on historic trading analysis and future trading expectations having regard to any forecast capital expenditure, supply and demand factors, and estimated changes in economic and local market conditions.	Level 3	As at 31 December 2020, Australia resort capitalisation rates of 9.5% per annum for income capitalisation approach As at 31 December 2020, the discount rate of 10.8% for discounted cash flow analysis	A slight increase in the capitalisation rate and discounted rate used would result in a significant decrease in fair value, and vice versa.

20. INVESTMENT PROPERTIES *(continued)*

* CBRE Limited is an independent professional valuer not connected to the Group and is a firm of registered valuers recognised by The Hong Kong Institute of Surveyors.

Colliers International (Hong Kong) Limited is an independent professional valuer not connected to the Group and is a firm of registered valuers recognised by The Hong Kong Institute of Surveyors.

** Jones Lang Lasalle Limited is an independent professional valuer not connected to the Group and is a firm of registered valuers recognised by the Hong Kong Institute of Surveyors.

@ Colliers International Valuation UK LLP is an independent professional valuer not connected to the Group and is regulated by the Royal Institution of Chartered Surveyors.

^ CBRE Valuations Pty Limited is an independent professional valuer not connected to the Group and is a firm of registered valuers recognised by the Australian Property Institute.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. In respect of the valuation of investment properties carried out by independent qualified professional valuers at the end of each reporting period, the valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The management works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers into or out of Level 3 for both years.

During the year, the Group leased its investment property to one of the Directors for a term of one year. The rental income recognised during the year amounted to HK$1,650,000 (2020: HK$900,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leased property HK$'000	Owned properties HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Crockery, utensils and linen HK$'000	Total HK$'000
COST									
At 1 January 2020	789,417	35,243	26,646	37,152	47,633	6,801	71,913	4,826	1,019,631
Additions	—	—	—	—	2,271	510	—	—	2,781
Disposals	—	—	—	—	(60)	(716)	(19)	—	(795)
At 31 December 2020	789,417	35,243	26,646	37,152	49,844	6,595	71,894	4,826	1,021,617
Additions	—	—	—	—	6,023	—	23,953	—	29,976
Disposals	(28)	—	—	—	(2,633)	(627)	(707)	—	(3,995)
At 31 December 2021	**789,389**	**35,243**	**26,646**	**37,152**	**53,234**	**5,968**	**95,140**	**4,826**	**1,047,598**
DEPRECIATION									
At 1 January 2020	203,249	10,066	2,854	37,152	42,022	3,847	70,438	—	369,628
Provided for the year	19,994	10,418	1,319	—	3,155	1,335	627	—	36,848
Eliminated on disposals	—	—	—	—	(60)	(716)	(19)	—	(795)
At 31 December 2020	223,243	20,484	4,173	37,152	45,117	4,466	71,046	—	405,681
Provided for the year	19,993	10,418	1,319	—	3,472	1,304	5,768	—	42,274
Eliminated on disposals	(7)	—	—	—	(2,614)	(627)	(707)	—	(3,955)
At 31 December 2021	**243,229**	**30,902**	**5,492**	**37,152**	**45,975**	**5,143**	**76,107**	**—**	**444,000**
CARRYING VALUES									
At 31 December 2021	**546,160**	**4,341**	**21,154**	**—**	**7,259**	**825**	**19,033**	**4,826**	**603,598**
At 31 December 2020	566,174	14,759	22,473	—	4,727	2,129	848	4,826	615,936

The above items of property, plant and equipment, except for crockery, utensils and linen, are depreciated on a straight-line basis at the following rates per annum:

Hotel property	40 years
Leased property	Over the term of the lease
Owned properties	4%
Plant and machinery	10%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Leasehold improvements	25%

All properties as at 31 December 2021 and 31 December 2020 were situated in Hong Kong.

21. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group as lessee

Right-of-use asset (included in the property, plant and equipment)

	Leased property	
	2021 HK$'000	2020 HK$'000
As at 1 January		
Carrying amount	**14,759**	25,177
For the year ended 31 December		
Depreciation charge	**(10,418)**	(10,418)
As at 31 December		
Carrying amount	**4,341**	14,759

The carrying amount of the leased property categorised as right-of-use asset is recognised with related lease liabilities of HK$4,254,000 as at 31 December 2021 (2020: lease liabilities of HK$14,831,000). The lease agreements do not impose any covenants other than the security interests in the leased asset that is held by the lessor. Leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2021, the total cash outflows for leases is HK$10,826,000 (2020: HK$10,826,000).

For both years, the Group leases office premises for its operations. Lease contract is entered into for fixed term of 3 years with extension options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension options for lease of office premises. These extension options are used to maximise operational flexibility in terms of managing the assets used in the Group's operation. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group assesses, at lease commencement date, whether it is reasonably certain to exercise the extension options. The potential exposures to these future undiscounted lease payments for extension options in which the Group is not reasonably certain to exercise of the lease liabilities as at 31 December 2021 are HK$32,478,000 (2020: HK$32,478,000) of which such amount has not been recognised in consolidated financial statements.

In addition, the Group assesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2020: nil).

21. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group as lessee *(continued)*

Right-of-use asset (included in the property, plant and equipment) *(continued)*

Impairment assessment

The management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment related to hotel operation in Hong Kong with carrying amount of approximately HK$546,160,000 (2020: HK$566,174,000). The management of the Group estimated the recoverable amount of the cash-generating unit ("CGU") to which the assets belong based on fair value less costs of disposal. The relevant hotel property were measured at fair value based on Level 3 hierarchy using residual approach on a redevelopment basis. In determining the fair value of the relevant property, the Group engaged an independent qualified professional valuer to perform the valuation. The key unobservable inputs used in the valuation included the gross development value on completion status and estimated redevelopment cost.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU based on the fair value less cost of disposal was higher than its carrying amount. No impairment is recognised during the year ended 31 December 2021.

22. INVESTMENT IN JOINT VENTURES

	2021 **HK$'000**	2020 HK$'000
Investment cost	**28**	1
Loans to joint ventures	**1,695,056**	1,170,145
Less: share of post-acquisition losses	**(9,149)**	(154)
	1,685,935	1,169,992

The loans to joint ventures is unsecured, interest bearing at floating rate ranging from approximately 0.1% to 0.4% (2020: 0.6% to 2.4%), has no fixed terms of repayment and is not expected to be recovered within one year from the end of the reporting period. In the opinion of the Directors, the loans are considered as part of the Group's net investment in the joint ventures.

22. INVESTMENT IN JOINT VENTURES *(continued)*

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2021	2020	**2021**	2020	
Asia Bright Development Limited ("Asia Bright") (note a)	Hong Kong	Hong Kong	**14.50%**	10.00%	**14.50%**	10.00%	Property development
Grand Victoria Finance Company Limited ("Grand Victoria Finance") (note a)	Hong Kong	Hong Kong	**14.50%**	—	**14.50%**	—	Mortgage loan financing
Star Galaxy Limited ("Star Galaxy") (note a)	Hong Kong	Hong Kong	**14.50%**	10.00%	**14.50%**	10.00%	Property management
United Link Venture Limited ("United Link") (note b)	B.V.I	Hong Kong	**40.65%**	—	**40.65%**	—	Investment holding

Notes:

(a) As at 31 December 2021, the Group holds 14.50% (2020: 10.00% of Asia Bright and Star Galaxy) of the ownership interest of Asia Bright, Grand Victoria Finance and Star Galaxy (collectively referred to as "JV companies"). JV companies are accounted for as joint ventures as at 31 December 2020 and 31 December 2021 as major financial and operating decision required the unanimous consent of all joint venture partners in accordance with the Memorandum of Agreement entered into by the Group with other third party investors upon establishment of JV companies in 2017.

During the year, one of the JV partners as the vendor (the "Vendor"), entered into the sales and purchase agreement with the Group and two of the JV partners as the purchasers (the "Purchasers") pursuant to which the Vendor agreed to sell and assign, and the Purchasers agreed to purchase and take up the assignment of all the issued shares in each of JV companies held by the Vendor. The relevant consideration paid by the Group, in the form of a loan to the joint ventures, amounted to approximately HK$412,520,000.

(b) During the year ended 31 December 2021, the Group together with the other Preferred Shares (as defined in note 25) holders have formed the joint venture, United Link, for the purpose of holding the PRC unlisted investment (as defined in note 25), pursuant to the redemption plan of Preferred Shares.

As at 31 December 2021, the Group holds 40.65% (2020: nil) equity interest in United Link. United Link is accounted for as a joint venture as at 31 December 2021 as major financial and operating decision required the unanimous consent of all joint venture partners in accordance with the Amended Memorandum and Articles of Association adopted by all shareholders of United Link in January 2021.

22. INVESTMENT IN JOINT VENTURES *(continued)*

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

	2021 HK$'000	2020 HK$'000
Current assets	**23,088,578**	19,362,600
Non-current assets	**71,490**	—
Current liabilities	**(2,942,610)**	(70,491)
Non-current liabilities	**(20,337,880)**	(19,293,642)

	2021 HK$'000	2020 HK$'000
Revenue	**5,784**	—
Loss for the year	**(67,471)**	(610)

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

	2021 HK$'000	2020 HK$'000
Net liabilities of joint ventures	**(120,422)**	(1,533)
Portion of net liabilities shared by the Group in joint ventures	**(17,461)**	(153)
Capital contribution in form of loans to joint ventures	**1,613,137**	1,170,145
Pre-acquisition loss	**5,855**	—
Carrying amount of the Group's investment in joint ventures	**1,601,531**	1,169,992

22. INVESTMENT IN JOINT VENTURES *(continued)*

Aggregate information of a joint venture that is not individually material

	2021 HK$'000	2020 HK$'000
The Group's share of profit from continuing operations	**2,456**	—

As at 31 December 2021, the Group has executed the corporate financial guarantees in proportion of its equity interest in joint venture for the banking facilities granted to a joint venture. The total amount of such facilities attributable to the Group was HK$1,461,501,000 (2020: HK$1,073,183,000), of which HK$1,106,748,000 (2020: HK$691,620,000) was utilised by the joint venture and HK$354,753,000 (2020: HK$381,563,000) was unutilised.

At the end of the reporting period, the Group did not recognise any liabilities in respect of such corporate financial guarantees as the Directors consider that the fair values of this financial guarantee contracts at their initial recognition and at the end of the reporting period is insignificant.

23. EQUITY INSTRUMENTS AT FVTOCI

	2021 HK$'000	2020 HK$'000
Equity securities listed in Hong Kong and United States	**262,021**	431,485

The above listed equity investments represent ordinary shares of entities listed in Hong Kong and United States. These investments are not held for trading. Instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the fair value measurement are disclosed in note 36(c).

24. DEBT INSTRUMENTS AT FVTOCI

	2021 HK$'000	2020 HK$'000
Listed debt securities		
— Debt securities maturing between January 2022 to January 2025 (2020: March 2021 to April 2026) with a fixed interest ranging from 3.4% to 12.0% (2020: from 3.1% to 12.0%) per annum	**1,312,573**	3,879,628
Total	**1,312,573**	3,879,628
Analysed for reporting purposes as:		
Current assets	**617,397**	806,575
Non-current assets	**695,176**	3,073,053
	1,312,573	3,879,628

As at 31 December 2021, the Group's investments in listed debt securities with principal amount ranging from US$1,000,000 to US$66,000,000 (2020: US$500,000 to US$66,000,000) have been pledged as security for the bank borrowings (2020: pledged).

During the year ended 31 December 2021, interest income generated from the listed debt securities was HK$167,993,000 (2020: HK$246,570,000) and fair value loss was HK$846,106,000 (2020: fair value loss of HK$38,083,000), which were recognised in profit or loss and other comprehensive income respectively.

During the year ended 31 December 2020, interest income generated from unlisted debt securities was HK$58,573,000 and the fair value gain was HK$2,482,000, which were recognised in profit or loss and other comprehensive income respectively. The unlisted debt securities were redeemed upon maturity in prior year.

Included in the Group's portfolio as at 31 December 2021, the Group held listed debt securities with an aggregate principal amount of US$93,000,000 (2020: US$157,000,000) issued by China Evergrande Group ("China Evergrande"). China Evergrande and its subsidiaries are principally engaged in property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry in the PRC.

Included in the interest income generated from listed debt securities for the year ended 31 December 2021, interest income amounting to HK$62,596,000 (2020: HK$89,285,000) was generated from the listed debt securities issued by China Evergrande. Included in the fair value change of listed debt securities, fair value loss amounting to HK$537,344,000 (2020: HK$5,082,000) was from the listed debt securities issued by China Evergrande. The Group has also provided impairment loss of HK$490,017,000 (2020: HK$nil) to the listed debt securities issued by China Evergrande due to the existence of objective evidence of default in repayment and significant financial difficulty of the issuer.

Subsequent to the end of the reporting period and up to the date of the result announcement for the year ended 31 December 2021, the fair value of listed debt securities issued by China Evergrande further declined by approximately HK$26,108,000, which would be recognised in other comprehensive income.

24. DEBT INSTRUMENTS AT FVTOCI *(continued)*

During the year ended 31 December 2021, there is an impairment loss of HK$701,018,000 (2020: HK$nil) recognised on listed debt securities.

Details of impairment assessment and fair value measurement are disclosed at notes 36(b) and (c).

25. FINANCIAL ASSETS AT FVTPL

	2021 HK$'000	2020 HK$'000
Unlisted investments		
— Preferred shares (note)	**7,797**	88,062
— Unit fund	**40,349**	13,121
	48,146	101,183
Analysed for reporting purposes as:		
Current assets	**—**	80,309
Non-current assets	**48,146**	20,874
	48,146	101,183

Note: The unlisted investments in preferred shares do not meet the requirement of an equity instruments based on the terms and conditions of the shares. In addition, it does not represent solely payment for principal and interest of the principal amount outstanding, and it is therefore, measured at fair value through profit or loss.

As at 31 December 2020, included in the unlisted investments in preferred shares was the Group's investment in preferred shares issued by an unlisted entity incorporated in the Cayman Islands (the "Preferred Shares") of HK$80,309,000.

During the year ended 31 December 2020, the entity has agreed to redeem the outstanding Preferred Shares from the Group and other Preferred Shares holders, pursuant to the redemption agreement entered between the entity, the Group and other Preferred Shares holders on 21 December 2020 ("Redemption Agreement"). The redemption price payable by the entity under the Redemption Agreement was to be settled in several tranches in form of cash and equity securities of a private entity established in PRC ("PRC unlisted investment"), within one year from the signing of the Redemption Agreement.

During the year ended 31 December 2021, all the tranches have been settled with cash consideration of HK$73,445,000 being received by the Group, and the PRC unlisted investment with fair value of HK$81,625,000 being transferred to a newly formed joint venture held by the Group and other Preferred Shares holders.

Details of fair value measurement are disclosed in note 36(c).

26. OTHER ASSETS

Other assets represent club memberships with finite useful lives and amortised on a straight-line basis over the membership period of 24 years up to 31 December 2039 as the Directors are of the opinion that the Group will derive benefits from the use of these club memberships over their lives.

Club memberships with indefinite useful lives are stated at cost. All club memberships will be tested for impairment annually or whenever there is an indication of impairment.

During the year ended 31 December 2021, amortisation of HK$60,000 (2020: HK$60,000) was recognised in profit or loss.

27. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.0% to 0.6% (2020: 0.1% to 0.7%) per annum. As at 31 December 2020, the pledged bank deposits amounting to HK$29,768,000 carry fixed interest rates ranging from 0.2% to 0.5% per annum represented deposits pledged to banks to secure bank borrowings due within one year. During the year ended 31 December 2021, pledged bank deposits of HK$1,498,000 were released upon the settlement of relevant bank borrowings.

As at 31 December 2021, the pledged bank deposits amounting to HK$59,148,000 carry fixed interest rates ranging from 0.1% to 0.2% represented deposits pledged to banks to secure bank borrowings due after one year, and therefore they are classified as non-current assets.

Details of impairment assessment of pledged bank deposits are set out in note 36(b).

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 **HK$'000**	2020 HK$'000
Trade receivables		
— Hotel operation (note i)	**954**	133
Accrued income	**104**	1,066
Deposit paid for acquisition of properties (note ii)	**196,972**	—
Deposits, prepayments and other receivables	**47,580**	31,595
	245,610	32,794

Notes:

(i) Trade receivables from corporate customers and travel agents for the use of hotel facilities.

(ii) During the year ended 31 December 2021, the Group had entered into sales and purchase agreements with several individuals in relation to the acquisition of Loong Fung Terrace located at Tai Hang Road, Hong Kong ("Properties"), in which the Group intended to redevelop the Properties into low-density luxury residence. Upon signing of the sales and purchase agreements, the Group paid initial deposit of approximately HK$48,418,000 and stamp duties of approximately HK$148,554,000.

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Notes: (continued)

(ii) (continued)

As stipulated in the sales and purchase agreements, the Group shall have the right to terminate the sales and purchase agreements and entitle to a full refund of the initial deposit and stamp duties if certain conditions precedent cannot be fulfilled on or before 30 December 2022.

In view of the nature of deposit paid, such deposit paid has been classified as current asset and grouped under operating activities in the consolidated statement of cash flow.

As at 1 January 2020, trade receivables from contracts with customers amounted to HK$1,660,000.

The following is an aged analysis of trade receivables presented based on the invoice date.

	2021 **HK$'000**	2020 HK$'000
0 to 30 days	**912**	131
31 to 60 days	**42**	2
	954	133

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$42,000 (2020: HK$2,000) which are past due as at the reporting date. The outstanding balances have been subsequently settled. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 36(b).

29. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 19 July 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Green Charm Global Limited and its subsidiary that held an investment property in Hong Kong to A & B Introductory Services Inc., a company incorporated in the British Virgin Islands with a purchaser's guarantor of Ms. Lau Sau Han Eliza, an independent third party. The transaction was completed on 15 March 2022.

On 27 July 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Glorious Creation Limited and its subsidiary that held an investment property in Hong Kong to Vibrant Colour Holdings Limited, a company incorporated in the British Virgin Islands with a purchaser's guarantor of Rykadan Capital Limited (the shares of which are listed and traded on the Main Board of the Stock Exchange), an independent third party. The transaction was completed on 27 January 2022.

The assets and liabilities of Green Charm Global Limited and Glorious Creation Limited, which are expected to be sold within twelve months, have been classified as assets and liabilities held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2021 as below. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

29. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE *(continued)*

As at 31 December 2021, the assets and liabilities of Green Charm Global Limited and Glorious Creation Limited classified as held for sale are as follows:

	2021 **HK$'000**
Investment properties	**408,000**
Pledged bank deposits	**1,122**
Trade receivables, deposits and prepayments	**148**
Bank balances and cash	**3,249**
Assets classified as held for sale	**412,519**
Other payables	**303**
Bank borrowings — due after one year	**160,188**
Liabilities associated with assets classified as held for sale	**160,491**

30. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	2021 **HK$'000**	2020 HK$'000
Trade payables	**1,078**	593
Rental deposits	**8,491**	7,043
Rental received in advance	**43,872**	45,622
Other payables, other deposits and accrued charges	**166,229**	70,718
Interest payables	**28,298**	29,368
	247,968	153,344
Analysed for reporting purposes as:		
Current liabilities	**243,983**	153,344
Non-current liabilities	**3,985**	—
	247,968	153,344

Rental deposits to be refunded after twelve months from the end of the reporting period based on the respective lease terms amounted to HK$3,985,000 (2020: HK$nil).

30. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES *(continued)*

The following is an aged analysis of trade payable presented based on the invoice date.

	2021 HK$'000	2020 HK$'000
0 to 60 days	**1,078**	593

The average credit period on purchase of goods is 60 days.

31. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured	**6,328,695**	7,602,286
Unsecured	**852,000**	1,551,500
	7,180,695	9,153,786
Less: front-end fee	**(66,888)**	(30,812)
	7,113,807	9,122,974
Less: amounts due within one year shown under current liabilities	**(1,278,785)**	(3,511,586)
Amounts shown under non-current liabilities	**5,835,022**	5,611,388
The carrying amounts of bank borrowings are repayable based on repayment schedule:		
Within one year	**1,287,981**	3,516,308
Within a period of more than one year, but not exceeding two years	**51,500**	1,118,436
Within a period of more than two years, but not exceeding five years	**4,062,218**	4,519,042
Over five years	**1,778,996**	—
	7,180,695	9,153,786

As at 31 December 2021, bank borrowings of HK$1,237,981,000 (2020: HK$3,147,672,000) with repayment on demand clause are shown under current liabilities.

31. BANK BORROWINGS *(continued)*

Except for the bank borrowing of HK$213,870,000 (2020: HK$506,508,000) denominated in HK$ being the foreign currency of the relevant group entities with functional currency in United States Dollars ("USD"), the remaining bank borrowings are denominated in the functional currencies of the relevant group entities, the principal amount of which are analysed below:

Denominated in	2021 HK$'000	2020 HK$'000
Hong Kong dollars	**3,505,001**	4,378,100
Australian dollars	**—**	19,136
Great Britain pounds	**2,839,713**	2,860,378
United States dollars	**622,111**	1,389,664
	6,966,825	8,647,278

The effective interest rates of these variable rate borrowings range from 0.6% to 2.1% (2020: 0.6% to 2.2%) per annum.

As disclosed in note 29, bank borrowings of HK$160,188,000 have been classified as liabilities associated with assets classified as held for sale and is presented separately in the consolidated statement of financial position.

32. GUARANTEED NOTES

On 19 January 2018, the Group issued US$150,000,000 (approximately HK$1,172,940,000) 4.875% guaranteed notes with a maturity of five years due on 19 January 2023 guaranteed by the Company (the "Guaranteed Notes 2018"). The Guaranteed Notes 2018 are payable at their principal amount upon maturity.

The Guaranteed Notes 2018 bear interest at 4.875% per annum, payable semi-annually in arrears on 19 January and 19 July in each year. During the year ended 31 December 2021, guaranteed notes of US$2,300,000 (approximately HK$17,880,000) were early redeemed.

33. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**6,633**	12,901
Within a period of more than one year but not more than two years	**2,454**	6,650
Within a period of more than two years but not more than five years	**7,831**	7,649
Within a period of more than five years	**168,290**	176,612
	185,208	203,812
Less: amount due for settlement within 12 months shown under current liabilities	**(6,633)**	(12,901)
Amount due for settlement after 12 months shown under non-current liabilities	**178,575**	190,911

Lease obligations are denominated in currencies of the functional currencies of the relevant group entities.

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Nominal value HK$'000
Authorised	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2020	662,288,726	66,229
Shares repurchased and cancelled (Note)	(20,050,000)	(2,005)
At 31 December 2020	642,238,726	64,224
Shares repurchased and cancelled (Note)	(40,116,000)	(4,012)
At 31 December 2021	**602,122,726**	**60,212**

34. SHARE CAPITAL *(continued)*

Note:

During the years ended 31 December 2021 and 2020, the Company repurchased its ordinary shares through Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$'000
September 2020	10,446,000	10.00	9.00	101,713
October 2020	9,604,000	9.90	7.28	92,459
May 2021	1,620,000	8.48	8.28	13,683
June 2021	38,496,000	8.88	8.07	328,559

All of the shares repurchased were cancelled during the years ended 31 December 2021 and 2020.

35. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation HK$'000	Fair value of investment properties HK$'000	Tax losses HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2020	27,618	44,498	(21,427)	(361)	50,328
Charge (credit) to profit or loss	3,842	1,400	(4,670)	16	588
Exchange adjustments	295	3,584	(179)	(18)	3,682
At 31 December 2020	31,755	49,482	(26,276)	(363)	54,598
Charge (credit) to profit or loss	13,608	(34,525)	(11,600)	(573)	(33,090)
Exchange adjustments	(71)	(1,012)	53	15	(1,015)
At 31 December 2021	**45,292**	**13,945**	**(37,823)**	**(921)**	**20,493**

At the end of the reporting period, the Group has unused tax losses of HK$724,795,000 (2020: HK$506,410,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$229,232,000 (2020: HK$153,634,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$495,563,000 (2020: HK$352,776,000) due to unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	**48,146**	101,183
Debt instruments at FVTOCI	**1,312,573**	3,879,628
Equity instruments at FVTOCI	**262,021**	431,485
Financial assets at amortised cost	**4,484,059**	4,564,489
Financial liabilities		
Financial liabilities at amortised cost	**8,329,744**	10,372,581

(b) Financial risk management objectives and policies

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations. The Directors monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets/(liabilities) which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's foreign currency, except US$, denominated net monetary assets/(liabilities) at the end of the reporting period in the respective group entities are as follows:

	2021 HK$'000	2020 HK$'000
Renminbi	**1,098**	1,195
Australian dollar	**184,089**	9,736
Great Britain pound	**16,617**	794

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currencies of the relevant subsidiaries (i.e. Renminbi, Australian dollar and Great Britain pound) against the relevant foreign currencies of the relevant subsidiaries (i.e. Renminbi, Australian dollar and Great Britain pound). 5% (2020: 5%) 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 rates. A positive number below indicates an increase in profit for the year where the relevant functional currencies of the subsidiaries strengthen 5% (2020: 5%) against relevant foreign currencies. There would be an equal and opposite impact where functional currencies of the relevant subsidiaries weaken by 5% (2020: 5%) against the relevant foreign currencies.

	(Increase) decrease in profit for the year	
	2021 HK$'000	2020 HK$'000
Renminbi	**55**	60
Australian dollar	**9,204**	487
Great Britain pound	**831**	40

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the relevant years.

Since the HK$ is pegged to the US$ under the Linked Exchange Rate System, the management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to guaranteed notes, listed and unlisted debt securities, and pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances. The Directors consider that the interest rate risk on bank balances are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is presented. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate ("HIBOR"), the British Pound Sterling London Interbank Offered Rate and Australian Bank Bill Swap Bid Rate on the bank borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

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

Total interest income in revenue and other income from financial assets that are measured at amortised cost or at FVTOCI is as follows:

	2021 **HK$'000**	2020 HK$'000
Revenue		
Financial assets		
— at amortised cost	**9,282**	39,879
— at FVTOCI	**167,992**	305,143
	177,274	345,022
Other income		
Financial assets		
— at amortised cost	**228**	226
Total interest income	**177,502**	345,248

Interest expense on financial liabilities not measured at FVTPL:

	2021 **HK$'000**	2020 HK$'000
Financial liabilities at amortised cost	**190,374**	258,472

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease in variable-rate bank borrowings and are used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2021 would decrease/increase by HK$35,903,000 (2020: HK$45,769,000) in respect to its variable-rate bank borrowings; and
- investment revaluation reserve would decrease/increase by HK$6,563,000 (2020: HK$19,398,000) in respect to the changes in the fair value of fixed rate instruments classified as debt instruments at FVTOCI.

(iii) Price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTOCI. For listed equity securities measured at FVTOCI, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the Group's investment revaluation reserve for the year ended 31 December 2021 would increase/decrease by HK$13,101,000 (2020: HK$21,574,000) as a result of changes in fair value of listed equity securities measured at FVTOCI.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables, pledged bank deposits, bank balances, debt instruments at FVTOCI, loans to joint ventures and contingent liability in relation to the financial guarantee contract to its joint venture (see note 22). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before granting credit to any corporate customers and travel agents, the Group assesses the customer's credit quality and defines credit limit for corporate customer and travel agents. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is mitigated. In addition, the Group performs impairment assessment under ECL model on trade balances individually. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for trade receivables were insignificant and thus no loss allowance was recognised.

Other receivables and deposits

For other receivables and deposits, the Directors make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for pledged bank deposits and bank balances were insignificant and thus no loss allowance was recognised.

Debt instruments at FVTOCI

The Group has established an expected credit losses calculation methodology that is based on the probability of default assigned to each issuer according to their external credit ratings, financial performance, financial positions and the related historical credit losses experience, adjusted for forward-looking information, including the economic development that the issuers are operated in, such as forecast property market development, forecast changes in default rate of the respective credit rating published by the external credit rating agencies, etc.

In light of the recent liquidity issue of PRC property developers, the management of the Group remains vigilant and continues to monitor closely the market situation, in particular to the credit ratings and market news of respective issuers, in reflecting a robust and timely ECL assessment.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Debt instruments at FVTOCI (continued)

The Group determines individually whether i) the issuers have suffered from significant increase in credit risk since initial recognition by comparing the credit rating and other qualitative benchmarks that affect the credit quality of the issuers at initial recognition and at the end of the reporting period; ii) objective evidence indicating the debt instruments to be credit-impaired exists, such as significant financial difficulty of the issuers, triggering of default event, or high probability for debt restructuring or financial reorganisation.

During the year ended 31 December 2021, as certain issuers, which are PRC property developers, were determined to be significant increase in credit risk and credit-impaired since initial recognition, the credit loss allowances on those individual debt instruments are measured on lifetime ECL basis.

The Group had engaged an independent professional valuer ("Valuer") to perform ECL assessment on the debt instruments which are determined to be significant increase in credit risk and credit-impaired by taking into consideration the historical data from international rating agencies. The management works closely with the Valuer to establish appropriate valuation techniques and inputs to the model. In making that evaluation, the Group assesses ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments announced by external credit rating agencies, the macroeconomic factors affecting each issuer, and the probability of default and loss given default of each debt instrument. For debt instruments with credit ratings being withdrawn, the management has referred to the implied effective interest rate and credit spread to assign the credit rating. The Group also takes into account of forward looking information that is reasonably and supportably available to the Group without undue cost or effort.

As at 31 December 2021, the Group's debt instruments at FVTOCI portfolio comprised debt instruments issued by PRC property developers amounted to HK$435,729,000 (2020: HK$2,469,991,000), representing 33% (2020: 64%) of the Group's portfolio.

During the year ended 31 December 2021, the impairment loss on debt instruments at FVTOCI amounting to HK$701,018,000 (2020: HK$nil) was recognised in profit or loss.

Loans to joint ventures

The Group regularly monitors the business performance of its joint ventures. The Group's credit risk in the loans is mitigated through the value of the assets held by the joint ventures and the power to jointly control the relevant activities of the joint ventures. The management believes that there are no significant increase in credit risk of the loans since initial recognition and the Group's exposure to credit risk arising from default of the counterparties are limited as the counterparties mainly engage in property development in Hong Kong and the underlying properties under development are of high quality. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for loans to joint ventures were insignificant and thus no loss allowance was recognised.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Financial guarantee contract

For financial guarantee contracts provided to the banking facilities granted to a joint venture, the maximum amount that the Group has guaranteed under the respective contracts was HK$1,106,748,000 as at 31 December 2021 (2020: HK$691,620,000). At the end of the reporting period, the Directors have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts as the guarantee is secured by the properties of the joint venture for both years. In addition, the Directors make periodic assessment on the ECL based on financial position and financial performance of the joint venture, and also quantitative and qualitative information that is reasonable and supportive forward-looking information, including the macroeconomic conditions that the counterparties operated in, such as forecast unemployment rate and property market development, etc. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. For the years ended 31 December 2021 and 2020, the Group assessed the ECL for financial guarantee contracts were insignificant and thus no loss allowance was recognised.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

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 frequently repays after due dates but usually settle in full	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

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The table below details the credit risk exposures of the Group's financial assets and financial guarantee contract which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000
Debt instruments at FVTOCI					
Listed debt instruments	A2 to Baa3	N/A	12m ECL (note iv)	**888,176**	3,879,628
	Ba2 to Caa	N/A	Lifetime ECL (not credit-impaired) (note v)	**218,794**	—
	Caa to Withdrawn rating	N/A	Lifetime ECL (credit-impaired) (note vi)	**205,603**	—
Financial assets at amortised costs					
Pledged bank deposits	AA	N/A	12m ECL	**59,148**	29,768
Bank balances	AA	N/A	12m ECL	**2,684,929**	3,354,301
Loans to joint ventures	N/A	Low risk (note i)	12m ECL	**1,695,056**	1,170,145
Other receivables	N/A	Low risk (note i)	12m ECL	**43,972**	9,987
Trade receivables — hotel operation	N/A	Low risk (note ii)	Lifetime ECL (not credit-impaired)	**954**	133
Other item					
Financial guarantee contract	N/A	(note iii)	12m ECL	**1,106,748**	691,620

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Notes:

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

The loans to joint ventures have no fixed terms of repayment and has not past due. Thus, no significant increase in credit risk is noted for the year ended 31 December 2021.

All other receivables are repayable on demand with no fixed term of repayment. The balance are settled within 30 days after debit notes are issued, thus, no significant increase in credit risk is noted for the year ended 31 December 2021.

(ii) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determine the expected credit losses on these items individually. The balances are settled within 30 days after the credit period granted, thus, no significant increase in credit risk noted for the year ended 31 December 2021.

(iii) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

(iv) These debt instruments are classified as investment grade in the market. There is no significant increase in credit risk based on management's assessment.

(v) Based on management's assessment of the market situation, there is a significant increase in credit risk with reference to the recent liquidity issue in the PRC property development market, rating actions taken by external credit rating agencies and adverse change in the operating results of the issuers. All the listed debt instruments with significant increase in credit risk were issued by PRC property developers.

(vi) In view of the existence of objective evidence, such as default in repayment and significant financial difficulty of the issuers, the debt instruments were determined to be credit-impaired. All the credit-impaired listed debt instruments were issued by PRC property developers.

For debt instruments with credit ratings being withdrawn, the Group has made reference to the implied effective interest rate and credit spread to arrive at the rating as speculative grade.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following tables show reconciliation of impairment loss that has been recognised for debt instruments at FVTOCI:

	12m ECL HK$'000 (note i)	**Lifetime ECL (not credit-impaired)** HK$'000 (note ii)	**Lifetime ECL (credit-impaired)** HK$'000 (note iii)	**Total** HK$'000
As at 1 January 2020 and 31 December 2020	10,033	—	—	10,033
Transfer to lifetime ECL (credit-impaired)	(8,849)	—	8,849	—
Impairment loss recognised	9,883	20,461	670,674	701,018
As at 31 December 2021	**11,067**	**20,461**	**679,523**	**711,051**

Notes:

(i) Given the change in probability of default and loss given default ratio in case of default on respective credit rating published by external credit rating agencies, accumulated impairment loss of HK$11,067,000 has been recorded in respect of the debt instruments at FVTOCI with gross carrying amount of HK$888,176,000 based on 12m ECL, of which impairment loss of HK$9,883,000 has been recognised in profit or loss and impairment loss of HK$8,849,000 has been transferred from 12m ECL to lifetime ECL (credit-impaired) during the year.

(ii) Given the significant increase in credit risk for these listed debt instruments with gross carrying amount of HK$218,794,000, accumulated impairment loss of HK$20,461,000 has been recorded in respect of these listed debt instruments, of which impairment loss of HK$20,461,000 has been recognised in profit or loss during the year.

(iii) By considering the existence of objective evidence to determine as credit-impaired, the Group has classified the relevant listed debt instruments with gross carrying amount of HK$205,603,000 as credit-impaired. Accumulated impairment loss of HK$679,523,000 has been recorded in respect of these listed debt instruments, of which impairment loss of HK$670,674,000 has been recognised in profit or loss and impairment loss of HK$8,849,000 has been transferred from 12m ECL to lifetime ECL (credit-impaired) during the year.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2021, the Group has bank balances and cash (included those assets classified as held for sale) of HK$2,688,283,000 (2020: HK$3,354,456,000) and available unutilised bank borrowings facilities of approximately HK$5,053,000,000 (2020: HK$3,332,105,000).

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows, estimated based on interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or within 3 months HK$'000	3 months to 6 months HK$'000	6 months to 9 months HK$'000	9 months to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2021								
Payables and deposits received	**—**	**59,852**	**1,248**	**453**	**1,580**	**3,464**	**66,597**	**66,597**
Bank borrowings (note i)	**1.54**	**1,336,847**	**98,601**	**98,546**	**98,491**	**7,422,954**	**9,055,439**	**7,113,807**
Guaranteed notes	**4.88**	**28,509**	**—**	**28,509**	**—**	**1,198,089**	**1,255,107**	**1,149,340**
Lease liabilities	**2.96**	**4,690**	**3,526**	**1,984**	**1,984**	**694,939**	**707,123**	**185,208**
		1,429,898	**103,375**	**129,492**	**102,055**	**9,319,446**	**11,084,266**	**8,514,952**
Financial guarantee (note ii)		**1,106,748**	**—**	**—**	**—**	**—**	**1,106,748**	**—**

	Weighted average effective interest rate %	Repayable on demand or within 3 months HK$'000	3 months to 6 months HK$'000	6 months to 9 months HK$'000	9 months to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2020								
Payables and deposits received	—	84,861	219	453	1,626	4,226	91,385	91,385
Bank borrowings (note i)	1.39	3,203,302	36,310	36,255	1,401,940	4,661,587	9,339,394	9,122,974
Guaranteed notes	4.88	28,343	—	28,343	—	1,247,798	1,304,484	1,158,222
Lease liabilities	4.08	4,705	4,705	4,705	4,705	712,238	731,058	203,812
		3,321,211	41,234	69,756	1,408,271	6,625,849	11,466,321	10,576,393
Financial guarantee (note ii)		691,620	—	—	—	—	691,620	—

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Notes:

i. The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

   Bank borrowings with a repayment on demand clause are included in the "within 3 months" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$1,237,981,000 (2020: HK$3,147,672,000). Those bank borrowings are revolving loan in nature, and with repayment period of less than three months. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

ii. The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Interest rate benchmark reform

As listed in note 2, several of the Group's LIBOR and HIBOR bank borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

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

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

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

HIBOR

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

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) Risks arising from the interest rate benchmark reform

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

Interest rate related risks

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

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

Liquidity risk

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

Litigation risk

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

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible.

For the floating rate bank borrowings that are linked to HIBOR (the "Contracts"), the management expects the Contracts will continue to maturity and the Group does not intend to transit the Contracts to HONIA.

(c) Fair value measurement of financial instruments

Certain of the Group's financial instruments are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements.

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 independent qualified professional valuers to perform the valuation if the investment is material. The management works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors regularly to explain the cause of fluctuations in the fair value.

36. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments *(continued)*

(i) Fair value of the Group's financial assets that are measured at fair values on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2021 HK$'000	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities classified as equity instruments at FVTOCI (note 23)	**262,021**	431,485	Level 1	The fair value is quoted price in an active market.
Listed debt securities classified as debt instruments at FVTOCI (note 24)	**1,312,573**	3,879,628	Level 1	The fair value is quoted price in an active market.
Unlisted investment classified as financial assets at FVTPL — preferred shares (note 25)	**—**	88,062	Level 3	The fair value of the preferred shares is determined with reference to the adjusted net assets value approach and income approach. Adjusted net assets value approach determines the fair value with reference to the net assets value of the subject assets adjusted by revaluation of certain underlying assets, discount for lack of marketability and discount for lack of control. Income approach determines the fair value with reference to the future cash flows of the subject assets adjusted by default rate and recovery rate. The significant unobservable inputs are the discount for lack of marketability of 16% and the discount for lack of control of 32%. An increase in discount for lack of marketability or the discount for lack of control could result in decrease in fair value of the preferred shares.

Fair value gain on financial assets at FVTPL are included in 'other gains and losses'.

There were no transfer in or out of level 1, 2 and 3 during the year.

36. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments *(continued)*

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities carried at amortised cost, are determined in accordance with generally accepted pricing models which is based on discounted cash flows analysis using the relevant prevailing market rates as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The lease terms of the remaining leased properties range from 5 months to 18 years (2020: 1 to 19 years).

The majority of the Group's investment properties were leased out under operating leases.

Minimum lease payments receivable on leases are as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**210,728**	226,624
In the second year	**203,003**	220,368
In the third year	**193,757**	209,029
In the fourth year	**188,691**	206,790
In the fifth year	**202,604**	221,529
After five years	**2,013,801**	2,162,243
	3,012,584	3,246,583

38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, the Group entered into a sale agreement to dispose of its 100% equity interest in Novel Modern Investments Limited and its subsidiary (collectively named as "Novel Modern Group") that held an investment property in Hong Kong to an independent third party at a consideration of HK$260,105,000. The disposal was completed on 18 October 2021, on which the Group ceased control of Novel Modern Group.

The net assets of Novel Modern Group at the date of disposal were as follows:

	2021 HK$'000
Net assets disposed of	260,105
Total consideration	
Satisfied by:	
Cash	260,105

Disposal-related costs amounting to HK$4,217,000 have been recognised as an expense for the year within the "other expenses" line item in the consolidated statement of profit or loss.

Assets derecognised at the date of disposal

	2021 HK$'000
Investment properties (note 20)	260,000
Deposits and prepayments	105
	260,105

Net cash inflows arising on disposal

	HK$'000
Consideration received	260,105

38. DISPOSAL OF SUBSIDIARIES *(continued)*

During the year ended 31 December 2020, the Group entered into a sale agreement to dispose of its 100% equity interest in Treasure Base Global Limited and its subsidiary (collectively named as "Treasure Base Group") that held an investment property in Hong Kong to an independent third party at a consideration of HK$196,565,000. The disposal was completed on 26 June 2020, on which the Group ceased control of Treasure Base Group.

The net assets of Treasure Base Group at the date of disposal were as follows:

	2020 HK$'000
Net assets disposed of	196,565
Total consideration	
Satisfied by:	
Cash	196,565

Disposal-related costs amounting to HK$5,738,000 have been recognised as an expense for the year within the "other expenses" line item in the consolidated statement of profit or loss.

Assets derecognised at the date of disposal

	2020 HK$'000
Investment properties (note 20)	196,500
Deposits and prepayments	65
	196,565

Net cash inflows arising on disposal

	HK$'000
Consideration received	196,565

39. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
— redevelopment of investment properties	1,641	13,824
— investment fund contribution	21,501	—
	23,142	13,824

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities 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.

	Lease liabilities HK$'000 (note 33)	Bank borrowings HK$'000 (note 31)	Guaranteed notes HK$'000 (note 32)	Interest payable (included in other payables) HK$'000 (note 30)	Dividends payable (included in other payables) HK$'000	Total HK$'000
At 1 January 2021	203,812	9,122,974	1,158,222	29,368	2,818	10,517,194
Financing cash flows	(18,894)	(1,852,711)	(17,954)	(182,943)	(31,259)	(2,103,761)
Foreign exchange translation	(1,255)	(14,912)	6,735	1,993	—	(7,439)
Amortisation of bank borrowings front-end fee	—	18,644	—	—	—	18,644
Amortisation of guaranteed notes issued costs	—	—	2,263	—	—	2,263
Loss on early redemption of guaranteed notes	—	—	74	—	—	74
Interest expense	1,545	—	—	179,880	—	181,425
Dividends declared	—	—	—	—	31,261	31,261
Transfer to liabilities associated with assets classified as held for sale (note 29)	—	(160,188)	—	—	—	(160,188)
At 31 December 2021	185,208	7,113,807	1,149,340	28,298	2,820	8,479,473

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(continued)*

	Lease liabilities HK$'000 (note 33)	Bank borrowings HK$'000 (note 31)	Guaranteed notes HK$'000 (note 32)	Interest payable (included in other payables) HK$'000 (note 30)	Dividends payable (included in other payables) HK$'000	Total HK$'000
At 1 January 2020	207,903	11,059,959	2,718,359	67,318	2,803	14,056,342
Financing cash flows	(18,367)	(2,009,623)	(1,554,060)	(288,525)	(33,057)	(3,903,632)
Foreign exchange translation	6,232	59,210	(8,520)	811	—	57,733
Amortisation of bank borrowings front-end fee	—	13,428	—	—	—	13,428
Amortisation of guaranteed notes issued costs	—	—	2,443	—	—	2,443
Interest expense	8,044	—	—	249,764	—	257,808
Dividends declared	—	—	—	—	33,072	33,072
At 31 December 2020	203,812	9,122,974	1,158,222	29,368	2,818	10,517,194

41. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

(a) Fixed charges on investment properties (included assets classified as held for sale) with an aggregate carrying value of HK$7,448,284,000 (2020: HK$7,322,248,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.

(b) Fixed charges on hotel properties with aggregate carrying values of HK$546,160,000 (2020: HK$566,174,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the hotel properties.

(c) Pledged bank deposits (included assets classified as held for sale) of HK$60,270,000 (2020: HK$29,768,000).

(d) Debt instruments at FVTOCI of HK$1,312,573,000 (2020: HK$3,879,628,000).

42. SHARE-BASED PAYMENTS TRANSACTIONS

Share Option Scheme of the Company

The Company adopted a share option scheme on 29 May 2015 (the "2015 Share Option Scheme"). Unless terminated earlier by the Board, the 2015 Share Option Scheme shall be valid and effective for a term of 10 years until 28 May 2025. Under the 2015 Share Option Scheme, the Board may offer to eligible participants options to subscribe for shares of the Company at a price at least the highest of (i) the nominal value of the share of the Company; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option.

Details of the share options granted under the 2015 Share Option Scheme during the years ended 31 December 2021 and 2020 are as follows:

			Number of share options				
Date of grant	Exercisable period upon vesting	Exercise price per share HK$	At 1 January 2020	Lapsed	At 31 December 2020	Lapsed	At 31 December 2021
Granted to the employees							
02.07.2015	01.07.2018 to 30.06.2020	6.302	270,000	(270,000)	—	—	—
22.01.2018	01.01.2019 to 31.12.2020	12.800	275,000	(100,000)	175,000	(175,000)	—
22.01.2018	01.07.2019 to 30.06.2021	12.800	275,000	(75,000)	200,000	(200,000)	—
22.01.2018	01.01.2020 to 31.12.2021	12.800	500,000	—	500,000	—	**500,000**
22.01.2018	01.07.2020 to 30.06.2022	12.800	225,000	—	225,000	(150,000)	**75,000**
22.01.2018	01.01.2021 to 31.12.2022	12.800	1,300,000	(325,000)	975,000	(400,000)	**575,000**
22.01.2018	01.07.2021 to 30.06.2023	12.800	1,225,000	(200,000)	1,025,000	(150,000)	**875,000**
			4,070,000	(970,000)	3,100,000	(1,075,000)	**2,025,000**
Weighted average exercise price (HK$)			12.369	10.991	12.800	12.800	**12.800**
Exercisable at year end			820,000		1,100,000		**2,025,000**
Weighted average exercise price of options exercisable at year end (HK$)			10.660		12.800		**12.800**

Under the 2015 Share Option Scheme, no share options had been granted, exercised and cancelled during the years ended 31 December 2020 and 2021. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

On 2 July 2015, 21,650,000 share options under the 2015 Option Scheme were granted to the employees of the Company and the closing price of the Company's shares immediately preceding the date of grant was HK$6.23. The estimated fair value of the share options granted to employees of the Company on that date was HK$21,499,000. The Directors determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

42. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Share Option Scheme of the Company *(continued)*

On 22 January 2018, 5,775,000 share options under the 2015 Option Scheme were granted to the employees of the Company and the closing price of the Company's shares immediately preceding the date of grant was HK$12.64. The estimated fair value of the share options granted to employees of the Company on that date was HK$4,339,000. The Directors determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

The fair values were calculated using The Binominal Option Pricing model. The inputs into the model were as follows:

	Share Option Granted on	
	2 July 2015	**22 January 2018**
Share price as at grant date:	HK$6.200	HK$12.80
Exercise price:	HK$6.302	HK$12.80
Expected volatility:	21.58% – 24.24%	25.31% – 34.27%
Expected dividend yield:	1.75%	0.62%
Risk-free rate:	0.385% – 1.188%	1.53% – 1.82%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The variables and assumptions used in computing the fair value of the share options were based on the Director's best estimate. The value of an option varied with different variables of certain subjective assumptions.

The Group recognised the total expense of HK$82,000 for the year ended 31 December 2021 (2020: HK$464,000) in relation to share options granted by the Company.

Share Award Scheme of the Company

The Share Award Scheme was approved by the Shareholder on 27 May 2010 and came into effect on 15 June 2010. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 15 years until 14 June 2025.

The purpose of the Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the Share Award Scheme). Under the Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and is listed on the Stock Exchange from time to time; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the Share Award Scheme. No award may be granted under the Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

42. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Share Award Scheme of the Company *(continued)*

The Company has appointed a trustee to acquire the Company's shares from the open market with funds provided by the Company and to hold the shares before they are vested and transferred to the selected participants.

No ordinary shares of the Company were awarded for both years ended 31 December 2021 and 2020.

43. RETIREMENT BENEFIT PLANS

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 and also participated in a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme"). The assets of the schemes are/were held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs to the scheme for members of the MPF Scheme, depending on the grading and the length of service with the Group.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

The Group terminated the ORSO Scheme in February 2019 and all members of the ORSO Scheme transferred their accrued benefits and contributions under the ORSO Scheme to the MPF Scheme.

The total expense recognised in profit or loss of HK$3,954,000 (2020: HK$3,901,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. No forfeited contributions have been used to reduce the level of contributions in either year.

44. RELATED PARTY TRANSACTIONS

Other than as disclosed in note 20 and elsewhere in these consolidated financial statements, the Group has no other transactions and balances with related parties.

The remuneration of the Directors who are the Group's key management personnel is set out in note 16.

The remuneration of the Directors and key executives of the Company is determined/recommended to the Board for approval by the remuneration committee of the Company having regard to the performance of individuals and market trends.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Interests in subsidiaries	**4,552,149**	5,357,226
Pledged bank deposits	**44,000**	—
	4,596,149	5,357,226
Current assets		
Receivables and deposits	**37,616**	114
Pledged bank deposits	**—**	12,000
Bank balances	**776,282**	1,136,367
	813,898	1,148,481
Current liabilities		
Payables and accrued charges	**3,142**	3,034
Bank borrowings — due within one year	**396,426**	1,550,400
	399,568	1,553,434
Net current assets (liabilities)	**414,330**	(404,953)
Net assets	**5,010,479**	4,952,273
Capital and reserves		
Share capital	**60,212**	64,224
Reserves	**4,510,022**	4,888,049
Total equity	**4,570,234**	4,952,273
Non-current liability		
Bank borrowings — due after one year	**440,245**	—
Total equity and non-current liability	**5,010,479**	4,952,273

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's capital and reserves

	Attributable to the Shareholders						
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Capital redemption reserve** HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2020	66,229	20,745	190,081	4,451	2,704	4,938,184	5,222,394
Loss and total comprehensive expense for the year	—	—	—	—	—	(43,341)	(43,341)
Recognition of equity-settled share-based payments — share options	—	—	—	—	464	—	464
Lapse of share options	—	—	—	—	(831)	831	—
Shares repurchased and cancelled	(2,005)	(192,167)	—	—	—	—	(194,172)
Dividends paid	—	—	—	—	—	(33,072)	(33,072)
Transfer of excess share premium to retained profits	—	171,422	—	—	—	(171,422)	—
At 31 December 2020	64,224	—	190,081	4,451	2,337	4,691,180	4,952,273
Loss and total comprehensive expense for the year	—	—	—	—	—	(7,601)	(7,601)
Recognition of equity-settled share-based payments — share options	—	—	—	—	82	—	82
Lapse of share options	—	—	—	—	(1,016)	—	(1,016)
Shares repurchased and cancelled	(4,012)	(338,231)	—	—	—	—	(342,243)
Dividends paid	—	—	—	—	—	(31,261)	(31,261)
Transfer of excess share premium to retained profits	—	338,231	—	—	—	(338,231)	—
At 31 December 2021	**60,212**	**—**	**190,081**	**4,451**	**1,403**	**4,314,087**	**4,570,234**

46. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company		Principal activities
			2021	2020	
Direct subsidiaries					
Rosy Delta Investments Limited	British Virgin Islands ("B.V.I.")/Hong Kong	US$1	100	100	Bond issuance
South-East Asia Investment And Agency Company, Limited	Hong Kong	HK$10,000,000	100	100	Provision of corporate and property management services
Indirect subsidiaries					
Concord Way Limited	Hong Kong	HK$100	100	100	Hotel operation
Easy Mega Investment Limited	Hong Kong	HK$1	100	100	Property investment
Giant Well Enterprises Limited	B.V.I./Hong Kong	US$1	100	100	Investment holding
Golden Race Investments Limited	B.V.I./Hong Kong	US$1	100	—	Financial investment
Grace Art Development Limited	Hong Kong	HK$1	100	100	Treasury services
High Team International Limited	Hong Kong	HK$1	100	100	Property investment
Honest Smart Properties Limited	Hong Kong	HK$1	100	100	Property investment
Leighton Road Hotel Management Services Limited	Hong Kong	HK$1	100	100	Hotel operation
Maple Sky Ventures Limited	B.V.I./Hong Kong	US$1	100	100	Financial investment
Max Grand Properties Limited	Hong Kong	HK$1	100	100	Property investment
Nice Source Investment Limited	Hong Kong	HK$1	100	100	Property investment
One Valley View Limited	Hong Kong	HK$1	100	100	Property investment
Pearl Hope Limited	B.V.I./Hong Kong	US$1	100	100	Financial investment

46. PRINCIPAL SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company 2021	2020	Principal activities
Indirect subsidiaries (continued)					
Rainbow Mark Investments Limited	B.V.I./Hong Kong	US$1	**100**	100	Financial investment
SEA Island Holdings Pty. Limited	Australia	A$320,000 paid up share capital	**100**	100	Property investment
SEA Profit Holdings Limited	B.V.I./Hong Kong	US$1	**100**	100	Property investment
SEA Vanguard Holdings Limited	B.V.I./Hong Kong	US$1	**—** **(note i)**	100	Financial investment
Seven Valley View Limited	Hong Kong	HK$1	**100**	100	Property investment
Sound Grace Limited	Hong Kong	HK$1	**100**	100	Property investment
Ten Valley View Limited	Hong Kong	HK$1	**100**	100	Property investment
Twenty Valley View Limited	Hong Kong	HK$1	**—** **(note i)**	100	Property investment
Two Valley View Limited	Hong Kong	HK$1	**100**	100	Property investment
Tycoon Honour Limited	B.V.I./Hong Kong	US$1	**100**	100	Investment holding of The Moorgate Unit Trust's units
Worthy Merit Limited	B.V.I./Hong Kong	US$1	**100**	100	Investment holding of The Moorgate Unit Trust's units

Note:

(i) The equity interests of these subsidiaries were disposed of or liquidated during the year ended 31 December 2021.

46. PRINCIPAL SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities except for Rosy Delta Investments Limited which has issued guaranteed notes as set out in note 32 at the end of both years.

47. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had received a letter dated 15 February 2022 from the Lands Department of the Government confirming that the Group's tender for Rural Building Lot 1203 situated at South Bay Road, Repulse Bay, Hong Kong at the land premium of HK$1,188,181,800 had been accepted. The land premium was paid by the Group's internal resources.

GLOSSARY

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"AGM(s)"	the annual general meeting(s) of the Company;
"Ambleside Glory"	Ambleside Glory Limited, a company incorporated in the British Virgin Islands with limited liability;
"Audit Committee"	the audit committee of the Company;
"Board"	the board of Directors;
"CG Code"	the Corporate Governance Code;
"Chairman"	the chairman of the Board;
"Chief Executive"	the chief executive of the Company;
"Chief Financial Officer"	the chief financial officer of the Company;
"Company" or "SEA"	S E A Holdings Limited is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 251);
"Crowne Plaza"	Crowne Plaza Hong Kong Causeway Bay;
"Deloitte"	Deloitte Touche Tohmatsu, Certified Public Accountants;
"Director(s)"	the director(s) of the Company;
"Executive Committee"	the executive committee of the Company;
"Executive Director(s)"	the executive Director(s);
"FVTOCI"	fair value through other comprehensive income;
"FVTPL"	fair value through profit or loss;
"Group or SEA Group"	the Company and its subsidiaries;
"Government"	the government of Hong Kong;
"HK$"	the lawful currency of Hong Kong for the time being;
"HKAS"	Hong Kong Accounting Standards;
"HKEX"	Hong Kong Exchanges and Clearing Limited;
"HKFRS"	Hong Kong Financial Reporting Standards;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

GLOSSARY

"Independent Non-executive Director(s)" or "INED"	the independent non-executive Director(s);
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"NLI"	Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;
"Nomination Committee"	the nomination committee of the Company;
"Non-executive Director(s)"	the non-executive Director(s);
"NYH"	NYH Limited, an exempted company incorporated in Bermuda with limited liability;
"Port Lucky"	Port Lucky Limited, a company incorporated in the British Virgin Islands with limited liability;
"PRC" or "Mainland China"	The People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"SEA Fortune"	SEA Fortune Ventures Limited, a company incorporated in the British Virgin Islands with limited liability;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM(s)"	the special general meeting(s) of the Company;
"Shareholders"	the shareholders of the Company;
"Share Award Scheme"	the share award scheme of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"US$"	United States dollars, the lawful currency of the United States of America;
"%"	per cent; and
"2015 Share Option Scheme"	the share option scheme adopted by the Company on 29 May 2015.

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爪哇控股有限公司
S E A Holdings Limited
(Incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）