鷹君集團有限公司
Great Eagle
Holdings Limited

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

(Stock Code: 41)

2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Great Eagle Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 as follows:

	Year ended 31 December		
	2016	**2015**	**Change**
	HK$ million	***HK$ million***	
Key Financials on Income Statement			
Based on core business[1]			
Revenue based on core business	6,261.0	5,622.6	11.4%
Core profit after tax attributable to equity holders	2,022.5	1,780.1	13.6%
Core profit after tax attributable to equity holders (per share)	HK$ 2.99	HK$ 2.68	
Based on statutory accounting principles[2]			
Revenue based on statutory accounting principles	8,648.5	8,270.9	4.6%
Statutory Profit attributable to equity holders	2,769.8	3,312.3	-16.4%
Interim Dividend (per share)	HK$ 0.27	HK$ 0.27	
Final Dividend (per share)	HK$ 0.48	HK$ 0.47	
Special Final Dividend (per share)	HK$ 0.50	HK$ 2.00	
Total Dividend (per share)	HK$ 1.25	HK$ 2.74	

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

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

	As at the end of	
	December 2016	**June 2016**
Key Financials on Balance Sheet		
Based on share of Net Assets of Champion REIT, LHI and the U.S. Fund (core balance sheet)[1]		
Net gearing	0.5%	1%
Book value (per share)	HK$ 95.4	HK$ 93.3
Based on statutory accounting principles[2]		
Net gearing[3]	24.9%	26.5%
Book value (per share)	HK$ 82.4	HK$ 80.4

[1] The Group's core balance sheet is derived from our share of net assets of LHI. As the hotels owned by LHI are classified as investment properties, the values of these hotels were marked to market. More details about the balance sheet derived from our share of net assets in Champion REIT, LHI and the U.S. Fund are on page 4.

[2] As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT, LHI and the U.S. Fund were consolidated in aggregate. However, the Group only owns a 65.50%, 61.90% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of December 2016.

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

Core Profit - Financial Figures based on core business

	Year ended 31 December		
	2016	2015	Change
	HK$ million	*HK$ million*	
Revenue from core business			
Gross Rental Income	243.5	236.4	3.0 %
Hotels Division	3,715.0	3,627.6	2.4 %
Management Fee Income from Champion REIT	344.4	292.9	17.6 %
Distribution Income from Champion REIT^	871.6	714.7	22.0 %
Distribution Income from LHI^	300.8	275.7	9.1 %
Distribution Income from the U.S. Fund^	280.6	-	n.a.
Other operations	505.1	475.3	6.2 %
	6,261.0	**5,622.6**	**11.4 %**
Net Rental Income	181.0	174.5	3.7 %
Hotel EBITDA	720.6	593.4	21.4 %
Management Fee Income from Champion REIT	344.4	292.9	17.6 %
Distribution Income from Champion REIT^	871.6	714.7	22.0 %
Distribution Income from LHI^	300.8	275.7	9.1 %
Distribution Income from the U.S. Fund^	280.6	-	n.a.
Operating income from other operations	244.9	216.8	13.0 %
Operating Income from core business	**2,943.9**	**2,268.0**	**29.8 %**
Depreciation	(153.2)	(165.0)	-7.2 %
Realised gain on disposal of US properties	398.2	-	n.a.
Impairment loss on loan receivable	(199.1)	-	n.a.
Administrative expenses	(372.6)	(337.2)	10.5 %
Other expenses	(5.1)	(71.3)	-92.8 %
Other income	62.3	263.6	-76.4 %
Interest income	42.1	149.4	-71.8 %
Finance costs	(134.0)	(174.8)	-23.3 %
Share of results of joint ventures	(20.2)	(19.9)	1.5 %
Share of results of associates	0.4	(3.4)	n.m.
Core profit before tax	**2,562.7**	**1,909.4**	**34.2 %**

	Year ended 31 December		
	2016	**2015**	**Change**
	HK$ million	***HK$ million***	
Taxes	(530.8)	(123.7)	329.1 %
Core profit after tax	**2,031.9**	**1,785.7**	**13.8 %**
Non-controlling interests	(9.4)	(5.6)	67.9 %
Core profit attributable to equity holders	**2,022.5**	**1,780.1**	**13.6 %**

^ The Group's core profit is based on attributable distribution income from Champion REIT, LHI and the U.S. Fund.

Segment assets and liabilities (Based on net assets of Champion REIT, LHI and the U. S. Fund)

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

31 December 2016

	Assets	**Liabilities**	**Net Assets**
	HK$ million	**HK$ million**	**HK$ million**
Great Eagle operations	**31,592**	**8,185**	**23,407**
Champion REIT	**44,784**	**11,228**	**33,556**
LHI	**11,652**	**4,424**	**7,228**
The U.S. Fund	**1,068**	**645**	**423**
	89,096	**24,482**	**64,614**

31 December 2015

	Assets	Liabilities	Net Assets
	HK$ million	HK$ million	HK$ million
Great Eagle operations	29,204	5,863	23,341
Champion REIT	41,373	10,600	30,773
LHI	11,413	4,323	7,090
The U.S. Fund	2,787	1,173	1,614
	84,777	21,959	62,818

Financial Figures based on Statutory Accounting Principles

	Year ended 31 December		
	2016	**2015**	**Change**
	HK$ million	***HK$ million***	
Revenue based on statutory accounting principles			
Gross Rental Income	243.5	236.4	3.0 %
Hotels Division	5,268.3	5,159.1	2.1 %
Other operations (including management fee income from Champion REIT)	849.4	768.2	10.6 %
Gross Rental income - Champion REIT	2,557.1	2,289.3	11.7 %
Gross Rental income - LHI	706.4	682.2	3.5 %
Gross Rental income - U.S. Fund	242.8	246.5	-1.5 %
Elimination on Intra-Group transactions	(1,219.0)	(1,110.8)	9.7 %
Consolidated Total Revenue	**8,648.5**	**8,270.9**	**4.6 %**
Net Rental Income	181.0	174.5	3.7 %
Hotel EBITDA	720.6	593.4	21.4 %
Operating income from other operations	589.3	509.7	15.6 %
Net Rental income - Champion REIT	1,783.3	1,569.5	13.6 %
Net Rental income - LHI	593.7	563.4	5.4 %
Net Rental income - U.S Fund	44.4	71.7	-38.1 %
Elimination on Intra-Group transaction	(9.3)	(21.0)	-55.7 %
Consolidated Operating Income	**3,903.0**	**3,461.2**	**12.8 %**
Depreciation	(590.4)	(606.5)	-2.7 %
Fair value changes on Investment Properties	2,530.7	3,011.9	-16.0 %
Fair value changes on Derivative Financial Instruments	52.2	1.8	n.m.
Fair value changes of financial assets at fair value through profit or loss	1.1	(45.0)	n.m.
Impairment loss on available-for-sale investments	-	(45.8)	n.a.
Impairment loss on loan receivable	(199.1)	-	n.a.
Reversal of impairment loss on a hotel property	-	284.4	n.a.
Administration expenses	(411.8)	(373.1)	10.4 %
Other expenses	(37.3)	(139.8)	-73.3 %
Other income	51.6	266.3	-80.6 %
Interest income	56.0	167.7	-66.6 %
Finance costs	(643.9)	(686.5)	-6.2 %
Share of results of joint ventures	(20.2)	(19.9)	1.5 %
Share of results of associates	0.4	(3.4)	n.m.
Statutory profit before tax	**4,692.3**	**5,273.3**	**-11.0 %**

	Year ended 31 December		
	2016	**2015**	**Change**
	HK$ million	***HK$ million***	
Taxes	(572.6)	(539.2)	6.2 %
Statutory profit after tax	**4,119.7**	**4,734.1**	**-13.0 %**
Non-controlling interests	(1,349.9)	(1,421.8)	-5.1 %
Statutory profit attributable to equity holders	**2,769.8**	**3,312.3**	**-16.4 %**

OVERVIEW

While 2016 was a challenging year full of financial and political uncertainties, the Group has performed well and delivered satisfactory results on multiple fronts. On expansions, apart from the closing of the acquisition of a hotel site in Tokyo, the Group has successfully acquired a site in downtown Seattle, U.S. for US$18 million in December 2016. The site is located in the heart of Seattle's city centre and close to the famous historic Pike Place market. The site has an area of approximately 19,400 sq. ft and has already been approved for the development of a 17-storey hotel. However, we shall explore other available options to further enhance the development of this site. These acquisitions are supported by their undemanding valuations and were part of the Group's long term strategy to expand in strategic gateway cities that will anchor our hotel brand as well as residential and office development.

On divestments, as the asset manager of the U.S. Fund ("Fund"), we took advantage of a strong office market in San Francisco, and have disposed of the Fund's three office buildings in and around San Francisco in 2016. This has resulted in a distribution income from the Fund of HK$280.6 million attributable to our interest in the Fund for the year. In addition, the Group booked a disposal gain in relation to the deferred profit made when we transfer the office buildings to the Fund in 2014. These one-off gains were the drivers that boosted the Group's core profit in 2016. Other than acting on behalf of the Fund, the Group has also disposed of its remaining office building in the U.S., namely 2700 Ygnacio located on the far outskirts of San Francisco, for US$15 million in late 2016. Therefore, the realised gain on disposal of U.S. properties amounted to HK$398.2 million in 2016 comprised of the deferred gain on the transfer of our office buildings to the Fund, as well as a loss generated from the sale of 2700 Ygnacio.

As for the Group's results in 2016, the core operating income increased by 29.8% to HK$2,943.9 million in 2016 (2015: HK$2,268.0 million) as the U.S. Fund declared its first distribution and as improvements were seen across the Group's businesses. Distribution income from Champion REIT rose by 22% to HK$871.6 million in 2016, mainly attributable to the higher occupancy at Three Garden Road and, to a lesser extent, our increased holdings in the REIT. EBITDA of the Hotels Division increased by 21.4% to HK$720.6 million, which was driven primarily by the improved revenue and margin expansion of the North American Hotels despite currency drop in Australia, New Zealand, Canada, United Kingdom and China where we own hotels. Besides, distribution from LHI recorded a growth of 9.1% and amounted to HK$300.8 million in 2016, as a result of both improved performance of the Hong Kong hotels and we had our increased holdings in LHI.

Administration expenses increased by 10.5% to HK$372.6 million in 2016 (2015: HK$337.2 million), mostly attributable to the increased headcount mainly for the Project Management and Development team as the Group carried out more development projects.

Other income included a gain amounting to HK$7.5 million resulted from the selling of all of the hedging contracts against the Japanese Yen. These contracts were originally entered into in early 2016 to hedge our cash payment for the Tokyo hotel project later that year. The hedge was unnecessary after we have successfully secured a loan with a low interest rate for the payments. Subsequently, we managed to sell the contracts for a profit after the Yen had depreciated towards the end of the year. However, other income of the Group still dropped by 76.4% to HK$62.3 million in 2016, since such income in 2015 included a disposal gain of an associate company and a large gain was booked from the sale of securities.

In 2016, the Group has written off a non-core investment in a startup company in the U.S. This investment was relatively small to the Group's overall asset base and we believed that this co-work club company, involving the sharing economy, should benefit from the exponentially accelerating demand in the future. However, given the remarkably high startup cost and as its liquidity position has deteriorated rapidly throughout 2016, we were of the view that this startup would fail as its cash shortfall widens, whereas rising interest rates will likely deter its access to new capital to fund the enlarging shortfall. Such write off was reflected as impairment on loan receivables amounting to HK$199.1 million in 2016's results. Since our write off at year end 2016, the company has developed a rejuvenation plan which may provide the company with renewed business edge. As the company is offering attractive investment terms on new fund raised, we have decided to participate in the new offering with a small US$5 million (approximately HK$38.8 million) investment, and should have convertible rights to become the biggest shareholder of the company.

Interest income of the Group fell by 71.8% to HK$42.1 million in 2016, given the Group's cash were mostly denominated in Hong Kong dollars in 2016, while a large portion of the Group's cash in 2015 were denominated in Renminbi that bore much higher deposit rates. Interest expense dropped by 23.3% to HK$134.0 million in 2016 (2015: HK$174.8 million) as a result of both repayment of certain high interest bearing loans, and refinancing some loans with lower interest rates.

Share of results of joint ventures in 2016 comprised of returns from our 50% interest in the Dalian project and our investment in a residential development project in Miami, U.S. For the Dalian project, while there was a development profit from the recognition of 220 apartments in 2016, such profit turned to a loss after providing for a disproportionate share of the estimated land appreciation tax, and therefore, this has resulted in a after-tax loss of HK$7.5 million for our interest in the project for the year. There was also a loss booked for the Miami project in 2016. As the Miami project was still at the pre-sales stage, the loss was predominately attributable to the marketing and administrative expenses incurred. In total, losses amounted to HK$20.2 million for our share of results of joint ventures in 2016.

Although core profit was adversely affected by non-operating items including lower other income, interest income and a one-off write-off, the declines were much more than offset by the booking of a disposal gain from the sale of the U.S. offices attributable to the Group. After taking into account an approximately 40% tax on such disposal gain, profit after tax for the Group rose by 13.8% to HK$2,031.9 million in 2016 (2015: HK$1,785.7 million), and profit attributable to equity holders rose by 13.6% to HK$2,022.5 million in 2016 (2015: HK$1,780.1 million).

BUSINESS REVIEW

HOTELS DIVISION

		Year ended 31 December		
		2016	**2015**	**Change**
		HK$ million	***HK$ million***	
Hotel Revenue				
Overseas Hotels	- Europe	**466.7**	**535.6**	**- 12.9%**
	- North America	**1,975.3**	**1,857.5**	**6.3%**
	- Australia/New Zealand	**763.0**	**730.1**	**4.5%**
	- China	**343.7**	**352.0**	**- 2.4%**
Others (including hotel management income)		**166.3**	**152.4**	**9.1%**
Total Hotel Revenue		**3,715.0**	**3,627.6**	**2.4%**
Hotel EBITDA				
Overseas Hotels	- Europe	**101.1**	**119.6**	**- 15.5%**
	- North America	**278.0**	**174.0**	**59.8%**
	- Australia/New Zealand	**129.2**	**111.5**	**15.9%**
	- China	**103.4**	**101.1**	**2.3%**
Others (including hotel management income)		**108.9**	**87.2**	**24.9%**
Total Hotel EBITDA		**720.6**	**593.4**	**21.4%**

Revenue of the Hotels Division rose by 2.4% to HK$3,715.0 million in 2016. The increase was primarily driven by an increase in revenue of the hotels in North America, followed by the improved revenue of the hotels in Australia/New Zealand. Given the fixed cost nature of the hotel business, the EBITDA of the Hotels Division recorded a much higher growth of 21.4% and rose to HK$720.6 million in 2016, and the growth was even higher at 25.4% before accounting for the translation losses from foreign currencies. It should be noted that the hotel in downtown Washington, D.C., USA is still undergoing renovation and was closed throughout 2016.

In North America, the growth in EBITDA was led by improvements in the revenue and EBITDA margin of the Chelsea hotel in Toronto, The Langham Huntington, Pasadena and The Langham, Chicago. Whereas the RevPAR growth of the Pasadena and Chicago hotels was driven by increases in room rates alone, the RevPAR of the Toronto hotel was attributable to an increase in both occupancy and room rate, as its occupancy recovered in 2016 from a low level during the renovation works in 2015. The growth in EBITDA of the Toronto hotel was diminished by the modest 3.4% depreciation in the average exchange rate of the Canadian dollar against the Hong Kong dollar in 2016.

Performance of the Boston hotel was steady in 2016 but the Langham Place, Fifth Avenue hotel in New York suffered a decline in revenue in 2016, which was attributable to the negative impact of the renovation works and challenging market conditions in New York. Total revenue of the hotels in North America increased by 6.3% in 2016, while the growth in EBITDA was much higher at 59.8%.

EBITDA of the hotels in Australasia was lifted by the improved performance of The Langham, Auckland and The Langham, Sydney. The Langham, Auckland witnessed an improvement in occupancy and room rate which contributed to drive EBITDA growth as margin expands. The EBITDA growth of The Langham, Sydney was mainly due to its turnaround, as the hotel incurred a substantial loss in 2015 when it was carrying out major renovation works.

In 2016, there was a minor decrease in the revenue and EBITDA of The Langham, London in local currency terms, which were mainly due to the negative impact of the renovation works. However, the decline in revenue and EBITDA of the hotel was exacerbated by the adverse currency translation, given a 11.3% depreciation in the average exchange rate of the British pound in 2016.

In China, revenue growth of The Langham, Xintiandi in Shanghai would have been even higher in 2016, but the replacement of business tax by value added tax in May 2016 has adversely affected the amount of revenue recognised by the hotel since then. Nonetheless, the improved underlying business momentum was reflected in the growth of the hotel's EBITDA, which grew at a faster rate in 2016. Note that as the average exchange rate of the Renminbi experienced a depreciation of 5.3% in the year, the growth in revenue was translated to a drop in revenue in Hong Kong dollar terms, whereas the growth in EBITDA was also lowered in Hong Kong dollar terms. Besides, a small portion of the pre-opening expense amounting to HK$6.9 million related to the Cordis, Hongqiao, which is expected to open in the first half of 2017, has been included in the EBITDA of the China hotels.

EBITDA of the Hotels Division also included hotel management fee income from pure managed hotels and any surplus or shortfall incurred by the Group as the lessee of LHI's hotels, which are included under the "others" breakdown of the Hotels Division's EBITDA. There was an increase in hotel management fee income in 2016, as a one-off fee was received from two pipeline hotels. Furthermore, as the performance of LHI's hotels recovered, the shortfall the Group has incurred as the lessee of LHI has dropped in 2016.

Performances of the Hong Kong hotels below were extracted from the 2016 results announcement of LHI relating to the performance of the trust group's properties.

Hotels Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	2016	2015	2016	2015	2016	2015	2016	2015
The Langham, Hong Kong	498	457	87.7%	84.7%	2,092	2,198	1,834	1,862
Cordis, Hong Kong	653	620	89.8%	89.7%	1,653	1,734	1,485	1,555
Eaton, Hong Kong	465	465	95.6%	89.5%	992	1,093	948	978
The Langham, London	297	341	85.5%	80.8%	304	294	260	238
The Langham, Boston	318	318	76.7%	84.0%	295	273	226	229
The Langham Huntington, Pasadena	380	380	72.2%	73.7%	283	263	204	194
The Langham, Chicago	316	316	70.9%	69.9%	372	352	263	246
Langham Place, Fifth Avenue, New York	214	214	71.1%	74.5%	543	549	386	409
Chelsea Hotel, Toronto	1,590	1,590	77.0%	70.2%	153	137	117	96
The Langham, Melbourne	388	388	86.2%	86.5%	300	301	258	261
The Langham, Sydney	89	88	68.0%	63.2%	435	415	296	262
The Langham, Auckland	409	409	89.8%	83.5%	206	190	185	159
The Langham, Xintiandi, Shanghai	357	357	73.6%	70.8%	1,716	1,758	1,264	1,245

HONG KONG HOTELS

After the spinoff of the Hong Kong Hotels, the financial returns on the Group’s 61.9% equity stake in the three hotels in Hong Kong were reflected through our investment in LHI, under the section “Investment in LHI”.

The Langham, Hong Kong

The Langham, Hong Kong, recorded a 1.5% decline in RevPAR in 2016, which was rather moderate as compared with the 3.6% drop in its respective High Tariff A hotel market (considered as 5-star rated hotels). The hotel benefitted from keen demand for its renovated rooms and was able to capture more travellers from Mainland China. There was also growth in arrivals from other geographical regions, which all contributed to an improved occupancy for the hotel. This was, however, offset by a decline of average room rate in 2016.

Revenue from food and beverage ("F&B") rose by 0.7% year-on-year in 2016, driven mainly by the stronger business growth at the T'ang Court as a result of the prestigious Michelin three-star rating awarded at the end of 2015. There was also revenue growth at the Bostonian, which witnessed improved business after its renovation in July 2016 with revamped menus. However, F&B revenue from banqueting business remained weak during 2016.

During 2016, the hotel achieved average occupancy of 87.7% on an average of 498 rooms (2015: 84.7% on an average of 457 rooms) and an average room rate of HK$2,092 (2015: HK$2,198).

Cordis, Hong Kong

At Cordis, Hong Kong, a year-on-year RevPAR decline of 4.5% was inferior to that of its respective High Tariff A market. However, it was mostly due to the temporary negative impact from the protests which broke out in Mongkok during the Chinese New Year in early 2016. RevPAR dropped by 18% year-on-year during February and March 2016 which dragged down the RevPAR for the full year in 2016. Nevertheless, demand picked up after the protests and growth in arrivals across most major markets was seen in the reminder of the year.

Revenue from F&B increased 4.1% year-on-year in 2016 which was mainly attributable to the improved revenue of The Place, which underwent renovation during the first quarter of 2015. Alibi also recorded a pick-up in business in 2016, offsetting an absence of income from the Tokoro Restaurant which was converted to back office since the beginning of 2016.

For the year 2016, the hotel achieved average occupancy of 89.8% on an average of 653 rooms (2015: 89.7% on an average of 620 rooms) and an average room rate of HK$1,653 (2015: HK$1,734).

Eaton, Hong Kong

The Eaton, Hong Kong recorded a 3.1% decline in RevPAR in 2016, which was more than the 2.0% decline witnessed in its respective High Tariff B hotel market (considered as 4-star rated hotel). The underperformance was due to severe room rate competition from nearby hotels. However, with flexible room rates, the hotel witnessed growth in arrivals from all major geographical regions in 2016 with an increase of 6.1 percentage points in the occupancy of the hotel in 2016, which helped to offset the 9.2% decline in the average room rate.

Revenue from F&B dropped by 8.6% year-on-year in 2016, which was mainly attributable to substantially lower banqueting revenue. However, it is worth noting that its Chinese restaurant, Yat Tung Heen, received the Michelin one-star rating in November 2016, after which there was a strong pick-up in business in December 2016.

For the year 2016, the hotel achieved average occupancy of 95.6% (2015: 89.5%) and an average room rate of HK$992 (2015: HK$1,093).

OVERSEAS HOTELS

Year-on-year growths for the overseas hotels below refer to percentage growth in local currencies.

EUROPE

The Langham, London

The renovation of 109 rooms that started in November 2015 and throughout 2016 has negatively impacted the revenue of the hotel. The renovation was originally scheduled to be completed in the third quarter of 2016, but was eventually delayed to January 2017. Although with less room inventory, the hotel witnessed an increase in both occupancy and average room rate in 2016. The higher room rate achieved was a result of the hotel's successful strategy to accommodate more high yielding retail and corporate travellers. Revenue from F&B also rose in the year, which was attributable to an improvement in both restaurants and banqueting business.

For the year 2016, the hotel achieved occupancy of 85.5% on an average of 297 available rooms (2015: 80.8% on an average of 341 available rooms) and an average room rate of £304 (2015: £294).

NORTH AMERICA

The Langham, Boston

As business from the retail and group segments was weak in the year, the hotel targeted at travellers from the corporate segment, which helped the hotel to deliver an 8% increase in average room rate in 2016. Nevertheless, the increase in demand from the corporate segment was not enough to fully offset the weaker demand from other segments, and the hotel witnessed a decline in occupancy in 2016. On the other hand, there was a moderate increase in revenue from F&B, given a pickup in catering demand and improved restaurant business. Note that phased renovations of the hotel's guestrooms will commence from February 2017.

For the year 2016, the hotel achieved average occupancy of 76.7% (2015: 84.0%) and an average room rate of US$295 (2015: US$273).

The Langham Huntington, Pasadena

The hotel witnessed a strong return in demand from high yielding group business in 2016, which helped driving room rate for the hotel with average room rate rose by 8%. However, as demand was soft from the retail and the corporate segments, there was still a small decline in the occupancy of the hotel in the year. Revenue from F&B has improved, which was driven by the increased catering business in corporate meetings and conferences.

For the year 2016, the hotel achieved average occupancy of 72.2% (2015: 73.7%) and an average room rate of US$283 (2015: US$263).

The Langham, Chicago

Since the soft opening of the hotel in late 2013, the hotel has firmly established itself as one of the most luxurious hotels in Chicago. It was awarded with a number of prestigious accolades in the lodging industry, which has helped the hotel to further raise its average room rate in 2016. With a steady mix of demand from both corporate and retail travellers, average room rate rose by 6% in 2016, whereas a small increase in occupancy was achieved. Revenue from F&B rose by 6% in the year, which was primarily driven by the increased catering business in corporate meetings and conferences.

For the year 2016, the hotel achieved occupancy of 70.9% (2015: 69.9%) and an average room rate of US$372 (2015: US$352).

Langham Place, Fifth Avenue, New York

The performance of the hotel was impacted by the room renovation that took place from January to May 2016, as well as the intense competition arising from Airbnb in the New York hotel market. Nonetheless, the completion of the refurbishment of two of the suites has helped the hotel to capture demand from the higher-yielding travellers, and as a result, there was only a modest decline in average room rate in 2016. In view of the continued intense competition in the market for large size accommodations, some of the suites will be sub-divided to create an addition of 20 standard rooms. The adaption work will start in February 2017 with targeted completion in June 2017. Revenue from F&B for the hotel declined by 21% in 2016, due to a lower revenue contributed by the bar which was closed in April 2016, whereas catering business was impacted by noise disruption from the renovation works.

For the year 2016, the hotel achieved average occupancy of 71.1% (2015: 74.5%) and an average room rate of US$543 (2015: US$549).

Chelsea Hotel, Toronto

Following the completion of the room renovation in 2015, the hotel was well placed to capture the strong demand from several large conventions, sport and music events held in the city in 2016. This allowed the hotel to deliver a growth in average room rate of 12% in 2016, while occupancy also rose by 7 percentage points. Revenue from F&B rose by 7%, driven by stronger banqueting business.

For the year 2016, the hotel achieved average occupancy of 77.0% (2015: 70.2%) and an average room rate of C$153 (2015: C$137).

AUSTRALIA/NEW ZEALAND

The Langham, Melbourne

As there was a lack of large scale high profile events in the city in 2016 compared with 2015, performance of the hotel merely remained steady in the year. The hotel managed to accommodate more travellers from the retail segment, which helped to offset a decline in demand from the corporate and group segments. Revenue from F&B also declined as catering business dropped, despite the satisfying performance delivered by the all-day dining restaurant. Note that refurbishment works of the guestrooms and common area of the hotel will commence from the second quarter of 2017.

For the year 2016, the hotel achieved occupancy of 86.2% (2015: 86.5) and an average room rate of A$300 (2015: A$301).

The Langham, Sydney

Business of the hotel continued to ramp up subsequent to its reopening in late 2014 after a major renovation. In spite of an ongoing rectification throughout most of the year to meet the high standard of the Langham brand, the hotel still managed to deliver an improvement in both occupancy and average room rate in 2016. The increase in demand was supported by retail and corporate group segments. Revenue from F&B was soft in 2016 despite the re-launch of the restaurant has started to gain recognition in the market.

For the year 2016, the hotel achieved occupancy of 68.0% on an average of 89 available rooms (2015: 63.2% on an average of 88 available rooms) and an average room rate of A$435 (2015: A$415).

The Langham, Auckland

The hotel staged a good performance in 2016 which was underpinned by the buoyant local market conditions. There was strong demand from travellers from both retail and group segments, which enabled the hotel to achieve higher occupancy and room rate in the year. Revenue from F&B rose by 13% in 2016, which was driven by an increase in revenue in both restaurants and banquet business, as well as the low base effect, as the function room for banqueting business was closed for renovation in the first quarter of 2015. Note that phased soft refurbishment of the guestrooms is scheduled in 2017.

For the year 2016, the hotel achieved average occupancy of 89.8% (2015: 83.5%) and an average room rate of NZ$206 (2015: NZ$190).

CHINA

The Langham Xintiandi, Shanghai

As demand from the group segment was soft in 2016, the hotel focused on demand from the retail leisure business, which helped driving the occupancy of the hotel. However, there was a decline in average room rate in the year as retail leisure business commanded lower room rates. Driven by improved business in the Chinese restaurant, which was awarded with a prestigious Michelin 3-star rating in the third quarter of 2016, revenue from F&B also rose in 2016.

For the year 2016, the hotel achieved occupancy of 73.6% (2015: 70.8%) and an average room rate of RMB1,716 (2015: RMB1,758).

HOTEL MANAGEMENT BUSINESS

As at the end of 2016, there are seven hotels with approximately 2,200 rooms in our management portfolio. As compared with the number of managed hotels as at the end 2015, one long-term hotel management contract was added to the growing portfolio of hotels under management, the Langham hotel in Haikou with 249 rooms.

DEVELOPMENT PROJECTS

Hong Kong and China

Hotels in Shanghai, China

In 2015, the Group completed the acquisition of the HUB hotel in bare shell condition and took possession of the hotel. The HUB hotel is directly connected to Shanghai's Hongqiao transportation hub and is situated within The HUB project, which comprises offices, retail malls and F&B outlets built by another developer. Fit-out works have started since 2016, and the hotel under the Cordis brand with approximately 400 rooms is targeted to open in the first half of 2017.

Pak Shek Kok Residential Development Project

In May 2014, the Group successfully won the tender of a 208,820 sq. ft. prime residential site in Pak Shek Kok, Tai Po, Hong Kong. Based on a total permissible gross floor area of 730,870 sq. ft. and HK$2,412 million paid for the site, this translated to a price of HK$3,300 per sq. ft., and it was the lowest price paid on a per sq. ft. basis for a residential site in the vicinity. The site commands spectacularly unobstructed sea views over Tolo Harbour and has been earmarked for a luxury residential development with 700 to 800 residential units.

In terms of development progress, the General Building Plan of the Project has been approved by the Building Authority in January 2016. Foundation works have been completed in August 2016, and superstructure works are expected to start in mid-2017. Total development cost, including the payment of HK$2,412 million for the site, is expected to be approximately HK$7,000 million.

Dalian Mixed-use Development Project

The project is located on Renmin Road in the East Harbour area of Zhongshan District, the central business district of Dalian, Liaoning Province. It has a total gross floor area of approximately 286,000 sq. m. and comprises 1,200 high-end apartments and a luxury hotel with approximately 360 rooms. The Group has an equity interest in the project, investment in the preferred shares of the project and acts as the project manager. The project is developed in two phases, Phase I comprises approximately 800 apartments and Phase II comprises the remaining apartments and the hotel. The Group's share of net asset value in the project, including HK$490 million invested in the preferred shares of the project with a fixed rate of return, was HK$971 million as at the end of 2016.

While the entire Phase I development is expected to complete in 2018, the 800 apartments under Phase I will be completed in batches, and the pre-sold apartments will be handed to buyers once they are completed. As at the end of 2016, 220 apartments of the first batch pre-sold apartments were completed and handed to buyers. While there was a development profit from the recognition of 220 apartments, such profit turned to a loss after providing for a disproportionate share of the estimated land appreciation tax for the project as a whole. As a result, there was a after-tax loss of HK$7.5 million for our interest in the project in 2016 results in relation to the recognition of these 220 apartments. Our share of the loss amounting to HK$7.5 million was included under share of profits of joint ventures in the Group's 2016 core profit. As mentioned in the Management Discussion and Analysis as disclosed in our interim report for the six months ended 30 June 2016, the low return for the project was a result of the sluggish real estate market in Dalian coupled with high construction costs due to difficult construction management conditions.

Japan

Tokyo Hotel Redevelopment Project

In June 2016, the Group had successfully completed the acquisition of a hotel redevelopment site situated in Roppongi, Tokyo for JPY22.2 billion. The site with an estimated total building area of about 36,000 sq. m. is located in close proximity to the landmark Roppongi Hills Midtown, and construction on the site is expected to start in 2018 following completion of the demolition work on the existing buildings sometimes in 2017. World renowned architect, Kengo Kuma & Associates has been commissioned to design this 250-key flagship Langham Place Hotel in Central Tokyo. Total investment cost, including the sum of JPY22.2 billion to be paid for the site, is expected to be approximately JPY48 billion and will be mostly funded by bank loans with a low interest rate.

United States

Hotel in Washington D.C., USA

The Group acquired a 265-key hotel in Washington, D.C., USA in July 2014, for US$72 million. The hotel is located in the heart of downtown Washington in the proximity of the White House. The hotel has been closed since 15 December 2014 for a major renovation and will reopen as a brand new 260-key "Eaton" hotel. The Eaton brand is the Group's revamped lifestyle brand that focuses on younger and more socially oriented travellers. The layout and design for the guest rooms have been confirmed, and renovation is expected to start in the first half of 2017 and the hotel is expected to open in late 2017.

San Francisco Hotel Development Project, 1125 Market Street

The Group acquired a site in San Francisco for US$19.8 million in May 2015. The land located at 1125 Market Street was the last remaining vacant lot in San Francisco's Central Market district and is situated opposite to San Francisco's City Hall and numerous cultural venues nearby. The Central Market area has transformed rapidly in recent years amid increasing presence interest from the global headquarters of technology companies such as Twitter, Uber and Square Dolby. The site has been earmarked for the development of an "Eaton" hotel with a gross floor area of approximately 125,000 sq. ft. It is planned to be developed as a 150-key hotel, construction of the project will start after development right of the hotel is approved by the city's planning department. The famous AvroKO group has been commissioned as the interior designer for this iconic Eaton Hotel project. Currently, we expect development approval will be granted in 2017, and later than our original projection of receiving the approval in late 2016 as we needed more time in optimising the design of the hotel. The opening of the hotel is now expected to be in 2020.

San Francisco Hotel Redevelopment Projects, 555 Howard Street

555 Howard Street is a mixed-use development project located right across the new Transbay Transit Center, which is a US$4.5 billion transportation hub in the heart of San Francisco's emerging south of market business district. The Group has completed the acquisition of this untitled site with an estimated gross floor area of 430,000 sq. ft. for US$45.6 million in April 2015. The project is expected to comprise a luxury Langham Place hotel with approximately 240 rooms and approximately 65 condominiums with 100,000 net sq. ft. for-sale. The world renowned international architect Renzo Piano Building Workshop has been commissioned to design this prestigious project. Construction of the project will start once the development is approved by the city's planning department, which is expected to be in 2017/2018.

Seattle Development project, 1931 Second Avenue

The Group acquired a site in downtown Seattle for US$18 million in December 2016. The site is located at one of the highest points of downtown Seattle and near the famous Pike Place market. The site has an area of approximately 19,400 sq. ft. The site is entitled for a 17-storey hotel. However, we shall explore other available options to further enhance the development of this site.

INCOME FROM CHAMPION REIT

The Group's core profit is based on attributable distribution income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in 2016 rose by 20.7% year-on-year to HK$1,216.0 million. Whilst distribution per unit declared by Champion REIT rose by 15.6% in 2016 as compared with 2015, our attributable dividend income from Champion REIT rose by 22.0% as compared with 2015 as a result of our increased holdings in Champion REIT. Management fee income, which included asset management income from Champion REIT, rose by 17.6% year-on-year to HK$344.4 million in 2016.

	Year ended 31 December		
	2016	**2015**	**Change**
	HK$ million	***HK$ million***	
Attributable Dividend income	871.6	714.7	22.0%
Management fee income	344.4	292.9	17.6%
Total income from Champion REIT	**1,216.0**	**1,007.6**	**20.7%**

The following texts were extracted from the annual results announcement of Champion REIT for the year of 2016 relating to the performance of the REIT's properties.

Three Garden Road

During 2016, occupancy of Three Garden Road office stood at 95.9% at the end of 2016, improved from 91.2% as at 31 December 2015. The growth momentum in rental income continued throughout 2016, with the full year impact of the significant improvement in occupancy in 2015 being recognised this year. Rental income of the property for 2016 grew by 19.7% to HK$1,157 million compared with HK$966 million last year. This considerable growth was mainly due to the improvement in occupancy, as well as moderate growth in passing rents, compared with HK$75.39 per lettable sq. ft as at 31 December 2015, passing rents as at 31 December 2016 improved to HK$78.20 per lettable sq. ft. Net property income for 2016 recorded a meaningful increase of 26.7% to HK$1,040 million from HK$821 million in 2015.

Langham Place Office Tower

As well as maintaining full occupancy, the property again achieved positive rental reversion. Total rental income increased by 6.1% to HK$325 million for 2016, compared with HK$306 million for last year. Passing rents recorded steady growth to HK$39.66 per sq. ft. based on gross floor area as at 31 December 2016, compared with HK$37.50 per sq. ft. as at 31 December 2015. Due to higher tenancy turnover in 2016, rental commissions for the property increased by HK$5 million, with net property operating expenses rising by HK$7 million as a result. Net property income increased by 4.1% to HK$295 million from HK$283 million in 2015.

Langham Place Mall

Total rental income of the Mall increased by 3.4% to HK$817 million in 2016, compared with HK$790 million in 2015. Passing base rents grew to HK$178.74 per sq. ft. (based on lettable area) as at 31 December 2016 compared with HK$174.54 per sq. ft. as at 31 December 2015. Tenants' sales in the Mall reduced 4.9 % year-on-year during 2016, narrowing from a 6.4% decline in the first half of the year and again outperforming the Hong Kong overall retail sales figures, which declined 8.1% in 2016. However, the slowdown in tenants' retail sales has negatively affected the turnover rent portion. Turnover rent for 2016 declined to HK$86 million, compared with HK$92 million for 2015. Net property income increased marginally by 1.8% to HK$692 million, compared with HK$680 million in 2015.

INVESTMENT IN LHI

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

In 2016, there was an increase in the hotels' revenue as overnight arrivals to Hong Kong stabilises and there were more available rooms in LHI's hotel portfolio after the renovations in 2015. Furthermore, as the Group has increased its holdings in LHI, these have resulted in a 9.1% year-on-year increase in distribution income from LHI. The distribution has already taken into account distribution entitlement in respect of our 100 million share stapled units held for 2016. The number of distribution waiver units will drop to 50 million share stapled units for the financial year 2017, and all of our holdings will be entitled to receive distribution payable from 2018 onwards.

It was a gesture by the Group, as a major investor of LHI to waive part of its distributions so as to minimise dilution impact on initial yield to other investors. The dilution arose from additional units issued at the time of the initial public offering. The additional capital has been raised to fund asset enhancement initiatives on the initial portfolio, which should help support value of the properties of LHI going forward.

	Year ended 31 December		
	2016	**2015**	**Change**
	HK$ million	***HK$ million***	
Attributable Distribution income	300.8	275.7	9.1%

INVESTMENT PROPERTIES

	Year ended 31 December		
	2016	**2015**	**Change**
Gross rental income	***HK$ million***	***HK$ million***	
Great Eagle Centre	139.6	143.4	-2.6%
Eaton Serviced Apartments	51.2	47.2	8.5%
Others*	52.7	45.8	15.1%
	243.5	**236.4**	**3.0%**
Net rental income			
Great Eagle Centre	137.2	133.0	3.2%
Eaton Serviced Apartments	31.7	28.6	10.8%
Others*	12.1	12.9	-6.2%
	181.0	**174.5**	**3.7%**

* Rental income of the 2700 Ygnacio property in the U.S was included in "Others".

Great Eagle Centre

The occupancy of the Great Eagle Centre dropped from 98.2% as at the end of 2015 to 95.3% as at the end of 2016, as a majority of the incremental increase in available area are reserved for the Group's in-house expansion, which will be occupied by the Group since the first half of 2017. Otherwise, occupancy of the Great Eagle Centre would be stable as at the end of 2016 as compared with last year. Meanwhile, spot rents at the Great Eagle Centre rose from the mid-HK$60s per sq. ft. on lettable area as at the end of 2015 to around HK$70s per sq. ft. as at the end of 2016. As a result, there was a 2.2% growth in average passing rent for the leased office space at the Great Eagle Centre, which increased from HK$64.8 per sq. ft. on lettable area as at 31 December 2015 to HK$66.2 per sq. ft. as at 31 December 2016.

Overall gross rental income for the Great Eagle Centre, which included retail rental income and other income, dropped by 2.6% to HK$139.6 million in 2016, which was mainly attributable to the absence of rental income after the expiry of a lease for a large signage space since late 2015. On the other hand, net rental income increased by 3.2% to HK$137.2 million in 2016 given a higher cost base for comparison in 2015, when additional maintenance capital expenditure was incurred.

	As at the end of		
	December 2016	December 2015	Change
Office (on lettable area)			
Occupancy	**95.3%**	98.2%	*- 2.9ppt*
Average passing rent	**HK$66.2**	HK$64.8	*2.2%*

Retail (on lettable area)			
Occupancy	**99.3%**	99.4%	*- 0.1ppt*
Average passing rent	**HK$99.4**	HK$98.2	*1.2%*

Eaton Serviced Apartments

There was an increase in the overall occupancy of the three serviced apartments, which increased from 75.8% in 2015 to 78.8% in 2016. The increase was driven primarily by the improved occupancy of the serviced apartment at the Village Road property, which had a low level of occupancy in 2015 due to scaffolding and facelift works that negatively impacted demand. The Wanchai Gap Road property also benefitted from the increased demand from the leisure segment which boosted its occupancy, while performance of the Blue Pool Road property was negatively impacted by nearby competitions and achieved lower occupancy in 2016.

However, as competitions remain keen, average net passing rent for the three serviced apartments was only flat in 2016 and remained at HK$48.2 per sq. ft. on gross floor area in 2016. Gross rental income rose by 8.5% to HK$51.2 million in 2016, whereas net rental income increased by 10.8% to HK$31.7 million in 2016.

	Year ended 31 December		
	2016	2015	Change
(on gross floor area)			
Occupancy	**78.8%**	75.8%	*3.0ppt*
Average passing rent	**HK$48.2**	HK$48.2	-

The U.S. Fund

As part of the Group’s effort to expand our asset-light asset management business, the Group has established a U.S. Real Estate Fund in 2014, which targets at office and residential property investments in the United States. As at the end of 2016, the Group held 49.97% interest in the U.S. Fund and acts as the fund’s key asset manager with a 80% stake in the asset management company, and the remaining interest was held by China Orient Asset Management (International) Holding Limited.

While the financials of the U.S. Fund are consolidated into the Group’s financial statements under statutory accounting principles, the Group’s core profit is based on distribution received from the U.S. Fund, as well as our share of asset management fee income from the U.S. Fund. The Group’s core balance sheet is based on our share of net asset in the U.S. Fund. Since the establishment of the U.S. Fund, other than properties transferred by the Group which have been sold with a strong return in 2016, the U.S. Fund had acquired several projects and updates of which are as follows.

The Austin

The site, located at 1545 Pine Street, San Francisco was acquired for US$21 million in January 2015. The site is situated in the trendy Polk Street neighbourhood, in proximity to the traditional luxury residential areas of Nob Hill and Pacific Heights. The development with gross floor area of approximately 135,000 sq. ft. will comprise 100 studio and one- and two-bedroom residences. Total investment cost for the project, including the US$21 million paid for the site, is expected to be approximately US$83 million. Construction work on the site has started in the first quarter of 2016 and the topping off of the building was celebrated in November 2016. The project is targeted for completion in the second half of 2017. Soft marketing on the sale of this condominium project has begun in the second quarter of 2016, and the project will be officially launched in early 2017.

Cavalleri, Malibu

The acquisition of the residential property in Malibu, California was completed in September 2015 for US$62 million. The strategy is to reposition its 68 rental apartment units into high-end for-sale condominiums. Malibu is a sought-after high-end coastal residential area in Los Angeles, where regulatory development constraints establish high barriers to entry and currently no similar competing properties are available for sale or under development. Renovation works has commenced since the second quarter of 2016 after vacant possession of all units had been taken. Soft marketing on the sale of the apartment units has begun in the second quarter of 2016, whereas the formal launch of the project will be in the first half of 2017.

Dexter Horton

The office building in Seattle the U.S. Fund had acquired is known as the Dexter Horton Building, a historic building named after the founder of Seattle First Bank. It is a 15-storey building with a rentable floor area of 336,355 sq. ft. and is located at 710 Second Avenue in Seattle’s central business district. The building was acquired by the U.S. Fund for US$124.5 million in September 2015.

In 2016, as the asset manager of the U.S. Fund, we have sold the Fund's three office towers in San Francisco for a very attractive return, and resulted in a distribution income from the U.S. Fund of HK$280.6 million attributable to our interest in the Fund in 2016. The Group also booked a disposal gain to reflect the deferred profit when we transferred the office buildings to the U.S. Fund in 2014. Furthermore, the Group booked HK$89.6 million (2015: HK$44.0 million) in asset and property fee income from the U.S. Fund, which was included under "Other Operations" in the Group's operating income. The significant increase in asset and property fee income was due to the booking of a disposal fee income, which was based on the sale price of the disposed properties.

OUTLOOK

Among the outcomes of major geopolitical events in 2016, it was the unexpected presidential election results in the U.S. that could set the stage for significant changes in the global economy in 2017. If drastic changes in trade and foreign policies are pushed through in the U.S., they could have serious negative implications for global economic growth. At the same time, we should not underestimate the adverse impacts arising from higher U.S. interest rates on the global economy as global financial conditions may tighten. Other geopolitical events like the elections in Eurozone, slightly uncertain China economy, and the Middle East problems can also cause volatility in world markets and economic conditions. Overall, macro conditions could become more challenging going forward, and we must stay vigilant and be ready to respond to any slowdown in our business.

As for the Hotels Division, the opening of the Cordis hotel in Hongqiao, Shanghai in the first half of 2017 and the Eaton hotel in Washington D.C. in late 2017 will mark another key milestone in our long term plan to expand our global footprint and international brand recognition. However, the associated one-off pre-opening expenses will also be booked in 2017. In addition, renovations of different scale of the Group's certain hotels will also have a negative impact on the EBITDA of the overseas hotels division in 2017. Nonetheless, in the longer term we expect there will be further improvements in the EBITDA of the ramped up and renovated hotels, which should help to offset much of the negative impact arising from the hotel renovations and the pre-opening expenses to be recognised.

For hotels in Hong Kong, although RevPARs of Hong Kong's hotels have largely stabilised in 2016, worrying signs including the recent strength of the Hong Kong dollar are emerging once again in 2017 which may affect demand for hotel rooms. For LHI, the phased refurbishment of the ballroom and dining area at the Eaton, Hong Kong from mid-2017 will result in lower F&B and possibly room revenue in 2017. In addition, higher interest expense and cash tax payment due to depletion of tax loss carry forward will result in lower distributable income for LHI in 2017.

For Champion REIT, after achieving a respectable growth and a record high in distributable income in 2016, rental income growth momentum is expected to moderate in the coming year. At the property portfolio level, Three Garden Road and Langham Place Office should continue to deliver growth in 2017, however, Langham Place Mall is expected to encounter downside risk in rental reversion. The overall rental income from the existing properties portfolio is expected to be stable in 2017.

Not only will the softer performance of our core business weigh on the core profit of 2017. The recognition of a major asset disposal gain in 2016 has also materially raised the base for comparison for the 2017's core profit, which might result in a decline in core profit for 2017. Nonetheless, the prudent and targeted expansion strategy that we have put in place over the past several years should drive the Group's long term earnings growth. Meanwhile, we are well placed to pursue acquisitions, as we have a strong balance sheet, and we will continue to explore value-added investments in global markets where asset values are cyclically suppressed.

FINANCIAL REVIEW

DEBT

On statutory basis, after consolidating the results of Champion REIT, LHI and the U.S. Fund, the consolidated net debts of the Group as of 31 December 2016 was HK$21,589 million, an increase of HK$1,132 million compared to that as of 31 December 2015. The increase in reported net borrowings at the balance sheet date was mainly due to payment of a special dividend and new bank loans for financing the acquisition of a property in Japan and development of a project in Pak Shek Kok.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2016 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$55,847 million, representing an increase of HK$1,514 million compared to the value of HK$54,333 million as of 31 December 2015. The increase was mainly attributable to profit for the year, increase in share premium from additional shares issued under employee share option scheme and after offsetting by dividends paid out and exchange loss from translating foreign entities during the year.

For statutory accounts reporting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT, LHI and the U.S. Fund. Based on the consolidated net debts attributable to the Group (i.e only 65.50%, 61.90% and 49.97% of the net debts of Champion REIT, LHI and the U.S. Fund respectively) and equity attributable to shareholders, the gearing ratio of the Group as at 31 December 2016 was 24.9%. Since the debts of these three subsidiary groups had no recourse to the Group, we consider it is more meaningful to account for the Group's own net debts instead of attributable consolidated net debts against the Group's sharing of net assets of those subsidiaries, and the resulting net position is illustrated below.

Net debts at 31 December 2016	**On Consolidated Basis**	**On Core Balance Sheet Basis**
	HK$ million	**HK$ million**
Great Eagle	**338**	**338**
Champion REIT	**13,881**	**-**
LHI	**6,562**	**-**
U.S. Fund	**808**	**-**
Net debts	**21,589**	**338**

Net debts attributable to Shareholders of the Group	**13,896**	**338**
Equity Attributable to Shareholders of the Group	**55,847**	**64,614**
Net Gearing ratio^	**24.9%**	**0.5%**

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

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

INDEBTEDNESS

Our gross debts (including medium term note) after consolidating Champion REIT, LHI and the U.S. Fund amounted to HK$28,369 million as of 31 December 2016. Foreign currency gross debts as of 31 December 2016 amounted to the equivalent of HK$8,897 million, of which the equivalent of HK$2,996 million or 34% was on fixed-rate basis.

FINANCE COST

The net consolidated finance cost including borrowing cost capitalised for property under development during the year was HK$598 million. Overall interest cover at the reporting date was 5.6 times.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2016, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$6,898 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding gross debts (including medium term note) as of 31 December 2016:

Within 1 year	8.8%
1-2 years	6.4%
3-5 years	71.0%
Over 5 years	13.8%

PLEDGE OF ASSETS

At 31 December 2016, properties of the Group with a total carrying value of approximately HK$54,923 million (31 December 2015: HK$64,691 million), US dollars and HK dollars deposit with equivalent amount of HK$631 million (31 December 2015: HK$621 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2016, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$3,135 million (31 December 2015: HK$1,308 million) of which HK$442 million (31 December 2015: HK$292 million) has been contracted for.

At 31 December 2016, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to HK$33 million) (31 December 2015: RMB25.8 million) and cash commitment to the China Fund of US$46 million (equivalent to HK$357 million) (31 December 2015: US$46 million).

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

FINAL DIVIDEND AND SPECIAL FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK48 cents per share (2015: HK47 cents per share) and a special final dividend of HK50 cents per share (2015: HK$2.00 per share) for the year ended 31 December 2016 to the Shareholders subject to the approval of the Shareholders at the forthcoming 2017 Annual General Meeting (the "2017 AGM").

Taken together with the interim dividend of HK27 cents per share paid on 14 October 2016, the total dividend for the year 2016 is HK$1.25 per share (2015 total dividend: HK$2.74 per share, comprising an interim dividend of HK27 cents, a final dividend of HK47 cents and a special final dividend of HK$2.00).

Shareholders will be given the option to receive the proposed 2016 final dividend of HK48 cents in new shares in lieu of cash (the "Scrip Dividend Arrangement") and special final dividend of HK50 cents will be paid in the form of cash. The Scrip Dividend Arrangement is subject to: (1) the approval of the proposed 2016 final dividend and special final dividend at the 2017 AGM; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in May 2017. Dividend warrants and share certificates in respect of the proposed 2016 final dividend and special final dividend are expected to be despatched to the Shareholders on 22 June 2017.

CLOSURE OF REGISTERS OF MEMBERS

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

(i) To attend and vote at the 2017 AGM

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2017 AGM, the Registers of Members will be closed from Thursday, 4 May 2017 to Wednesday, 10 May 2017, both days inclusive.

In order to be eligible to attend and vote at the 2017 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrar") of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 May 2017.

(ii) To qualify for the proposed 2016 final dividend and special final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2016 final dividend and special final dividend, the Registers of Members will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive.

In order to qualify for the proposed 2016 final dividend and special final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration not later than 4:30 p.m. on Tuesday, 16 May 2017.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2017 AGM of the Company will be held on Wednesday, 10 May 2017. The notice of 2017 AGM together with the 2016 Annual Report and all other relevant documents (the "Documents") will be despatched to the Shareholders by or around the end of March 2017. The Documents will also be published on the Company's website at www.greateagle.com.hk and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year, the Company has complied with most of the code provisions and where appropriate, adopted some of the recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report ("CG Code"). Set out below are the details of the deviations from the code provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

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

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

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

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

Under the existing Bye-laws, the Executive Chairman and Managing Director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Notwithstanding that Dr. Lo is not subject to retirement by rotation, he will disclose his biographical details in accordance with Rule 13.74 of the Listing Rules in the circular to the Shareholders in relation to the re-election of retiring Directors to be issued by or around the end of March 2017.

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

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

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

Madam Lo To Lee Kwan, a Non-executive Director of the Company, is the co-founder of the Group. She was actively involved in the early stage of development of the Group and has valuable contribution to the growth and success of the Group over the years. Since she is relatively inactive in the Group’s business in recent years, she has not participated in the 2016 Director Development Program provided by the Company.

Rule 3.10A requires that the Company must appoint Independent Non-executive Directors representing at least one-third of the board

Following the appointment of two additional Executive Directors to the Board on 2 December 2015, the number of Independent Non-executive Directors of the Board was less than one-third of the members of the Board. Upon the appointment of Mr. Lee Siu Kwong, Ambrose as an Independent Non-executive Director with effect from 28 January 2016, the Company had then fulfilled the requirement of Rule 3.10A of the Listing Rules and within three months from 2 December 2015 as required under Rule 3.11 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and Relevant Employees of the Company ("Code of Conduct for Securities Transactions") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

NEW SHARES ISSUED

As at 31 December 2016, the total number of issued shares of the Company was 677,469,835. A total of 12,744,818 new shares were issued during the year.

- On 22 June 2016, 8,623,818 new shares were issued at the price of HK$27.08 per share pursuant to the Scrip Dividend Arrangement in respect of the 2015 final dividend. Details of the Arrangement were set out in the announcement published by the Company on 20 May 2016 and the circular to the Shareholders dated 25 May 2016 respectively.

- During the year ended 31 December 2016, 4,121,000 new shares were issued pursuant to exercise of share options under the Share Option Scheme of the Company by Directors and employees of the Company or its subsidiaries.

PUBLIC FLOAT

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

AUDIT COMMITTEE

The final results of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Dr. LO Ka Shui (Chairman and Managing Director), Mr. LO Kai Shui (Deputy Managing Director), Mr. LO Hong Sui, Antony, Madam LAW Wai Duen, Mr. LO Chun Him, Alexander, Mr. KAN Tak Kwong (General Manager) and Mr. CHU Shik Pui being the Executive Directors; Madam LO TO Lee Kwan, Mr. LO Hong Sui, Vincent and Dr. LO Ying Sui being the Non-executive Directors; and Mr. CHENG Hoi Chuen, Vincent, Professor WONG Yue Chim, Richard, Mrs. LEE Pui Ling, Angelina, Mr. LEE Siu Kwong, Ambrose and Professor POON Ka Yeung, Larry being the Independent Non-executive Directors.

By Order of the Board
Great Eagle Holdings Limited
LO Ka Shui
Chairman and Managing Director

Hong Kong, 28 February 2017

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Revenue	4	**8,648,500**	8,270,902
Cost of goods and services		**(4,745,415)**	(4,809,646)
Operating profit before depreciation		**3,903,085**	3,461,256
Depreciation		**(590,428)**	(606,464)
Operating profit		**3,312,657**	2,854,792
Other income	6	**107,549**	433,949
Fair value changes on investment properties		**2,530,733**	3,011,940
Reversal of impairment loss in respect of a hotel property		**-**	284,370
Fair value changes on derivative financial instruments		**52,230**	1,767
Fair value changes on financial assets at fair value through profit or loss		**1,113**	(45,041)
Impairment loss on available-for-sale investments		**-**	(45,824)
Impairment loss on loan receivable		**(199,143)**	-
Administrative and other expenses		**(449,168)**	(512,816)
Finance costs	7	**(643,875)**	(686,545)
Share of results of joint ventures		**(20,190)**	(19,925)
Share of results of associates		**438**	(3,442)
Profit before tax		**4,692,344**	5,273,225
Income taxes	8	**(572,598)**	(539,172)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	9	**4,119,746**	4,734,053
Profit for the year attributable to:			
Owners of the Company		**2,769,792**	3,312,335
Non-controlling interests		**201,626**	174,432
		2,971,418	3,486,767
Non-controlling unitholders of Champion REIT		**1,148,328**	1,247,286
		4,119,746	4,734,053
Earnings per share:	11		
Basic		**HK$4.10**	HK$4.98
Diluted		**HK$4.09**	HK$4.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$'000	2015 HK$'000
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	**4,119,746**	4,734,053
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on available-for-sale investments	**(16,198)**	18,361
Reclassification adjustment on impairment of available-for-sale investments	**-**	45,824
Reclassification adjustment upon disposal of available-for-sale investments	**(344)**	(76,539)
Exchange differences arising on translation of foreign operations	**(330,570)**	(412,945)
Share of other comprehensive expense of joint ventures	**(44,743)**	(26,116)
Share of other comprehensive income of associates	**15,437**	5,981
Cash flow hedges:		
Fair value adjustment on cross currency swaps designated as cash flow hedge	**105,378**	(70,701)
Reclassification of fair value adjustments to profit or loss	**(3,552)**	(842)
Other comprehensive expense for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**(274,592)**	(516,977)
Total comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**3,845,154**	4,217,076
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,458,195**	2,822,126
Non-controlling interests	**201,508**	174,333
	2,659,703	2,996,459
Non-controlling unitholders of Champion REIT	**1,185,451**	1,220,617
	3,845,154	4,217,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties		**73,046,520**	73,975,154
Property, plant and equipment		**18,611,570**	17,155,227
Deposit for acquisition of property, plant and equipment		**-**	142,868
Interests in joint ventures		**1,067,143**	533,507
Interests in associates		**80,886**	69,164
Loan receivables		**21,398**	211,409
Notes receivable		**244,062**	253,514
Available-for-sale investments		**1,276,988**	1,467,334
Derivative financial instruments		**64,203**	-
		94,412,770	93,808,177
Current assets			
Stock of properties		**3,638,070**	3,151,545
Inventories		**105,810**	127,906
Debtors, deposits and prepayments	12	**963,492**	868,814
Financial assets at fair value through profit or loss		**299,361**	368,903
Derivative financial instruments		**9,951**	-
Notes receivable		**-**	20,248
Tax recoverable		**3,777**	11,010
Pledged bank deposits		**631,489**	620,790
Restricted cash		**289,953**	132,652
Bank balances and cash		**5,857,951**	6,078,152
		11,799,854	11,380,020
Asset classified as held for sale		**116,310**	-
		11,916,164	11,380,020
Current liabilities			
Creditors, deposits and accruals	13	**3,476,088**	3,176,466
Derivative financial instruments		**-**	121
Provision for taxation		**191,070**	137,760
Distribution payable		**240,286**	221,933
Borrowings due within one year		**2,495,416**	9,968,284
		6,402,860	13,504,564
Net current assets (liabilities)		**5,513,304**	(2,124,544)
Total assets less current liabilities		**99,926,074**	91,683,633

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	2016	2015
	HK$'000	HK$'000
Non-current liabilities		
Derivative financial instruments	**247**	70,319
Borrowings due after one year	**21,879,695**	13,581,971
Medium term notes	**3,814,384**	3,609,826
Deferred taxation	**1,303,566**	1,378,399
	26,997,892	18,640,515
NET ASSETS	**72,928,182**	73,043,118
Equity attributable to:		
Owners of the Company		
Share capital	**338,735**	332,363
Share premium and reserves	**55,508,577**	54,000,282
	55,847,312	54,332,645
Non-controlling interests	**(353,623)**	641,548
	55,493,689	54,974,193
Net assets attributable to non-controlling unitholders of Champion REIT	**17,434,493**	18,068,925
	72,928,182	73,043,118

1. GENERAL

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development and investment, hotel and restaurant operations, trading of building materials, share investment, provision of property management and maintenance services.

The consolidated financial statements are presented in Hong Kong dollars, 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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions 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

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:

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of HKFRS 9 and HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 and HKFRS 15 until the Group performs a detailed review.

The Directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2015.

4. REVENUE

Revenue represents the aggregate of gross rental income, building management service income, income from hotel operations, proceeds from sales of building materials, dividend income from investments, property management and maintenance income, property agency commission and income from restaurant operations.

	2016 HK$'000	2015 HK$'000
Property rental income from investment properties	**2,749,214**	2,510,014
Building management service income	**283,335**	250,903
Hotel income	**5,198,237**	5,091,259
Sales of goods	**193,081**	228,071
Dividend income	**24,433**	22,254
Others	**200,200**	168,401
	8,648,500	8,270,902

5. SEGMENT INFORMATION

Operating segments are identified on the basis of organisational structure and internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of Pacific Eagle (US) Real Estate Fund, L.P. and its subsidiaries (collectively referred to as "US Real Estate Fund") and each listed group, including Great Eagle Holdings Limited, Champion Real Estate Investment Trust ("Champion REIT") and Langham Hospitality Investments and Langham Hospitality Investments Limited ("Langham"). In current year, the CODM would separately review the property development segment. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

Property investment	-	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Property development	-	income from selling of properties for sale.
Hotel operation	-	hotel accommodation, food and banquet operations as well as hotel management.
Other operations	-	sales of building materials, restaurant operation, investment in securities, provision of property management, maintenance and property agency services.
Results from Champion REIT	-	based on published financial information of Champion REIT.
Results from Langham	-	based on published financial information of Langham.
US Real Estate Fund	-	based on rental income and related expenses of the properties owned by the US Real Estate Fund.

5. SEGMENT INFORMATION - continued

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, Directors' salaries, share of results of joint ventures, share of results of associates, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets at fair value through profit or loss ("FVTPL"), reversal of impairment loss in respect of a hotel property, impairment loss on available-for-sale ("AFS") investments, impairment loss on loan receivable, other income, finance costs and income taxes. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

Segment revenue and results

2016

	Property investment HK$'000	Property development HK$'000	Hotel operation HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	243,538	-	5,198,237	417,714	5,859,489	2,540,567	5,674	242,770	-	8,648,500
Inter-segment revenue	-	-	70,018	431,720	501,738	16,527	700,705	-	(1,218,970)	-
Total	243,538	-	5,268,255	849,434	6,361,227	2,557,094	706,379	242,770	(1,218,970)	8,648,500

Inter-segment revenue are charged at mutually agreed prices and are recognised when services are provided.

	Property investment HK$'000	Property development HK$'000	Hotel operation HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	180,984	-	720,625	589,336	1,490,945	1,783,332	593,712	44,415	(9,319)	3,903,085
Depreciation					(398,068)	-	(191,540)	-	(820)	(590,428)
Operating profit after depreciation					1,092,877	1,783,332	402,172	44,415	(10,139)	3,312,657
Fair value changes on investment properties					308,391	2,001,856	-	222,786	(2,300)	2,530,733
Fair value changes on derivative financial instruments					20,435	-	31,795	-	-	52,230
Fair value changes on financial assets at FVTPL					1,113	-	-	-	-	1,113
Impairment loss on loan receivable					(199,143)	-	-	-	-	(199,143)
Other income					47,325	-	-	4,877	(620)	51,582
Administrative and other expenses					(410,072)	(22,546)	(13,013)	(10,126)	6,589	(449,168)
Net finance costs					(91,914)	(335,803)	(116,577)	(43,614)	-	(587,908)
Share of results of joint ventures					(20,190)	-	-	-	-	(20,190)
Share of results of associates					438	-	-	-	-	438
Profit before tax					749,260	3,426,839	304,377	218,338	(6,470)	4,692,344
Income taxes					(267,455)	(245,257)	(59,986)	-	100	(572,598)
Profit for the year					481,805	3,181,582	244,391	218,338	(6,370)	4,119,746
Less: Profit attributable to non-controlling interests/non-controlling unitholders of Champion REIT					(9,440)	(1,148,328)	(93,346)	(98,840)	-	(1,349,954)
Profit attributable to owners of the Company					472,365	2,033,254	151,045	119,498	(6,370)	2,769,792

5. SEGMENT INFORMATION - continued

Segment revenue and results - continued

2015

	Property investment HK$'000	Property development HK$'000	Hotel operation HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	236,430	-	5,091,259	418,726	5,746,415	2,272,562	5,425	246,500	-	8,270,902
Inter-segment revenue	-	-	67,813	349,497	417,310	16,742	676,769	-	(1,110,821)	-
Total	236,430	-	5,159,072	768,223	6,163,725	2,289,304	682,194	246,500	(1,110,821)	8,270,902

Inter-segment revenue are charged at mutually agreed prices and are recognised when services are provided.

	Property investment HK$'000	Property development HK$'000	Hotel operation HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	174,474	-	593,446	509,698	1,277,618	1,569,588	563,373	71,667	(20,990)	3,461,256
Depreciation					(437,253)	-	(168,391)	-	(820)	(606,464)
Operating profit after depreciation					840,365	1,569,588	394,982	71,667	(21,810)	2,854,792
Fair value changes on investment properties					331,782	2,278,528	-	404,930	(3,300)	3,011,940
Fair value changes on derivative financial instruments					1,767	-	-	-	-	1,767
Fair value changes on financial assets at FVTPL					(45,041)	-	-	-	-	(45,041)
Impairment loss on AFS investments					(45,824)	-	-	-	-	(45,824)
Reversal of impairment on a hotel property					284,370	-	-	-	-	284,370
Other income					263,600	2,686	-	-	-	266,286
Administrative and other expenses					(431,988)	(14,742)	(22,521)	(51,076)	7,511	(512,816)
Net finance costs					(27,011)	(322,837)	(122,589)	(46,445)	-	(518,882)
Share of results of a joint venture					(19,925)	-	-	-	-	(19,925)
Share of results of associates					(3,442)	-	-	-	-	(3,442)
Profit before tax					1,148,653	3,513,223	249,872	379,076	(17,599)	5,273,225
Income taxes					(238,023)	(208,210)	(57,223)	-	(35,716)	(539,172)
Profit for the year					910,630	3,305,013	192,649	379,076	(53,315)	4,734,053
Less: Profit attributable to non-controlling interests/non-controlling unitholders of Champion REIT					(5,573)	(1,247,286)	(77,756)	(191,012)	99,909	(1,421,718)
Profit attributable to owners of the Company					905,057	2,057,727	114,893	188,064	46,594	3,312,335

6. OTHER INCOME

	2016	2015
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**37,844**	126,967
Financial assets designated at FVTPL	**5,002**	25,284
Listed debt securities	**-**	190
Notes receivable	**9,738**	9,912
Others	**3,383**	5,310
	55,967	167,663
Gain on disposal of equity securities	**344**	79,323
Gain on deemed disposal of an associate	**-**	110,322
Recovery of bad debts	**1,062**	4,696
Gain on repurchase of medium term notes	**-**	2,686
Income arising from historical tax credit	**41,403**	41,906
Injection premium from an investor of US Real Estate Fund	**4,878**	-
Late admission fee received from an investor of US Real Estate Fund	**-**	23,114
Sundry income	**3,895**	4,239
	107,549	433,949

7. FINANCE COSTS

	2016	2015
	HK$'000	HK$'000
Interest on bank borrowings	**411,303**	459,760
Interest on other loans	**8,589**	14,467
Interest on medium term notes	**126,810**	122,993
Other borrowing costs	**107,552**	89,325
	654,254	686,545
Less: amount capitalised	**(10,379)**	-
	643,875	686,545

8. INCOME TAXES

	2016	2015
	HK$'000	HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**320,270**	251,487
Other jurisdictions	**303,223**	47,357
	623,493	298,844
Under(over)provision in prior years:		
Hong Kong Profits Tax	**1,805**	(3,256)
Other jurisdictions	**439**	(10,563)
	2,244	(13,819)
	625,737	285,025
Deferred tax:		
Current year	**(49,859)**	263,693
Overprovision in prior years	**(3,280)**	(1,908)
Attributable to change in tax rate	**-**	(7,638)
	(53,139)	254,147
	572,598	539,172

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. PROFIT FOR THE YEAR

	2016	2015
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**2,169,540**	2,126,027
Share-based payments (including Directors' emoluments)	**11,293**	12,943
	2,180,833	2,138,970
Depreciation	**590,428**	606,464
Auditor's remuneration	**15,182**	13,671
Trustee's remuneration	**11,643**	11,232
Cost of inventories recognised as an expense	**689,633**	662,389
Net exchange loss (included in administrative and other expenses)	**37,322**	99,419
Loss on disposal of property, plant and equipment (included in administrative and other expenses)	**794**	5,438
Operating lease payments on rented premises	**21,033**	9,189
Share of tax of a joint venture (included in the share of results of joint ventures)	**9,186**	-
Share of tax of associates (included in the share of results of associates)	**77**	1,023
and after crediting:		
Net reversal of allowance for doubtful debts	**1,006**	3,539
Dividend income from equity investments	**24,433**	22,254
Rental income from investment properties less related outgoings of HK$329,203,000 (2015: HK$377,748,000)	**2,420,011**	2,132,266

10. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends paid:		
- Final dividend of HK47 cents in respect of the financial year ended 31 December 2015 (2015: HK47 cents in respect of the financial year ended 31 December 2014) per ordinary share	**313,854**	308,550
- Special final dividend of HK$2 in respect of the financial year ended 31 December 2015 per ordinary share	**1,335,556**	-
	1,649,410	308,550
- Interim dividend of HK27 cents in respect of the financial year ended 31 December 2016 (2015: HK27 cents in respect of the financial year ended 31 December 2015) per ordinary share	**182,882**	179,468
	1,832,292	488,018

On 22 June 2016, a final dividend of HK47 cents per ordinary share and a special dividend of HK$2 per ordinary share, which included scrip dividend alternatives offered to shareholders, were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2015.

On 16 June 2015, a final dividend of HK47 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2014.

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

	2016 HK$'000	2015 HK$'000
Dividends:		
Cash	**80,321**	88,334
Share alternative	**233,533**	220,216
	313,854	308,550

Dividends proposed:		
- Proposed final dividend of HK48 cents in respect of the financial year ended 31 December 2016 (2015: HK47 cents in respect of the financial year ended 31 December 2015) per ordinary share	**325,186**	312,421
- Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2016 (2015: HK$2 in respect of the financial year ended 31 December 2015) per ordinary share	**338,735**	1,329,450
	663,921	1,641,871

The proposed final dividends in respect of the financial year ended 31 December 2016 is subject to approval by the shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2016	2015
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**2,769,792**	3,312,335

	2016	2015
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**675,826,600**	664,529,644
Effect of dilutive potential shares:		
Share options	**1,486,520**	326,504
Weighted average number of shares for the purpose of diluted earnings per share	**677,313,120**	664,856,148

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	HK$'000
Trade debtors, net of allowance for doubtful debts	**351,051**	307,589
Deferred rent receivables	**212,136**	150,139
Other receivables	**147,057**	190,983
Deposits and prepayments	**253,248**	220,103
	963,492	868,814

For sales of goods, the Group allows an average credit period of 30 - 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. For hotel income, the Group allows a credit period of 30 days to certain customers.

Deposits and prepayments mainly consist of prepaid expenses for hotel operations.

12. DEBTORS, DEPOSITS AND PREPAYMENTS - continued

The following is an analysis of trade debtors by age, presented based on the invoice date, net of allowance for doubtful debts:

	2016	2015
	HK$'000	HK$'000
0 - 3 months	**196,219**	174,990
3 - 6 months	**20,277**	20,219
Over 6 months	**134,555**	112,380
	351,051	307,589

13. CREDITORS, DEPOSITS AND ACCRUALS

	2016	2015
	HK$'000	HK$'000
Trade creditors	**302,488**	275,804
Deposits received	**837,679**	851,666
Construction fee payable and retention money payable	**62,187**	33,938
Accruals, interest payable and other payables	**2,273,734**	2,015,058
	3,476,088	3,176,466

Included in accruals and other payables is accrual of stamp duty of HK$963,475,000 (2015: HK$963,475,000) which is based on the current applicable stamp duty rate of 4.25% (2015: 4.25%) and the stated consideration of HK$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Three Garden Road (formerly known as Citibank Plaza) upon listing.

Apart from the above, accruals and other payables mainly consist of accrued operating expenses for the hotels.

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

	2016	2015
	HK$'000	HK$'000
0 - 3 months	**282,071**	229,449
3 - 6 months	**2,630**	13,856
Over 6 months	**17,787**	32,499
	302,488	275,804