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)

2018 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 2018 as follows:

	Year ended 31 December		
	2018 *HK$ million*	2017 *HK$ million*	Change
Key Financials on Income Statement			
Based on core business[1]			
Revenue based on core business	**6,661.6**	**6,187.6**	**7.7%**
Core profit after tax attributable to equity holders	**1,995.4**	**1,900.0**	**5.0%**
Core profit after tax attributable to equity holders (per share)	**HK$2.86**	**HK$2.77**	
Based on statutory accounting principles[2]			
Revenue based on statutory accounting principles	**10,156.2**	**8,948.1**	**13.5%**
Statutory Profit attributable to equity holders	**5,810.7**	**8,817.9**	**- 34.1%**
Interim Dividend (per share)	**HK$0.33**	**HK$0.30**	
Special Interim Dividend (per share)	**-**	**HK$0.50**	
Final Dividend (per share)	**HK$0.50**	**HK$0.48**	
Special Final Dividend (per share)	**-**	**HK$0.50**	
Total Dividend (per share)	**HK$0.83**	**HK$1.78**	

[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	
	Dec 2018	**Jun 2018**
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	1.0%	1.3%
Book value (per share)	HK$113.7	HK$110.9
Based on statutory accounting principles[2]		
Net gearing [3]	20.7%	21.5%
Book value (per share)	HK$99.3	HK$96.7

[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 65.99%, 62.93% and 49.97% equity stake of Champion REIT, LHI and the U.S. Fund respectively as at the end of December 2018.

[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		
	2018	2017	
	HK$ million	*HK$ million*	Change
Revenue from core business			
Hotels Division	4,393.0	3,957.7	11.0%
Gross Rental Income	230.8	227.6	1.4%
Management Fee Income from Champion REIT	396.8	359.5	10.4%
Distribution Income from Champion REIT^	1,008.9	928.0	8.7%
Distribution Income from LHI^	258.4	270.2	- 4.4%
Other operations	373.7	444.6	- 15.9%
Total Revenue	**6,661.6**	**6,187.6**	**7.7%**
Hotel EBITDA	854.3	726.7	17.6%
Net Rental Income	182.3	172.9	5.4%
Management Fee Income from Champion REIT	396.8	359.5	10.4%
Distribution Income from Champion REIT^	1,008.9	928.0	8.7%
Distribution Income from LHI^	258.4	270.2	- 4.4%
Operating income from other operations	144.3	215.6	- 33.1%
Operating Income from core business	**2,845.0**	**2,672.9**	**6.4%**
Depreciation	(225.2)	(178.1)	26.4%
Impairment on an available-for-sale investment	-	(127.4)	n.a.
Administrative and other expenses	(464.3)	(438.4)	5.9%
Other income	109.4	59.9	82.6%
Interest income	132.0	70.5	87.2%
Finance costs	(174.9)	(139.4)	25.5%
Share of results of joint ventures	(10.4)	(26.6)	- 60.9%
Share of results of associates	0.8	0.6	33.3%
Core profit before tax	**2,212.4**	**1,894.0**	**16.8%**
Income taxes	(217.6)	5.0	n.m.
Core profit after tax	**1,994.8**	**1,899.0**	**5.0%**
Non-controlling interests	0.6	1.0	n.m.
Core profit attributable to equity holders	**1,995.4**	**1,900.0**	**5.0%**

^ Under the Group's statutory profit, annual results of Champion REIT, LHI and the U.S. Fund are consolidated on the Group's income statement. However, the Group's core profit is based on attributable distribution income from Champion REIT, LHI and the U.S. Fund.

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

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

31 December 2018

	Assets	**Liabilities**	**Net Assets**
	HK$ million	***HK$ million***	***HK$ million***
Great Eagle operations	**36,890**	**10,671**	**26,219**
Champion REIT	**56,283**	**11,700**	**44,583**
LHI	**12,816**	**4,661**	**8,155**
The U.S. Fund	**1,135**	**695**	**440**
	107,124	**27,727**	**79,397**

31 December 2017

	Assets	Liabilities	Net Assets
	HK$ million	*HK$ million*	*HK$ million*
Great Eagle operations	35,644	10,090	25,554
Champion REIT	51,536	11,411	40,125
LHI	12,220	4,489	7,731
The U.S. Fund	1,387	873	514
	100,787	26,863	73,924

Financial Figures based on statutory accounting principles

	Year ended 31 December		
	2018 *HK$ million*	2017 *HK$ million*	Change
Revenue based on statutory accounting principles			
Hotels Division	6,022.8	5,490.7	9.7%
Gross Rental Income	230.8	227.6	1.4%
Other operations (including management fee income from Champion REIT)	770.5	804.2	- 4.2%
Gross Rental Income - Champion REIT	2,965.0	2,699.9	9.8%
Gross Rental Income - LHI	615.5	607.6	1.3%
Gross Revenue - U.S. Fund	664.4	182.7	263.7%
Elimination on Intragroup transactions	(1,112.8)	(1,064.6)	4.5%
Consolidated Total Revenue	**10,156.2**	**8,948.1**	**13.5%**
Hotel EBITDA	854.3	726.7	17.6%
Net Rental Income	182.3	172.9	5.4%
Operating income from other operations	541.1	575.1	- 5.9%
Net Rental Income - Champion REIT	2,116.7	1,906.4	11.0%
Net Rental Income - LHI	587.0	580.7	1.1%
Net Operating Income - U.S. Fund	(105.5)	46.4	n.m.
Elimination on Intragroup transactions	(12.0)	(12.8)	- 6.3%
Consolidated Operating Income	**4,163.9**	**3,995.4**	**4.2%**
Depreciation	(712.5)	(620.3)	14.9%
Fair value changes on investment properties	6,660.6	10,876.4	- 38.8%
Fair value changes on derivative financial instruments	(77.5)	(65.3)	18.7%
Fair value changes on financial assets at fair value through profit or loss	(37.6)	57.0	n.m.
Impairment on an available-for-sale investment	-	(127.4)	n.a.
Administrative and other expenses	(511.7)	(458.1)	11.7%
Other income (including interest income)	259.9	194.8	33.4%
Finance costs	(821.3)	(660.0)	24.4%
Share of results of joint ventures	(10.4)	(26.6)	- 60.9%
Share of results of associates	0.8	0.6	33.3%
Statutory profit before tax	**8,914.2**	**13,166.5**	**- 32.3%**
Income taxes	(526.5)	(377.6)	39.4%
Statutory profit after tax	**8,387.7**	**12,788.9**	**- 34.4%**
Non-controlling interests	90.7	(145.8)	n.m.
Non-controlling unitholders of Champion REIT	(2,667.7)	(3,825.2)	- 30.3%
Statutory profit attributable to equity holders	**5,810.7**	**8,817.9**	**- 34.1%**

OVERVIEW

Despite a challenging year that was full of economic and political uncertainties, the Group's business has been resilient, as reflected by a 7.7% growth in the Group's core revenue in 2018. Furthermore, the soft opening of the Group's first Eaton hotel in the U.S., the Eaton, Washington D.C., in August 2018 marked an important step in the global expansion of our revamped Eaton brand, which caters for the social lifestyle and needs of emerging travellers. Another highlight of the Group was the soft launch of ONTOLO, our upcoming luxury residential project in Pak Shek Kok on 20 September 2018. The 723-units project, which commands spectacular sea views over Tolo Harbour, should be available for pre-sale in the second half of 2019.

In respect of divestments, as the asset manager of the U.S. Fund, we took advantage of a strong office market in Seattle, and disposed of the U.S. Fund's remaining office building, the Dexter Horton, for US$151 million in December 2018, which was acquired by the U.S. Fund for US$124.5 million in September 2015. As the closing of the sale was in January 2019, the related distribution and disposal asset management fee will be booked in the interim results of 2019.

The Group's core revenue rose by 7.7% to HK$6,661.6 million in 2018 (2017: HK$6,187.6 million), driven by a 11.0% increase in revenue from the Hotels Division, followed by a 9.2% increase in income from Champion REIT, which comprised distribution and management fee income during the period. Correspondingly, core operating income for the Group increased by 6.4% to HK$2,845.0 million in 2018 (2017: HK$2,672.9 million).

Administrative and other expenses increased by 5.9% to HK$464.3 million in 2018 (2017: HK$438.4 million), attributable to the increased headcount, as well as the booking of early stage pre-selling expense for the Pak Shek Kok luxury residential project.

Net interest expense declined in 2018, as the growth in interest income, led by higher deposit rates during 2018, more than offset the impact of increased interest expenses. Net interest expense declined by 37.7% to HK$42.9 million in 2018 (Net interest expense in 2017: HK$68.9 million). Share of losses of joint ventures in 2018 dropped by 60.9% to HK$10.4 million, attributable to the reduced loss incurred in the Dalian development project. Profit attributable to equity holders rose by 5.0% to HK$1,995.4 million in 2018 (2017: HK$1,900.0 million).

BUSINESS REVIEW

Breakdown of Operating Income	**Year ended 31 December**		
	2018	**2017**	
	HK$ million	***HK$ million***	**Change**
1. Hotels EBITDA	854.3	726.7	17.6%
2. Income from Champion REIT	1,405.7	1,287.5	9.2%
3. Distribution Income from LHI	258.4	270.2	- 4.4%
4. Net Rental Income from investment properties	182.3	172.9	5.4%
5. Operating Income from other operations	144.3	215.6	- 33.1%
Operating Income from core business	**2,845.0**	**2,672.9**	**6.4%**

1. HOTELS DIVISION

Hotels Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPAR (local currency)	
	2018	2017	2018	2017	2018	2017	2018	2017
Europe								
The Langham, London	380	378	79.6%	77.2%	366	329	292	254
North America								
The Langham, Boston	317	317	73.7%	76.5%	310	300	229	230
The Langham Huntington, Pasadena	379	377	71.7%	70.9%	283	285	203	202
The Langham, Chicago	316	316	75.4%	74.2%	402	380	303	282
The Langham, New York, Fifth Avenue*	234	216	80.4%	78.6%	578	536	465	422
Eaton, Washington D.C.#	209	-	37.7%	-	239	-	90	-
Chelsea Hotel, Toronto	1,590	1,590	82.7%	77.7%	170	160	140	124
Australia/New Zealand								
The Langham, Melbourne	388	388	87.7%	87.1%	313	305	274	266
The Langham, Sydney	97	98	82.0%	82.2%	461	438	378	360
Cordis, Auckland**	407	316	79.8%	90.9%	235	243	187	221
China								
The Langham, Shanghai, Xintiandi	356	356	81.8%	74.9%	1,670	1,744	1,367	1,306
Cordis, Shanghai, Hongqiao^	394	279	54.3%	39.4%	926	883	503	348

* Rebranded from Langham Place in December 2017

** Rebranded from The Langham in November 2017

^ Soft-opened in May 2017

\# Soft-opened in August 2018

	Year ended 31 December		
	2018	**2017**	
	HK$ million	***HK$ million***	**Change**
Hotel Revenue			
Europe	**632.8**	529.3	19.6%
North America	**2,252.3**	2,048.9	9.9%
Australia/New Zealand	**810.5**	804.9	0.7%
China	**519.1**	410.1	26.6%
Others (including hotel management fee income)	**178.3**	164.5	8.4%
Total Hotel Revenue	**4,393.0**	3,957.7	11.0%
Hotel EBITDA			
Europe	**156.7**	120.1	30.5%
North America	**290.0**	297.9	- 2.7%
Australia/New Zealand	**134.2**	132.1	1.6%
China	**151.0**	71.9	110.0%
Others (including hotel management fee income)	**122.4**	104.7	16.9%
Total Hotel EBITDA	**854.3**	726.7	17.6%

Revenue of the Hotels Division, which comprised twelve hotels and other Hotels Division related business such as hotel management fee income, increased by 11.0% to HK$4,393.0 million in 2018. EBITDA of the Hotels Division recorded a much higher growth of 17.6% to HK$854.3 million.

Please note that year-on-year growths for our hotels below refer to percentage growth in local currencies.

EUROPE
The Langham, London
After the completion of the renovation works in 2017, the hotel was able to capture more demand for suites from long stay Middle East guests in 2018, as well as strong demand from corporate and retail travellers, resulting in a 11% increase in average room rate and a 2 percentage points improvement in occupancy for the hotel in 2018. Revenue from food and beverage ("F&B") rose by 10%, driven by improved revenue at The Wigmore bar, which was fully operational in 2018 after its renovation in the year before, as well as by the improvement in the catering segment.

NORTH AMERICA
The Langham, Boston
A major renovation that was scheduled to start in the second half of 2018 has been postponed to April 2019 in order to coordinate works with a neighbouring property. Hence, 2018's operational performance slackened as a result of the hotel's strategic plan to slow down its room sales in preparation for the planned renovation. Although the hotel did make up for some of the lost business as soon as the postponement was confirmed, the decision to postpone the renovation also impacted revenue from F&B, which dropped by 5% due to the planned renovation as the catering team did not actively market banqueting business for the second half of 2018.

The Langham Huntington, Pasadena
The hotel continued to face challenging market conditions given the weak demand from both corporate and retail segments. Nonetheless, the hotel still managed to capture some corporate and retail business in 2018, which resulted in a slight improvement in occupancy but average room rate declined by 1% during the year. Revenue from F&B was flat in 2018 as compared with the prior year, considering that improved businesses at the restaurants were offset by decline in catering business.

The Langham, Chicago
After receiving multiple prestigious accolades in the lodging industry thanks to its luxurious product and service offerings, the hotel has firmly established itself as one of the most luxurious hotels in Chicago and demonstrated steady progress in its performance. Average room rate rose by 6% with a 1 percentage point increase in occupancy during 2018. Revenue from F&B was steady in 2018 as compared with that in the prior year.

The Langham, New York, Fifth Avenue (rebranded from Langham Place in December 2017)
After the completion of the refurbishment in 2017, the hotel demonstrated good performance in 2018 with a 19% increase in room revenue due to improved average rates and an increase in the number of available rooms. The hotel enjoyed a good market mix of retail, corporate and group businesses. Revenue from F&B rose by 43% in 2018 as compared with the prior year, supported by banquet business from corporate meetings and events.

Eaton, Washington D.C.
The opening for the majority of the hotel's 209-guestrooms commenced in August 2018, whereas the openings for restaurants, bars and Eaton House, the hotel's co-work office facility, were staggered from September 2018 to November 2018. The hotel continues to build recognition with well supported media coverage of the brand. Guest comments have been very positive and continued growth of market share is expected. The hotel made a loss in 2018, attributable to early stage ramp up operating loss and the booking of a pre-opening expense.

Chelsea Hotel, Toronto
The hotel witnessed healthy results for 2018, benefitting from buoyant local market conditions, supported by strong citywide conventions. Given the hotel's accommodative pricing, the hotel's RevPAR grew more than those of its competitive set which were supported by a good mix of retail, corporate group and aircrew business. Revenue from F&B rose by 1% in 2018, with improved restaurant business offset by slower catering business from conferences and events.

AUSTRALIA/NEW ZEALAND
The Langham, Melbourne
Performance of the hotel was held back by a planned renovation originally commenced in September 2018, which was subsequently postponed. This has affected the hotel's ability to secure larger groups and events for the fourth quarter of 2018. Nonetheless, the hotel reacted promptly upon confirmation of the postponement of renovations and strategically targeted at retail leisure business to make up for the lost group business. Revenue from F&B declined by 9% in 2018 on reduced catering business.

The Langham, Sydney
The hotel's operations continued to ramp up since its re-opening after a major renovation which was completed in 2017. The hotel benefitted from its focused strategy to drive business from the retail segment during weekends, making it possible for the hotel to deliver a 5% increase in average room rate in 2018. Revenue from F&B rose by 6% owing to improved catering business during the period and the opening of a newly renovated Bar in the fourth quarter of 2018.

Cordis, Auckland (rebranded from The Langham in November 2017)
The Hotel was affected by the slower recognition of the Cordis brand in the market as well as a renovation that was completed in the first quarter of 2018. These adverse effects abated as the year progressed with meaningful improvement witnessed in the fourth quarter of 2018. Revenue from F&B rose by 7% due to improvement in restaurant business.

There is unutilized plot ratio in the site for the Cordis, Auckland. The Group had applied in 2018 for the construction of an additional 244 rooms on the site, which were subsequently approved by the local planning department. Detailed design for the expansion has commenced, with construction scheduled to complete ahead of the 2021 Auckland APEC summit event.

CHINA
The Langham, Shanghai, Xintiandi
Group and corporate demand remained weak in 2018 and the hotel continued to focus on retail leisure business. While the hotel managed to improve its occupancy by 7 percentage points in 2018, average room rate declined by 4.0% during the period. Revenue from F&B dropped by 10% during the period due to weaker business from the Chinese restaurant and banqueting business.

Cordis, Shanghai, Hongqiao
After the hotel's soft opening on 26 May 2017, the hotel continues to build momentum in increasing its revenue and gradually gains market share as it has become fully operational during 2018. As a result, there was a substantial improvement in occupancy and the hotel turned into profit after a loss was incurred in 2017, when there was a booking of pre-opening charge amounting to HK$19 million.

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. The increase in "Others" was primarily due to an increase in hotel management fee income for 2018, resulted from stronger performance of the managed hotels, where majority of the hotel's operations have ramped up.

HOTEL MANAGEMENT BUSINESS
As at the end of December 2018, there were eight hotels with approximately 2,400 rooms in our management portfolio. The most recent hotel added to the portfolio was The Langham hotel in Hefei with 249 rooms.

2. INCOME FROM CHAMPION REIT

The Group's core profit is based on the attributable distribution income and management fee income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in 2018 increased by 9.2% to HK$1,405.7 million. Of which, distribution income rose 8.7% to HK$1,008.9 million, as the REIT declared a 7.9% increase in distribution per unit and our holdings in the REIT has been increased from 65.69% as at the end of December 2017 to 65.99% as at the end of December 2018. Given higher net property income of Champion REIT, together with increased agency leasing commission income in 2018, these have led to an overall 10.4% growth in management fee income from Champion REIT, which came to HK$396.8 million in 2018.

	Year ended 31 December		
	2018	2017	
	HK$ million	*HK$ million*	Change
Attributable Dividend income	1,008.9	928.0	8.7 %
Management fee income	396.8	359.5	10.4 %
Total income from Champion REIT	**1,405.7**	**1,287.5**	**9.2%**

The following text was extracted from the 2018 annual results announcement of Champion REIT relating to the performance of the REIT's properties.

Three Garden Road
The property was almost fully-let. After reaching a new high in the middle of 2018, occupancy further edged up to another record of 99.1% as at 31 December 2018. The latest rents achieved for the property exceeded HK$140 per sq. ft. (based on lettable area), well above the passing rent of HK$98.61 per sq. ft. (based on lettable area) as at 31 December 2018 (2017: HK$92.52 per lettable sq. ft.). Total rental income amounted to HK$1,390 million in 2018, increased by 12.9% compared with HK$1,232 million in 2017. Net property income of the property surged 14.2% to HK$1,270 million.

Langham Place Office Tower
Total rental income of the property amounted to HK$350 million in 2018, increased by 1.7% (2017: HK$344 million), mainly attributable to positive rental reversion. Passing rents improved to HK$42.68 per sq. ft. (based on gross floor area) as at 31 December 2018, which still represented a gap to the latest achieved rents of over HK$50 per sq. ft. (based on gross floor area). The property was fully occupied as at 31 December 2018. Net property income was HK$322 million, increased by 1.2% (2017: HK$318 million).

Langham Place Mall
Total rental income increased by 9.5% to HK$937 million in 2018, mainly driven by growth in turnover rent to HK$187 million (2017: HK$116 million). Positive rental reversion drove up passing base rents to HK$184.28 per lettable sq. ft. as at 31 December 2018, an increase of 4.3%. Net property income increased to HK$813 million, climbed 10.5% from HK$736 million in 2017 on higher rental income.

3. DISTRIBUTION INCOME FROM LHI

Under 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, 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 2018, LHI declared a 8.9% decline in distribution per share stapled unit. However, our share of distribution income received from LHI only declined by 4.4% to HK$258.4 million for 2018, as all of our units held are entitled to distribution in 2018. As compared with 2017, during which distribution entitlement in respect of our 50 million share stapled units held was waived, all of our holdings will be entitled to receive distribution payable from this year onwards.

	Year ended 31 December 2018 HK$ million	2017 HK$ million	Change
Attributable Distribution income	258.4	270.2	- 4.4%

Performances of the Hong Kong hotels below were extracted from the 2018 annual results announcement of LHI relating to the performance of the trust group's properties.

	Average Daily Rooms Available		Occupancy		Average Room Rate (in HK$)		RevPAR (in HK$)	
	2018	2017	2018	2017	2018	2017	2018	2017
The Langham, Hong Kong	498	498	91.2%	88.8%	2,336	2,135	2,130	1,895
Cordis, Hong Kong	666	663	95.0%	93.9%	1,806	1,660	1,715	1,559
Eaton HK	405	465	87.0%	94.4%	1,114	986	969	931

The Langham, Hong Kong

The Langham, Hong Kong, welcomed an increased number of arrivals from Mainland China, followed by arrivals from other Asia countries including Korea, Singapore, Thailand and Malaysia. Given the hotel's strategy which focuses on driving high spending leisure and business travellers, this helped the hotel report a 9.4% increase in average rate and a 12.4% increase in RevPAR in 2018. F&B revenue for the hotel rose by 2.4% year-on-year in 2018. The increase was driven by the growth in business from T'ang Court, which has received the prestigious Michelin three-star rating for the third consecutive year, as well as improved business at the Palm Court. However, banqueting business was relatively soft in 2018.

Cordis, Hong Kong

Cordis, Hong Kong, with its more accommodative pricing point in the high end hotel spectrum witnessed growth from arrivals across different geographic regions. In addition to the growth in arrivals from Mainland China in 2018, the hotel witnessed growth in business from other segments, such as long-haul markets including the U.S. and the UK. Revenue from F&B also witnessed a growth of 4.5% year-on-year in 2018 which was mostly contributed by strong banquet business.

Eaton HK

Eaton HK has undergone a spectacular transformation with extensive renovation in its F&B outlets, common areas, facilities and some of its rooms in 2018, becoming the first hotel in Hong Kong to focus immensely on culture, socialization and the community. The designs are amongst the most stylish and targeted to attract millennials, who are looking for a thorough experience-based stay. As the renovation works were completed in 2018, the hotel's RevPAR started to recover in the second half of 2018. RevPAR rose by 4.1% in 2018 as compared with only 1.1% growth in RevPAR in the first half of the year. Revenue from F&B at Eaton HK was up 10.6% in 2018, following the completion of the renovation works in its F&B outlets which commenced in 2017.

4. RENTAL INCOME FROM INVESTMENT PROPERTIES

	Year ended 31 December		
	2018 *HK$ million*	2017 *HK$ million*	Change
Gross rental income			
Great Eagle Centre	142.4	139.1	2.4%
Eaton Residence Apartments	57.0	53.7	6.1%
Others^	31.4	34.8	- 9.8%
	230.8	**227.6**	**1.4%**

Net rental income			
Great Eagle Centre	139.8	136.2	2.6%
Eaton Residence Apartments	37.6	34.6	8.7%
Others^	4.9	2.1	133.3%
	182.3	**172.9**	**5.4%**

^ Rental income of the 2700 Ygnacio property in the U.S. was included under "Others" and the property was sold in early 2017.

Great Eagle Centre

	As at the end of		
	Dec 2018	Dec 2017	Change
Office (on lettable area)			
Occupancy	**98.8%**	**100.0%**	*- 1.2ppt*
Average passing rent	**HK$68.6**	**HK$67.2**	*2.1%*
Retail (on lettable area)			
Occupancy	**99.4%**	**99.3%**	*0.1ppt*
Average passing rent	**HK$100.6**	**HK$98.4**	*2.2%*

Office occupancy at the Great Eagle Centre is almost full at 98.8% as at the end of December 2018. As asking rents rose, there was a 2.1% growth in the average passing rent for the leased office space at Great Eagle Centre, which increased from HK$67.2 per sq. ft. as at December 2017 to HK$68.6 per sq. ft. as at December 2018. Gross rental income for Great Eagle Centre rose by 2.4% to HK$142.4 million in 2018, whereas net rental income rose by 2.6% to HK$139.8 million. The Group intend to take up additional space for in-house expansion in 2019, which will reduce available space to let for third parties going forward.

Eaton Residence Apartments

	Year ended 31 December		
	2018	**2017**	**Change**
(on gross floor area)			
Occupancy	**86.6%**	83.4%	*3.2ppt*
Average net passing rent	**HK$33.2**	HK$31.5	*5.4%*

Recovered demand from the corporate and retail segment helped boost the occupancy of the portfolio, which comprised of serviced apartments at the Village Road, the Wanchai Gap Road and Blue Pool Road. Occupancy rose from 83.4% in 2017 to 86.6% in 2018. Average net passing rent for the three serviced apartments rose by 5.4% to HK$33.2 per sq. ft. on gross floor area in 2018, as compared with HK$31.5 per sq. ft. in 2017. Gross rental income rose by 6.1% year-on-year to HK$57.0 million in 2018, and net rental income increased by 8.7% year-on-year to HK$37.6 million for 2018.

5. OPERATING INCOME FROM OTHER OPERATIONS

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

In 2018, operating income from other business operations dropped by 33.1% to HK$144.3 million (2017: HK$215.6 million), the decline was in part due to a high base for comparison, as 2017's results included a one-off HK$70.0 million in distribution income for our investment in the China Fund.

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 December 2018, the Group held 49.97% interest in the U.S. Fund and acts as its 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, it has already disposed of three office buildings with attractive returns by the end of 2016. The progress of other projects still held by the U.S. Fund are as follows:

The Austin, San Francisco

The site, located at 1545 Pine Street, San Francisco was acquired 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, and within easy reach from the burgeoning technology cluster in Mid-Market. The development with gross floor area of approximately 135,000 sq. ft. comprised 100 studio, one- and two-bedroom residences. Construction work started in the first quarter of 2016 and was completed by December 2017. The property was highly acclaimed by Wallpaper Magazine as an embodiment of Californian modernism. Out of 100 units, 87 were sold and handed to buyers by the end of 2018. The profitability of this small project would be minimal.

Cavalleri, Malibu
The acquisition of the residential property with 68 rental apartment units in Malibu, California was completed in September 2015. Malibu is a sought-after high-end coastal residential area in Los Angeles, where regulatory development constraints establish high barriers to entry and currently no similar competing properties are available for sale or under development. The U.S. Fund has successfully repositioned the units to high-end products with renovation works completed in 2018. As at the end of December 2018, several offers from mostly institutional buyers had been received for an en-bloc sale of the project, whereas the sale is expected to close in the first half of 2019. A loss is expected to be incurred for this investment.

Dexter Horton, Seattle
The office building in Seattle that the U.S. Fund 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. 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.

The U.S. Fund had successfully completed its value-added strategy on this building by reshuffling the tenant mix towards more of tenants from technology sector who pay higher rents, in addition, the U.S. Fund took advantage of a strong office market in Seattle, and have disposed of the property for US$151 million in December 2018. However, as the closing of the sale was in January 2019, the related distribution and disposal asset management fee will be booked in the interim results of 2019.

DEVELOPMENT PROJECTS

Hong Kong and China

ONTOLO, Pak Shek Kok
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 723 residential units.

In terms of development progress, the main superstructure works commenced in July 2017, and a majority of the buildings were topped out in late 2018, completion of the main superstructure work is scheduled by the end of 2019.

Meanwhile, the fitting out contract was awarded in June 2018 and the project is expected to complete in early 2020 with presale of the residential apartments in the second half of 2019 at the earliest. Currently, works are being carried out on the design of the sales office making sure that it will be ready for deployment once the presale permit is granted. The 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 of 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 has been developed in two phases: Phase I comprises approximately 800 apartments and Phase II comprises the remaining apartments and the hotel.

Phase I development was completed by the end of 2018. However, Phase II development work has not yet been commenced pending local housing demand is strong enough to minimise development risk. At the same time, the Group is also considering other options which would allow the joint venture to recoup its invested capital. The Group's share of net asset value in the project, including HK$661.5 million invested in the preferred shares of the project with a fixed rate of return, was HK$1,128 million as at 31 December 2018.

During 2018, 86 apartments were sold at an average selling price of approximately RMB18,000 per sq. m., which was higher than that of the same period in 2017 at approximately RMB17,000 per sq. m. On an accumulated basis, a total of 481 apartments were sold as at the end of December 2018, representing 60% of the total number of Phase I units.

In terms of revenue recognition, sales of a total of 196 apartments (2017: 40 apartments), including those that were presold in prior years, were recognised as these units had been completed and handed over to buyers in 2018. In addition, sales of 96 car parking spaces were recognised with higher margins. As revenue rose in 2018, after-tax loss for our interest in the project was reduced to HK$4.9 million, compared with a loss of HK$23.1 million in 2017. Our share of the loss was included under the share of results of joint ventures in the core profit of the Group for the year.

Japan

Tokyo Hotel Redevelopment Project

The Group acquired a hotel redevelopment site situated in close proximity to the landmark Roppongi Hills Midtown, Tokyo for JPY22.2 billion in 2016. Subsequently, the Group made follow up acquisition of surrounding small adjoining parcels of land to support the application for an increase in plot ratio of the site. Based on a higher plot ratio, total gross floor area of the expanded site is approximately 379,100 sq. ft.

World renowned architect, Kengo Kuma & Associates has been commissioned to design this 280-key flagship The Langham Hotel. Demolition of the existing structures is complete, planning application has been submitted to the local government, and the contractor tender process will start in the second quarter of 2019 with construction expected to commence in 2020.

Artistic rendering only

United States

San Francisco Hotel Development Project, 1125 Market Street

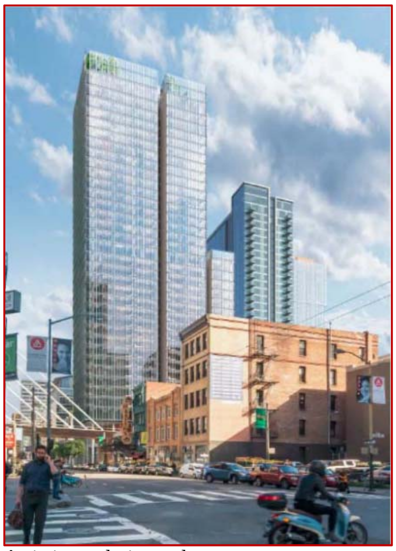
The Group acquired a site in San Francisco for US$19.8 million in May 2015. The land located at 1125 Market Street was the last remaining vacant lot in San Francisco's Mid-Market district and is situated opposite to San Francisco's City Hall.

The site has been earmarked for the development of an "Eaton" hotel. After optimizing the design, the property can achieve a gross floor area of approximately 139,000 sq. ft. with 180-key. Updated plans were submitted to the city's planning department in August 2018 for approval. Construction of the project will start after the development rights for the hotel are approved by the city's planning department and construction documents are completed. The famous AvroKO group has been commissioned as the interior designer for this iconic Eaton Hotel project. Assuming development approval will be granted in 2019, construction would start in 2020 with opening of the hotel targeted in 2022/2023.

Artistic rendering only

San Francisco Hotel Redevelopment Projects, 555 Howard Street

555 Howard Street is a redevelopment project located right across the new Transbay Transit Center, the recently launched US$4.5 billion transportation hub, in the heart of The East Cut San Francisco's new central business district in the South of Market (SOMA) area. The Group completed the acquisition of this untitled site with an estimated gross floor area of 430,000 sq. ft. for US$45.6 million in April 2015.


Artistic rendering only

The world renowned international architecture firm Renzo Piano Building Workshop has been commissioned to design this prestigious project in collaboration with the acclaimed California architect Mark Cavagnero Associates. As compared with the initial plan to develop a mixed-use project comprising the 240-key luxurious Langham Hotel and condominiums with 100,000 net sq. ft. for sale, the revised plan is to build a hotel with 400+ keys so as to optimize the efficiency of the project. Entitlement for the all hotel scheme was submitted in December 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. Although the Seattle site has already been approved for the development of a hotel, we are evaluating an opportunity to expand the development's floor area, and incorporate residential component to the project, so as to further enhance the financial attractiveness of the project. We have again brought in world renowned architect, Kengo Kuma & Associates, to design this landmark mixed use development project.

OUTLOOK

While global uncertainties, especially the US-China trade war, have yet to be resolved, negative effects started to appear since the fourth quarter of 2018, as witnessed by slowdowns in different countries and across multiple industries. Nonetheless, as central governments around the world are proactively launching stimulus programs and retracting tightening monetary policies to counter economic slowdowns, we expect our business to perform steadily in 2019 unless there is an abrupt downturn in the global economy.

In 2019, we target to launch our residential development project, ONTOLO in Pak Shek Kok. Notwithstanding that the project enjoys breathtaking view over the Tolo Harbour, and that the latest state of the art technologies including a comprehensive property management mobile application will be deployed, market and buyers sentiment will still play a key role in determining the pace of unit sale for the project. Pre-selling expenses to be incurred for the project will increase even further in 2019.

As for the Hotels Division, growth of EBITDA for the overall overseas hotels is expected to slow meaningfully in 2019 after achieving a strong performance in 2018. While performance of the newly opened hotel, the Eaton, Washington D.C., and the relatively new hotel, Cordis, Hongqiao, is expected to improve as their operations continue to ramp up in 2019, the improvement will be offset by lower EBITDA of Langham Boston, which will undergo major renovations in 2019.

For Champion REIT, the growth trend of the Trust's office portfolio should be sustainable in 2019. In the case of Three Garden Road and Langham Place Office Tower, the market rents are well above the passing rents, it is anticipated that the office portfolio will deliver a stable growth thanks to positive rental reversion. The retail market, on the other hand, could be vulnerable to an economic downturn, with a high base effect in a sluggish market environment, the sales growth of Langham Place Mall is unlikely to repeat in 2019.

Despite heightened geopolitical risks and potential headwinds in the medium term, the Group has secured a number of development projects in prior years when asset values were cheaper. As these projects complete, recurring income from these projects should enhance the growth of the Group's future earnings. At the same time, our strong balance sheet, as well as a strong recurring cash flow will enable us to comfortably add investments in markets where asset values are suppressed. We will continue to look for opportunities prudently in the uncertain times ahead.

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 2018 was HK$21,856 million, an decrease of HK$450 million compared to that as of 31 December 2017. The decrease in net borrowings was mainly due to cash generated from operations, in particular the property sales in the US during the year, offset by additional loans drawn for development project in Hong Kong.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2018 and the depreciated costs of the Group's hotel properties (including Hong Kong hotel properties held by LHI), amounted to HK$69,353 million, representing an increase of HK$4,884 million compared to the value of HK$64,469 million as of 31 December 2017. The increase was mainly attributable to profit for the period, increase in share premium from additional shares issued under employee share option scheme and after offsetting by dividends paid out 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 65.99%, 62.93% 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 2018 was 20.7%. 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 debt at 31 December 2018	**On Consolidated Basis** ***HK$ million***	**On Core Balance Sheet Basis** ***HK$ million***
Great Eagle	**776**	**776**
Champion REIT	**13,469**	**-**
LHI	**6,878**	**-**
U.S. Fund	**733**	**-**
Net debts	**21,856**	**776**

Net debts attributable to Shareholders of the Group	**14,360**	**776**
Equity Attributable to Shareholders of the Group	**69,353**	**79,397**
Net Gearing ratio^	**20.7%**	**1.0%**

^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 notes) after consolidating Champion REIT, LHI and the U.S. Fund amounted to HK$31,275 million as of 31 December 2018.

Outstanding gross debts[(1)(2)]	Floating rate debts *HK$ million*	Fixed rate debts *HK$ million*	Utilised facilities *HK$ million*
Secured bank loans	**15,578**	**10,128**[(5)]	**25,706**[(3)]
Medium Term Notes	**843**	**4,726**[(4)]	**5,569**
Total	**16,421**	**14,854**	**31,275**
%	**52.5%**	**47.5%**	**100%**

(1) All amounts were stated at face value.
(2) All debt facilities were denominated in Hong Kong Dollars except for (3) and (4) below.
(3) Equivalence of HK$6,247 million was originally denominated in other currencies.
(4) Included a US dollars note of principal amount of US$386.4 million, conversion of which was fixed at an average rate of HK$7.7595 to US$1.00.
(5) Included floating rate debts which had been swapped to fixed rate debts. As at 31 December 2018, the Group had outstanding interest rate swap contracts with notional amount equivalent to HK$8,380 million to manage the interest rate exposure. The Group also entered into cross currency swaps with notional amount equivalent to HK$1,748 million in total, to mitigate the exposure to fluctuation in both exchange rate and interest rate of Japanese YEN.

LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2018, our cash, bank deposits and undrawn loan facilities amounted to a total of HK$14,364 million. The majority of our loan facilities were 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 notes) as of 31 December 2018:

Within 1 year	15.9%
More than 1 year but not exceeding 2 years	29.5%
More than 2 years but not exceeding 5 years	46.2%
More than 5 years	8.4%

FINANCE COST

The net consolidated finance cost during the year was HK$731 million in which HK$69 million was capitalised to property development projects. Overall interest cover at the reporting date was 5.4 times.

PLEDGE OF ASSETS

At 31 December 2018, properties of the Group with a total carrying value of approximately HK$67,594 million (31 December 2017: HK$64,253 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2018, the Group had authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$8,374 million (31 December 2017: HK$8,795 million) of which HK$150 million (31 December 2017: HK$230 million) was contracted for.

At 31 December 2018, the Group had outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to approximately HK$33 million) (31 December 2017: RMB25.8 million).

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

FINAL DIVIDEND

The Company aims to provide its shareholders with a target annual dividend payout of not less than 25% of the core profit after tax attributable to equity holders in any financial year subject to the following factors:

1. the Company's actual and expected cash flow positions and financial performance;
2. projected capital expenditure, future expansion plans and growth opportunities;
3. the Group's debts to equity ratio, return on equity and the relevant financial covenants;
4. general economic conditions and business cycle of the Group's core business;
5. general expectation of shareholders and investors of the Company; and
6. any other factors that the Board deems appropriate.

The Board will declare dividends semi-annually. The payment of final dividend is subject to the approval of Shareholders and scrip dividend distribution option will be provided for the election of the Shareholders in relation to the payment of final dividend in any financial year.

This dividend policy and the declaration and/or payment of dividends under this policy are subject to the Board's continuing determination that this dividend policy and the declaration and/or payment of dividends would be in the best interests of the Group and the Shareholders, and are in compliance with all applicable laws and regulations. Details on the dividend policy of the Company will be provided in the Corporate Governance Report of the Company.

Taking into account the Company’s expected cash flow positions and projected capital expenditure, the Board recommends the payment of a final dividend of HK50 cents per share (2017: HK48 cents per share and a special final dividend of HK50 cents per share) for the year ended 31 December 2018 to the Shareholders subject to the approval of the Shareholders at the forthcoming 2019 Annual General Meeting (the “2019 AGM”).

Taken together with the interim dividend of HK33 cents per share paid on 19 October 2018, the total dividend for the year 2018 is HK83 cents per share (2017 total dividend: HK$1.78 per share, comprising an interim dividend of HK30 cents, a special interim dividend of HK50 cents, a final dividend of HK48 cents and a special final dividend of HK50 cents).

Shareholders will be given the option to receive the proposed 2018 final dividend of HK50 cents per share in new shares in lieu of cash (the “Scrip Dividend Arrangement”). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed 2018 final dividend at the 2019 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 June 2019. Dividend warrants and share certificates in respect of the proposed 2018 final dividend are expected to be despatched to the Shareholders on 8 July 2019.

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 2019 AGM

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2019 AGM, the Registers of Members will be closed from Thursday, 16 May 2019 to Wednesday, 22 May 2019, both days inclusive.

In order to be eligible to attend and vote at the 2019 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 Wednesday, 15 May 2019.

(ii) To qualify for the proposed 2018 final dividend

For the purpose of ascertaining the Shareholders' entitlement to the proposed 2018 final dividend, the Registers of Members will be closed from Wednesday, 29 May 2019 to Monday, 3 June 2019, both days inclusive.

In order to qualify for the proposed 2018 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, 28 May 2019.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The 2019 AGM of the Company will be held on Wednesday, 22 May 2019. The notice of 2019 AGM together with the 2018 Annual Report and all other relevant documents (the "Documents") will be despatched to the Shareholders before the end of April 2019. 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 CG Code and Corporate Governance Report. 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 Management.

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

While the Bye-laws 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 before the end of April 2019.

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 2018 Director Development Program provided by the Company.

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

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

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 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2018, 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 2018, the total number of issued shares of the Company was 698,647,038. A total of 10,057,000 new shares were issued during the year.

- On 11 June 2018, 6,719,000 new shares were issued at the price of HK$36.96 per share pursuant to the Scrip Dividend Arrangement in respect of the 2017 final dividend. Details of the Arrangement were set out in the announcement published by the Company on 7 May 2018 and the circular to the Shareholders dated 10 May 2018 respectively.

- During the year ended 31 December 2018, 3,338,000 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 2018 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 2018 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 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, 6 March 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	4	**10,156,180**	8,948,104
Cost of goods and services		**(5,992,257)**	(4,952,689)
Operating profit before depreciation		**4,163,923**	3,995,415
Depreciation		**(712,514)**	(620,324)
Operating profit		**3,451,409**	3,375,091
Fair value changes on investment properties		**6,660,669**	10,876,356
Fair value changes on derivative financial instruments		**(77,541)**	(65,276)
Fair value changes on financial assets at fair value through profit or loss		**(37,618)**	56,975
Other income	6	**259,866**	194,866
Impairment loss on an available-for-sale investment		**-**	(127,349)
Administrative and other expenses		**(511,718)**	(458,133)
Finance costs	7	**(821,256)**	(660,012)
Share of results of joint ventures		**(10,389)**	(26,598)
Share of results of associates		**773**	570
Profit before tax		**8,914,195**	13,166,490
Income taxes	8	**(526,500)**	(377,559)
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	9	**8,387,695**	12,788,931
Profit for the year attributable to:			
Owners of the Company		**5,810,713**	8,817,852
Non-controlling interests		**(90,760)**	145,844
		5,719,953	8,963,696
Non-controlling unitholders of Champion REIT		**2,667,742**	3,825,235
		8,387,695	12,788,931
Earnings per share:	11		
Basic		**HK$8.33**	HK$12.83
Diluted		**HK$8.31**	HK$12.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 **HK$'000**	2017 HK$'000
Profit for the year, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	**8,387,695**	12,788,931
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income	**(122,078)**	-
Share of other comprehensive expense of an associate	**(13,655)**	-
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	**-**	174,993
Reclassification adjustment upon disposal of available-for-sale investments	**-**	(2,043)
Exchange differences arising on translation of foreign operations	**(231,759)**	419,957
Share of other comprehensive (expense) income of a joint venture	**(44,880)**	58,284
Share of other comprehensive income of an associate	**-**	13,062
Cash flow hedges:		
Fair value adjustment on cross currency swaps and interest rate swaps designated as cash flow hedges	**(8,540)**	(39,856)
Reclassification of fair value adjustments to profit or loss	**(509)**	3,626
Other comprehensive (expense) income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**(421,421)**	628,023
Total comprehensive income for the year, before deducting amounts attributable to non-controlling unitholders of Champion REIT	**7,966,274**	13,416,954
Total comprehensive income for the year attributable to:		
Owners of the Company	**5,390,474**	9,452,732
Non-controlling interests	**(88,883)**	151,472
	5,301,591	9,604,204
Non-controlling unitholders of Champion REIT	**2,664,683**	3,812,750
	7,966,274	13,416,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTES	2018	2017
		HK$'000	HK$'000
Non-current assets			
Investment properties		**89,408,450**	83,999,025
Property, plant and equipment		**19,630,708**	19,716,816
Interests in joint ventures		**1,352,771**	1,411,273
Interests in associates		**68,755**	159,491
Equity instruments at fair value through other comprehensive income		**900,472**	-
Available-for-sale investments		**-**	907,261
Notes and loan receivables		**339,100**	309,247
Derivative financial instruments		**66,322**	64,887
		111,766,578	106,568,000
Current assets			
Stock of properties		**4,685,334**	4,569,586
Inventories		**145,990**	109,627
Debtors, deposits and prepayments	12	**995,993**	1,019,764
Notes and loan receivables		**-**	23,382
Financial assets at fair value through profit or loss		**230,032**	139,261
Derivative financial instruments		**71**	-
Tax recoverable		**1,054**	109,851
Restricted cash		**170,798**	92,917
Time deposits with original maturity over three months		**702,833**	1,879,586
Bank balances and cash		**8,544,217**	6,491,562
		15,476,322	14,435,536
Asset classified as held for sale		**1,182,557**	-
		16,658,879	14,435,536
Current liabilities			
Creditors, deposits and accruals	13	**3,882,883**	3,730,729
Derivative financial instruments		**-**	236
Provision for taxation		**104,119**	188,219
Distribution payable		**271,748**	250,799
Borrowings due within one year		**4,981,198**	1,656,371
		9,239,948	5,826,354
Net current assets		**7,418,931**	8,609,182
Total assets less current liabilities		**119,185,509**	115,177,182

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	2018	2017
	HK$'000	HK$'000
Non-current liabilities		
Derivative financial instruments	**99,969**	20,723
Borrowings due after one year	**20,643,663**	24,353,881
Medium term notes	**5,536,292**	4,612,054
Deferred taxation	**1,395,342**	1,362,093
	27,675,266	30,348,751
NET ASSETS	**91,510,243**	84,828,431
Equity attributable to:		
Owners of the Company		
Share capital	**349,324**	344,295
Share premium and reserves	**69,003,488**	64,124,417
	69,352,812	64,468,712
Non-controlling interests	**(547,961)**	(346,792)
	68,804,851	64,121,920
Net assets attributable to non-controlling unitholders of Champion REIT	**22,705,392**	20,706,511
	91,510,243	84,828,431

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, operations of hotel, restaurant and co-working space, manager of real estate investment trust, trading of building materials, securities investment, provision of property management, maintenance and property agency services, property leasing and asset management.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as disclosed below, the application of the new and 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

<u>HKFRS 15 "Revenue from Contracts with Customers"</u>

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Hotel income (including hotel room revenue, food and beverage sales and other ancillary services)
- Building management service income
- Sales of properties
- Sales of goods
- Others (including property management and maintenance income and property agency commission)

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

<u>HKFRS 15 "Revenue from Contracts with Customers"</u> **-** continued

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	HK$'000	HK$'000
Debtors, deposits and prepayments			
- Retention money receivables	-	17,520	17,520
- Other receivables	220,075	(17,520)	202,555
Creditors, deposits and accruals			
- Customer deposits and other deferred revenue	-	226,483	226,483
- Deposits received	914,974	(196,344)	718,630
- Accruals, interest payable and other payables	2,128,525	(30,139)	2,098,386

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Debtors, deposits and prepayments			
- Retention money receivables	11,368	(11,368)	-
- Other receivables	242,949	11,368	254,317
Creditors, deposits and accruals			
- Customer deposits and other deferred revenue	245,370	(245,370)	-
- Deposits received	820,214	218,190	1,038,404
- Accruals, interest payable and other payables	2,184,004	27,180	2,211,184

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue recognised in the current year and retained profits at 1 January 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 9 "Financial Instruments" and the related amendments

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities; ii) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts); and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement". In addition, the Group applied the hedge accounting prospectively.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments HK$'000	Equity instruments at fair value through other comprehensive income HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000
Closing balance at 31 December 2017 - HKAS 39	907,261	-	217,565	50,143,577
Effect arising from initial application of HKFRS 9:				
Reclassification				
From available-for-sale investments (note)	(907,261)	907,261	(168,080)	168,080
Opening balance at 1 January 2018	-	907,261	49,485	50,311,657

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

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 9 "Financial Instruments" and the related amendments **-** continued

Summary of effects arising from initial application of HKFRS 9 **-** continued

Note:

Available-for-sale investments

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale ("AFS"), of which investments with carrying amounts of HK$41,103,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future.

At the date of initial application of HKFRS 9, HK$907,261,000 were reclassified from AFS investments to equity instruments at fair value through other comprehensive income ("FVTOCI"), of which HK$41,103,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. Based on the Group's fair value measurement of those unquoted equity investments, their aggregate carrying amounts of HK$41,103,000 as at 31 December 2017 approximate to their fair values. In addition, impairment loss previously recognised of HK$168,080,000 were transferred from retained profits to investment revaluation reserve as at 1 January 2018.

Impacts on opening of consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening of consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 (Restated) HK$'000
AFS investments	907,261	-	(907,261)	-
Equity instruments at FVTOCI	-	-	907,261	907,261
Debtors, deposits and prepayments				
- Retention money receivables	-	17,520	-	17,520
- Other receivables	220,075	(17,520)	-	202,555
Creditors, deposits and accruals				
- Customer deposits and other deferred revenue	-	226,483	-	226,483
- Deposits received	914,974	(196,344)	-	718,630
- Accruals, interest payable and other payables	2,128,525	(30,139)	-	2,098,386
Investment revaluation reserve	217,565	-	(168,080)	49,485
Retained profits	50,143,577	-	168,080	50,311,657

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except as described below, the Directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations will have no material impact on the results and the financial position of the Group in the foreseeable future.

<u>HKFRS 16 "Leases"</u>

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$44,350,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, as at 31 December 2018, the Group currently consider refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

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 2017.

4. REVENUE

Revenue represents the aggregate of income from hotel operation, gross rental income, building management service income, income from sale of properties, proceeds from sale of building materials, dividend income from investments and income from other operations (including property management and maintenance income and property agency commission).

	2018 **HK$'000**	2017 HK$'000
Hotel income	**5,950,684**	5,421,744
Rental income from investment properties	**2,943,531**	2,686,664
Building management service income	**313,521**	294,392
Sales of properties	**578,156**	107,224
Sales of goods	**197,478**	167,753
Dividend income	**26,247**	99,604
Others	**146,563**	170,723
	10,156,180	8,948,104

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 the 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").

5. SEGMENT INFORMATION - continued

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

Hotel operation	-	hotel accommodation, food and banquet operations as well as hotel management.
Property investment	-	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Property development	-	income from selling of properties held for sale.
Other operations	-	sale of building materials, co-working space 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 income from sale of properties, rental income and related expenses of the property owned by the US Real Estate Fund.

Segment results of Champion REIT represent the published net property income less manager's fee. Segment results of Langham represent revenue less property related expenses and services fees. Segment results of US Real Estate Fund represent revenue less fund related expenses. Segment results of other operating segments 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"), impairment loss on an AFS investment, 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.

5. SEGMENT INFORMATION - continued

The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

Segment revenue and results

2018

	Hotel operation	Property investment	Property development	Other operations	Sub-total	Champion REIT	Langham	US Real Estate Fund	Eliminations	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE										
External revenue	5,950,684	230,159	-	370,288	6,551,131	2,940,311	375	664,363	-	10,156,180
Inter-segment revenue	72,132	682	-	400,209	473,023	24,661	615,125	-	(1,112,809)	-
Total	6,022,816	230,841	-	770,497	7,024,154	2,964,972	615,500	664,363	(1,112,809)	10,156,180

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation	Property investment	Property development	Other operations	Sub-total	Champion REIT	Langham	US Real Estate Fund	Eliminations	Consolidated
RESULTS										
Segment results	854,304	182,285	-	541,156	1,577,745	2,116,684	587,002	(105,480)	(12,028)	4,163,923
Depreciation					(520,895)	-	(190,981)	-	(638)	(712,514)
Operating profit after depreciation					1,056,850	2,116,684	396,021	(105,480)	(12,666)	3,451,409
Fair value changes on investment properties					305,424	6,411,601	-	(66,491)	10,135	6,660,669
Fair value changes on derivative financial instruments					(67,351)	-	(10,190)	-	-	(77,541)
Fair value changes on financial assets at FVTPL					(37,618)	-	-	-	-	(37,618)
Other income					111,560	-	-	1,226	(12,795)	99,991
Administrative and other expenses					(466,976)	(27,399)	(12,331)	(14,953)	9,941	(511,718)
Net finance costs					(42,880)	(400,005)	(188,639)	(29,857)	-	(661,381)
Share of results of joint ventures					(10,389)	-	-	-	-	(10,389)
Share of results of associates					773	-	-	-	-	773
Profit before tax					849,393	8,100,881	184,861	(215,555)	(5,385)	8,914,195
Income taxes					(186,222)	(288,824)	(51,589)	-	135	(526,500)
Profit for the year					663,171	7,812,057	133,272	(215,555)	(5,250)	8,387,695
Less: Profit attributable to non-controlling interests/non-controlling unitholders of Champion REIT					561	(2,667,742)	(49,948)	140,147	-	(2,576,982)
Profit attributable to owners of the Company					663,732	5,144,315	83,324	(75,408)	(5,250)	5,810,713

5. SEGMENT INFORMATION - continued

Segment revenue and results - continued

2017

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE										
External revenue	5,421,744	226,902	-	438,080	6,086,726	2,677,779	886	182,713	-	8,948,104
Inter-segment revenue	68,977	682	-	366,090	435,749	22,120	606,687	-	(1,064,556)	-
Total	5,490,721	227,584	-	804,170	6,522,475	2,699,899	607,573	182,713	(1,064,556)	8,948,104

Inter-segment revenue are charged at prevailing market rates or at mutually agreed prices where no market price was available. They are recognised when services are provided.

	Hotel operation HK$'000	Property investment HK$'000	Property development HK$'000	Other operations HK$'000	Sub-total HK$'000	Champion REIT HK$'000	Langham HK$'000	US Real Estate Fund HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS										
Segment results	726,661	172,941	-	575,097	1,474,699	1,906,356	580,707	46,445	(12,792)	3,995,415
Depreciation					(431,468)	-	(188,367)	-	(489)	(620,324)
Operating profit after depreciation					1,043,231	1,906,356	392,340	46,445	(13,281)	3,375,091
Fair value changes on investment properties					891,975	9,850,151	-	139,130	(4,900)	10,876,356
Fair value changes on derivative financial instruments					(61,705)	-	(3,571)	-	-	(65,276)
Fair value changes on financial assets at FVTPL					56,975	-	-	-	-	56,975
Impairment loss on an AFS investment					(127,349)	-	-	-	-	(127,349)
Other income					103,330	1,515	146	658	(694)	104,955
Administrative and other expenses					(424,486)	(22,182)	(11,071)	(6,821)	6,427	(458,133)
Net finance costs					(68,912)	(330,909)	(151,571)	(18,709)	-	(570,101)
Share of results of joint ventures					(26,598)	-	-	-	-	(26,598)
Share of results of associates					570	-	-	-	-	570
Profit before tax					1,387,031	11,404,931	226,273	160,703	(12,448)	13,166,490
Income taxes					(57,910)	(265,279)	(54,541)	-	171	(377,559)
Profit for the year					1,329,121	11,139,652	171,732	160,703	(12,277)	12,788,931
Less: Profit attributable to non-controlling interests/non-controlling unitholders of Champion REIT					1,034	(3,825,235)	(64,888)	(81,990)	-	(3,971,079)
Profit attributable to owners of the Company					1,330,155	7,314,417	106,844	78,713	(12,277)	8,817,852

6. OTHER INCOME

	2018	2017
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**126,871**	71,925
Financial assets at FVTPL	**8,578**	674
Notes receivable	**8,406**	9,055
Others	**16,020**	8,257
	159,875	89,911
Gain on disposal of equity securities	**-**	2,043
Net exchange gain	**-**	49,917
Gain on disposal of property, plant and equipment	**-**	508
Recovery of bad debts	**645**	455
Income arising from historical tax credit	**86,064**	45,491
Sundry income	**13,282**	6,541
	259,866	194,866

7. FINANCE COSTS

	2018	2017
	HK$'000	HK$'000
Interest on bank borrowings	**648,473**	513,204
Interest on medium term notes	**176,868**	142,986
Other borrowing costs	**65,045**	69,738
	890,386	725,928
Less: amount capitalised	**(69,130)**	(65,916)
	821,256	660,012

8. INCOME TAXES

	2018	2017
	HK$'000	HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**379,379**	353,420
Other jurisdictions	**100,227**	(23,105)
	479,606	330,315
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(1,830)**	(3,150)
Other jurisdictions	**2,170**	13,400
	340	10,250
	479,946	340,565

8. INCOME TAXES - continued

	2018 HK$'000	2017 HK$'000
Deferred tax:		
Current year	**46,271**	175,529
Underprovision in prior years	**283**	8
Attributable to change in tax rate	**-**	(138,543)
	46,554	36,994
	526,500	377,559

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

	2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	**2,592,289**	2,387,595
Share-based payments (including Directors' emoluments)	**30,674**	22,639
	2,622,963	2,410,234
Depreciation	**712,514**	620,324
Auditor's remuneration	**15,801**	16,223
Trustee's remuneration	**14,084**	12,548
Cost of inventories recognised as an expense	**692,546**	639,453
Write-down of properties held for sale (included in cost of goods and services)	**183,660**	-
Net exchange loss (included in administrative and other expenses)	**2,275**	-
Fitting-out works of hotel buildings written off	**3,985**	-
Allowance for doubtful debts	**1,162**	695
Operating lease payments on rented premises	**19,661**	14,766
Share of tax of a joint venture (included in the share of results of joint ventures)	**6,349**	1,297
Share of tax of associates (included in the share of results of associates)	**73**	98

9. PROFIT FOR THE YEAR - continued

	2018 HK$'000	2017 HK$'000
and after crediting:		
Gain on disposal of property, plant and equipment (included in other income)	**-**	508
Net exchange gain (included in other income)	**-**	49,917
Recovery of bad debts	**645**	455
Dividend income from		
- AFS investments	**-**	91,599
- equity instruments at FVTOCI	**20,947**	-
- financial assets at FVTPL	**5,300**	8,005
Rental income from investment properties less related outgoings of HK$219,106,000 (2017: HK$233,102,000)	**2,724,425**	2,453,562

10. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividends paid:		
- Final dividend of HK48 cents in respect of the financial year ended 31 December 2017 (2017: HK48 cents in respect of the financial year ended 31 December 2016) per ordinary share	**331,748**	326,694
- Special final dividend of HK50 cents in respect of the financial year ended 31 December 2017 (2017: HK50 cents in respect of the financial year ended 31 December 2016) per ordinary share	**345,573**	340,309
	677,321	667,003
- Interim dividend of HK33 cents in respect of the financial year ended 31 December 2018 (2017: HK30 cents in respect of the financial year ended 31 December 2017) per ordinary share	**230,539**	206,543
- Special interim dividend of HK50 cents in respect of the financial year ended 31 December 2017 per ordinary share	**-**	344,239
	230,539	550,782
	907,860	1,217,785

On 11 June 2018, a final dividend of HK48 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, and a special final dividend of HK50 cents per ordinary share were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2017.

On 22 June 2017, a final dividend of HK48 cents per ordinary share, which included scrip dividend alternatives offered to shareholders, and a special final dividend of HK50 cents per ordinary share were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2016.

10. DIVIDENDS - continued

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

	2018 HK$'000	2017 HK$'000
Dividends:		
Cash	**83,414**	74,352
Share alternative	**248,334**	252,342
	331,748	326,694

	2018 HK$'000	2017 HK$'000
Dividends proposed:		
- Proposed final dividend of HK50 cents in respect of the financial year ended 31 December 2018 (2017: HK48 cents in respect of the financial year ended 31 December 2017) per ordinary share	**349,324**	330,523
- Proposed special final dividend of HK50 cents in respect of the financial year ended 31 December 2017 per ordinary share	**-**	344,295
	349,324	674,818

The proposed final dividends in respect of the financial year ended 31 December 2018 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:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**5,810,713**	8,817,852

	2018	2017
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**697,631,167**	687,092,750
Effect of dilutive potential shares:		
Share options	**1,457,145**	5,152,743
Weighted average number of shares for the purpose of diluted earnings per share	**699,088,312**	692,245,493

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	HK$'000
Trade debtors, net of allowance for doubtful debts	**247,768**	247,448
Deferred rent receivables	**170,453**	184,129
Retention money receivables	**11,368**	-
Other receivables	**242,949**	220,075
Deposits and prepayments	**323,455**	368,112
	995,993	1,019,764

Included in the balance of debtors, deposits and prepayments are trade debtors (net of impairment losses) of HK$247,768,000 (2017: HK$247,448,000). For hotel income and 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.

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

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

	2018	2017
	HK$'000	HK$'000
Within 3 months	**238,004**	212,835
More than 3 months but within 6 months	**3,626**	8,425
Over 6 months	**6,138**	26,188
	247,768	247,448

13. CREDITORS, DEPOSITS AND ACCRUALS

	2018	2017
	HK$'000	HK$'000
Trade creditors	**261,003**	337,435
Deposits received	**820,214**	914,974
Customer deposits and other deferred revenue	**245,370**	-
Construction fee payable and retention money payable	**372,292**	349,795
Accruals, interest payable and other payables (note)	**2,184,004**	2,128,525
	3,882,883	3,730,729

Note:

Included in the accruals is accrual of stamp duty based on the current stamp duty rate of 4.25% (2017: 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 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:

	2018	2017
	HK$'000	HK$'000
Within 3 months	**244,176**	314,700
More than 3 months but within 6 months	**5,149**	5,500
Over 6 months	**11,678**	17,235
	261,003	337,435